

# **WEST VIRGINIA LEGISLATURE**

**2016 REGULAR SESSION**

**Enrolled**

## **Senate Bill 415**

BY SENATOR ASHLEY

[Passed March 8, 2016;

in effect 90 days from passage]

1 AN ACT to amend and reenact §8-13-22a of the Code of West Virginia, 1931, as amended,  
2 relating to lengthening the maximum term of negotiable certificates of deposit that  
3 municipal funds are permitted to hold.

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

1 That §8-13-22a of the Code of West Virginia, 1931, as amended, be amended and  
2 reenacted to read as follows:

**ARTICLE 13. TAXATION AND FINANCE.**

**§8-13-22a. Investment of municipal funds.**

1 All municipal funds, the investment of which is not governed by other provisions of this  
2 code and not required for the payment of current obligations and not otherwise prohibited, may  
3 be invested and reinvested in:

4 (1) Any direct obligation of, or obligation guaranteed as to the payment of both principal  
5 and interest by, the United States of America;

6 (2) Any evidence of indebtedness issued by any United States government agency  
7 guaranteed as to the payment of both principal and interest, directly or indirectly, by the United  
8 States of America including, but not limited to, the following: Government National Mortgage  
9 Association, federal land banks, federal home loan banks, federal intermediate credit banks,  
10 banks for cooperatives, Tennessee Valley Authority, United States postal service, farmers home  
11 administration, export-import bank, federal financing bank, federal home loan mortgage  
12 corporation, student loan marketing association and federal farm credit banks;

13 (3) Any evidence of indebtedness issued by the Federal National Mortgage Association to  
14 the extent such indebtedness is guaranteed by the government National Mortgage Association;

15 (4) Any evidence of indebtedness that is secured by a first lien deed of trust or mortgage  
16 upon real property situate within this state, if the payment thereof is substantially insured or  
17 guaranteed by the United States of America or any agency thereof;

18 (5) Direct and general obligations of this state;

19           (6) Any undivided interest in a trust, the corpus of which is restricted to mortgages on real  
20 property and, unless all of such property is situate within the state and insured, the trust at the  
21 time of the acquisition of the undivided interest, is rated in one of the three highest rating grades  
22 by an agency which is nationally known in the field of rating pooled mortgage trusts;

23           (7) Any bond, note, debenture, commercial paper or other evidence of indebtedness of  
24 any private corporation or association: *Provided*, That any such security is, at the time of its  
25 acquisition, rated in one of the three highest rating grades by an agency which is nationally known  
26 in the field of rating corporate securities: *Provided, however*, That if any commercial paper or any  
27 such security will mature within one year from the date of its issuance, it shall, at the time of its  
28 acquisition, be rated in one of the two highest rating grades by any such nationally known agency  
29 and commercial paper or other evidence of indebtedness of any private corporation or association  
30 shall be purchased only upon the written recommendation from an investment advisor that has  
31 over \$300 million in other funds under its management;

32           (8) Negotiable certificates of deposit issued by any bank, trust company, national banking  
33 association or savings institution which mature in no more than five years and are fully  
34 collateralized;

35           (9) Interest earning deposits including certificates of deposit, with any duly designated  
36 state depository, which deposits are fully secured by a collaterally secured bond as provided in  
37 section four, article one, chapter twelve of this code: *Provided*, That a banking institution is not  
38 required to provide this collaterally secured bond, or other security in lieu of bond, if the deposits  
39 accepted are placed in certificates of deposit meeting the following requirements: (A) The funds  
40 are invested through a designated state depository selected by the municipality; (B) the selected  
41 depository arranges for the deposit of the funds in certificates of deposit in one or more banks or  
42 savings and loan associations wherever located in the United States, for the account of the  
43 municipality; (C) the full amount of principal and accrued interest of each certificate of deposit is  
44 insured by the Federal Deposit Insurance Corporation; (D) the selected depository acts as

45 custodian for the municipality with respect to such certificates of deposit issued for the  
46 municipality's account; and (E) at the same time that the municipality's funds are deposited and  
47 the certificates of deposit are issued, the selected depository receives an amount of deposits from  
48 customers of other financial institutions wherever located in the United States equal to or greater  
49 than the amount of the funds invested by the municipality through the selected depository;

50 (10) Mutual funds registered with the Securities and Exchange Commission which have  
51 assets in excess of \$300 million; and

52 (11) Deposits with any duly designated state depository that is selected and authorized by  
53 the municipality to arrange for the redeposit of the funds through a deposit placement program  
54 that meets the following conditions:

55 (a) On or after the date that the municipal funds are received the selected depository: (i)  
56 Arranges for the redeposit of the funds into deposit accounts in one or more federally insured  
57 banks or savings and loan associations that are located in the United States; and (ii) serves as  
58 custodian for the municipality with respect to the funds deposited into such accounts.

59 (b) Municipal funds deposited in a selected depository in accordance with this section and  
60 held at the close of business in the selected depository in excess of the amount insured by the  
61 Federal Deposit Insurance Corporation shall be secured in accordance with section four, article  
62 one, chapter twelve of this code.

63 (c) The full amount of the funds of the municipality redeposited by the selected depository  
64 into deposit accounts in banks or savings and loan associations pursuant to this subsection (plus  
65 accrued interest, if any) shall be insured by the Federal Deposit Insurance Corporation.

66 (d) On the same date that the funds of the municipality are redeposited pursuant to this  
67 subsection, the selected depository receives an amount of deposits from customers of other  
68 financial institutions through the direct placement program that are equal to the amount of the  
69 municipality's funds redeposited by the selected depository.