

Senate Bill No. 506

(By Senators Tucker and Fitzsimmons)

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

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

Be it enacted by the Legislature of West Virginia:

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

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

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

1 For every state-chartered banking institution there shall
2 be a board of not less than five nor more than twenty-five
3 directors, who shall meet at least once each month and who
4 shall have power to do, or cause to be done, all things that are
5 proper to be done by the banking institution; and a majority
6 of whom shall at all times be United States citizens and
7 ~~residents of~~ reside either within this state or within one
8 hundred miles of any physical office of the banking
9 institution: *Provided*, That the Commissioner of Banking,
10 upon application from banking institutions with deposits
11 greater than \$500 million, ~~dollars~~ may issue a waiver from
12 the minimum number of meeting requirements established by
13 this section and allow no fewer than four quarterly meetings
14 for such institutions: *Provided, however*, That at least four of
15 the board of directors meetings of any state-chartered
16 banking institution shall be held within the State of West
17 Virginia. Every such director shall own capital stock in the
18 banking institution of which he or she is a director. Said
19 director must own shares in the aggregate par value of not

20 less than \$500, an exception being that if a bank holding
21 company has control of that banking institution, shares
22 owned by a director of the subsidiary bank in the controlling
23 bank holding company will satisfy the requirements of this
24 section: *Provided further*, That the director owns, in his or
25 her own right, common or preferred stock of the controlling
26 bank holding company in an amount equal to or greater than
27 any one of the following: (i) Aggregate par value of \$500;
28 (ii) aggregate shareholders' equity of \$500; or (iii) aggregate
29 fair market value of \$500. Determination of the fair market
30 value of the controlling bank holding company's stock shall
31 be based upon the value of that stock on the date it was
32 purchased or on the date the person became a director,
33 whichever is greater. If a bank holding company controls
34 more than one bank subsidiary, a director owning at least
35 \$500 of the shares of a bank holding company is qualified, if
36 otherwise permitted by applicable law, to serve as a director
37 of every bank subsidiary controlled by that bank holding
38 company. Before entering on the discharge of his or her

39 duties as such director, he or she shall take an oath that he or
40 she will, so far as the duty devolves upon him or her,
41 diligently and honestly administer the affairs of the banking
42 institution, and that he or she will not knowingly or willingly
43 permit to be violated any of the provisions of the laws of this
44 state relative to banking and banking institutions, and that the
45 stock standing in his or her name upon the books of the
46 banking institution is not hypothecated or pledged in any way
47 as security for loans obtained from or debts owing to the
48 banking institution of which he or she is a director, and that
49 the number of shares necessary to qualify a stockholder to be
50 a director are not now, and shall not at any time while he or
51 she serves as a director, be pledged or hypothecated in any
52 manner for any debt or obligation of the director or any other
53 person; which oath subscribed by him or her and certified by
54 the officer before whom it was taken shall be filed and
55 preserved in the office of the Commissioner of Banking.
56 Should a director fail to subscribe to or renew the oath herein
57 provided within sixty days after notice of his or her election

58 or reelection, or at any time after qualifying as such sell or
59 dispose of, or in any manner hypothecate or pledge as
60 security for a debt or obligation, such qualifying shares, or
61 any number thereof, necessary for his or her qualification,
62 thereupon the remaining directors shall elect another director
63 in his or her stead. No person shall serve as a director of any
64 banking institution who has evidenced personal dishonesty
65 and unfitness to serve as such director by his or her conduct
66 or practice with another financial institution which resulted
67 in a substantial financial loss or damage thereto or who has
68 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.)