WEST VIRGINIA LEGISLATURE
REGULAR SESSION, 1965

ENROLLED

SENATE BILL NO. 136

(By Mr. Taylor of Kanawha)

PASSED March 9, 1965

In Effect Ninety days from Passage

FILED IN THE OFFICE OF
JOE F. BURDETT
SECRETARY OF STATE
THIS DATE 3-18-65
AN ACT to amend article five, chapter thirty-three of the code of West Virginia, one thousand nine hundred thirty-one, as amended, by adding thereto a new section, designated section thirty, relating to insider trading.

Be it enacted by the Legislature of West Virginia:

That article five, chapter thirty-three of the code of West Virginia, as amended, be amended by adding thereto a new section, designated section thirty, to read as follows:


Section 30. Insider Trading.—(a) Every person who is directly or indirectly the beneficial owner of more than ten per cent of any class of any equity security of a do-
mestic stock insurance company, or who is a director or
an officer of such company, shall file in the office of the
commissioner on or before the thirty-first day of January,
one thousand nine hundred sixty-six, or within ten days
after he becomes such beneficial owner, director or officer
a statement, in such form as the commissioner may pre-
scribe, of the amount of all equity securities of such com-
pany of which he is the beneficial owner, and within ten
days after the close of each calendar month thereafter, if
there has been a change in such ownership during such
month, shall file in the office of the commissioner a state-
ment, in such form as the commissioner may prescribe,
indicating his ownership at the close of the calendar
month and such changes in his ownership as have oc-
curred during such calendar month.

(b) For the purpose of preventing the unfair use of
information which may have been obtained by such bene-
"ficial owner, director or officer by reason of his relation-
ship to such company, any profit realized by him from any
purchase and sale, or any sale and purchase, of any equity
security of such company within any period of less than
six months, unless such security was acquired in good
faith in connection with a debt previously contracted,
shall inure to and be recoverable by the company, irre-
spective of any intention on the part of such beneficial
owner, director or officer in entering into such transaction
of holding the security purchased or of not repurchasing
the security sold for a period exceeding six months. An
action to recover such profit may be instituted in any
court of competent jurisdiction by the company, or by the
owner of any security of the company in the name and in
behalf of the company if the company shall fail or refuse
to bring such action within sixty days after request or
shall fail diligently to prosecute the same thereafter; but
no such action shall be brought more than two years after
the date such profit was realized. This section shall not
be construed to cover any transaction where such bene-
ficial owner was not such both at the time of the purchase
and sale, or the sale and purchase, of the security in-
volved, or any transaction or transactions which the com-
missioner by rules and regulations may exempt as not
comprehended within the purpose of this section.
It shall be unlawful for any such beneficial owner, director or officer, directly or indirectly, to sell any equity security of such company if the person selling the security or his principal (i) does not own the security sold, or (ii) if owning the security, does not deliver it against such sale within twenty days thereafter, or does not within five days after such sale deposit it in the mails or other usual channels of transportation; but no person shall be deemed to have violated this section if he proves that notwithstanding the exercise of good faith he was unable to make such delivery or deposit within such time, or that to do so would cause undue inconvenience or expense.

The provisions of paragraph (b) of this act shall not apply to any purchase and sale, or sale and purchase, and the provisions of paragraph (c) of this act shall not apply to any sale of an equity security of a domestic stock insurance company not then or theretofore held by him in an investment account, by a dealer in the ordinary course of his business and incident to the establishment or maintenance by him of a primary or secondary market (otherwise than on an exchange as defined in the securi-
ties exchange act of one thousand nine hundred thirty-four) for such security. The commissioner may, by such rules and regulations as he deems necessary or appropriate in the public interest, define and prescribe terms and conditions with respect to securities held in an investment account and transactions made in the ordinary course of business and incident to the establishment or maintenance of a primary or secondary market.

(e) The provisions of paragraphs (a), (b) and (c) of this act shall not apply to foreign or domestic arbitrage transactions unless made in contravention of such rules and regulations as the commissioner may adopt in order to carry out the purposes of this act.

(f) The term "equity security" when used in this act means any stock or similar security; or any security convertible, with or without consideration, into such a security, or carrying any warrant or right to subscribe to or purchase such a security; or any such warrant or right; or any other security which the commissioner shall deem to be of similar nature and consider necessary or appropriate, by such rules and regulations as he may prescribe.
in the public interest or for the protection of investors, to treat as an equity security.

(g) The provisions of paragraphs (a), (b) and (c) of this act shall not apply to equity securities of a domestic stock insurance company if (i) such securities shall be registered, or shall be required to be registered, pursuant to section twelve of the securities exchange act of one thousand nine hundred thirty-four, as amended, or if (ii) such domestic stock insurance company shall not have any class of its equity securities held of record by one hundred or more persons on the last business day of the year next preceding the year in which equity securities of the company would be subject to the provisions of paragraphs (a), (b) and (c) of this act except for the provisions of this subsection (ii).

(h) The commissioner shall have the power to make such rules and regulations as may be necessary for the execution of the functions vested in him by paragraphs (a) through (g) of this act, and may for such purpose classify domestic stock insurance companies, securities, and other persons or matters within his jurisdiction. No
provision of paragraphs (a), (b) and (c) of this act imposing any liability shall apply to any act done or omitted in good faith in conformity with any rule or regulation of the commissioner, notwithstanding that such rule or regulation may, after such act or omission, be amended or rescinded or determined by judicial or other authority to be invalid for any reason.

(i) This act shall take effect January first, one thousand nine hundred sixty-six.
The Joint Committee on Enrolled Bills hereby certifies that the foregoing bill is correctly enrolled.

Chairman Senate Committee

Chairman House Committee

Originated in the Senate.

Takes effect Ninety days from Passage.

Clerk of the Senate

Clerk of the House of Delegates

President of the Senate

Speaker House of Delegates

The within approved this the 18th day of March, 1965.

Governor
Presented to Governor's Field
Mar. 13, 1965
11:05 a.m.