

1 **Senate Bill No. 506**

2 (By Senators Tucker and Fitzsimmons)

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[Introduced March 13, 2013; referred to the Committee on Banking
and Insurance; and then to the Committee on the Judiciary.]

10 A BILL to amend and reenact §31A-4-8 of the Code of West Virginia,
11 1931, as amended, relating to directors of state-chartered
12 banking institutions; and providing an alternate means of
13 meeting the residency requirement for a majority of the
14 directors of a state-chartered banking institution.

15 *Be it enacted by the Legislature of West Virginia:*

16 That §31A-4-8 of the Code of West Virginia, 1931, as amended,
17 be amended and reenacted to read as follows:

18 **ARTICLE 4. BANKING INSTITUTIONS AND SERVICES GENERALLY.**

19 **§31A-4-8. Directors, their qualifications and oaths.**

20 For every state-chartered banking institution there shall be
21 a board of not less than five nor more than twenty-five directors,
22 who shall meet at least once each month and who shall have power to
23 do, or cause to be done, all things that are proper to be done by

1 the banking institution; and a majority of whom shall at all times
2 be United States citizens and ~~residents of~~ reside either within
3 this state or within one hundred miles of any physical office of
4 the banking institution: *Provided,* That the Commissioner of
5 Banking, upon application from banking institutions with deposits
6 greater than \$500 million, ~~dollars~~ may issue a waiver from the
7 minimum number of meeting requirements established by this section
8 and allow no fewer than four quarterly meetings for such
9 institutions: *Provided, however,* That at least four of the board
10 of directors meetings of any state-chartered banking institution
11 shall be held within the State of West Virginia. Every such
12 director shall own capital stock in the banking institution of
13 which he or she is a director. Said director must own shares in
14 the aggregate par value of not less than \$500, an exception being
15 that if a bank holding company has control of that banking
16 institution, shares owned by a director of the subsidiary bank in
17 the controlling bank holding company will satisfy the requirements
18 of this section: *Provided further,* That the director owns, in his
19 or her own right, common or preferred stock of the controlling bank
20 holding company in an amount equal to or greater than any one of
21 the following: (i) Aggregate par value of \$500; (ii) aggregate
22 shareholders' equity of \$500; or (iii) aggregate fair market value
23 of \$500. Determination of the fair market value of the controlling

1 bank holding company's stock shall be based upon the value of that
2 stock on the date it was purchased or on the date the person became
3 a director, whichever is greater. If a bank holding company
4 controls more than one bank subsidiary, a director owning at least
5 \$500 of the shares of a bank holding company is qualified, if
6 otherwise permitted by applicable law, to serve as a director of
7 every bank subsidiary controlled by that bank holding company.
8 Before entering on the discharge of his or her duties as such
9 director, he or she shall take an oath that he or she will, so far
10 as the duty devolves upon him or her, diligently and honestly
11 administer the affairs of the banking institution, and that he or
12 she will not knowingly or willingly permit to be violated any of
13 the provisions of the laws of this state relative to banking and
14 banking institutions, and that the stock standing in his or her
15 name upon the books of the banking institution is not hypothecated
16 or pledged in any way as security for loans obtained from or debts
17 owing to the banking institution of which he or she is a director,
18 and that the number of shares necessary to qualify a stockholder to
19 be a director are not now, and shall not at any time while he or
20 she serves as a director, be pledged or hypothecated in any manner
21 for any debt or obligation of the director or any other person;
22 which oath subscribed by him or her and certified by the officer
23 before whom it was taken shall be filed and preserved in the office

1 of the Commissioner of Banking. Should a director fail to
2 subscribe to or renew the oath herein provided within sixty days
3 after notice of his or her election or reelection, or at any time
4 after qualifying as such sell or dispose of, or in any manner
5 hypothecate or pledge as security for a debt or obligation, such
6 qualifying shares, or any number thereof, necessary for his or her
7 qualification, thereupon the remaining directors shall elect
8 another director in his or her stead. No person shall serve as a
9 director of any banking institution who has evidenced personal
10 dishonesty and unfitness to serve as such director by his or her
11 conduct or practice with another financial institution which
12 resulted in a substantial financial loss or damage thereto or who
13 has been convicted of any crime involving personal dishonesty.

(NOTE: The purpose of this bill is to provide an alternate means of meeting the residency requirement applicable to the majority of the board of a West Virginia chartered banking institution.

Strike-throughs indicate language that would be stricken from the present law, and underscoring indicates new language that would be added.)