

**WEST VIRGINIA**  
**SECRETARY OF STATE**  
**KEN HECHLER**  
**ADMINISTRATIVE LAW DIVISION**

Form #3

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FILED  
1988 OCT 25 PM 2:58  
OFFICE OF THE SECRETARY OF STATE

**NOTICE OF AGENCY APPROVAL OF A PROPOSED RULE  
AND  
FILING WITH THE LEGISLATIVE RULE-MAKING REVIEW COMMITTEE**

AGENCY: Commissioner of Banking TITLE NUMBER: 106

CITE AUTHORITY WV Code §31A-2-4 (c) (11)

AMENDMENT TO AN EXISTING RULE: YES  NO

IF YES, SERIES NUMBER OF RULE BEING AMENDED: \_\_\_\_\_

TITLE OF RULE BEING AMENDED: \_\_\_\_\_

IF NO, SERIES NUMBER OF NEW RULE BEING PROPOSED: 6

TITLE OF RULE BEING PROPOSED: Subsidiary bank holding the stock  
of its parent company as collateral.

THE ABOVE PROPOSED LEGISLATIVE RULE HAVING GONE TO A PUBLIC HEARING OR A PUBLIC COMMENT PERIOD IS HEREBY APPROVED BY THE PROMULGATING AGENCY FOR FILING WITH THE SECRETARY OF STATE AND THE LEGISLATIVE RULE MAKING REVIEW COMMITTEE FOR THEIR REVIEW.

David S. Madsen  
Deputy Comr of Banking

FISCAL NOTE

The proposed rule will impact only upon the internal financial relationship between state chartered banks and their parent holding companies. There will be no fiscal impact outside those relationships.

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FISCAL NOTE FOR PROPOSED RULES

Rule Title: Subsidiary bank holding the stock of its parent company as collateral.

Type of Rule:  Legislative  Interpretive  Procedural

Agency Commissioner of Banking Address Room 311A, Building #3  
West Virginia Department of Banking Capitol Complex

1. Effect of Proposed Rule	ANNUAL		FISCAL YEAR		
	Increase	Decrease	Current	Next	Thereafter
Estimated Total Cost	\$	\$	\$	\$	\$
Personal Services					
Current Expense					
Repairs and Alterations	NONE				
Equipment					
Other					

2. Explanation of above estimates:  
 No impact upon public expenditures.

3. Objectives of these rules:

To bring state chartered banks and holding companies into parity with federal rules governing federally chartered counterparts, that is, to allow state chartered entities a "level playing field" with federal entities.

4. Explanation of Overall Economic Impact of Proposed Rule.

A. Economic Impact on State Government. None

B. Economic Impact on Political Subdivisions; Specific Industries; Specific groups of citizens.

State chartered banks and holding companies may achieve presently unascertainable, but probably small, collateral gains.

C. Economic Impact on Citizens/Public at Large.

None

Date: October 25, 1988,--

Signature of Agency Head or Authorized Representative

David S. Mudie

David S. Mudie, Deputy Commissioner of Banking

DATE: October 25, 1988

TO: LEGISLATIVE RULE-MAKING REVIEW COMMITTEE

FROM: West Virginia Department of Banking  
Commissioner of Banking

LEGISLATIVE RULE TITLE:

1. Authorizing statute(s) citation Chapter 31A, Article 2,  
Section 4(c)(11)
  
2. a. Date filed in State Register with Notice of Hearing:  
September 22, 1988
  
- b. What other notice, including advertising, did you  
give of the hearing?  
None
  
- c. Date of hearing (s): N/A
  
- d. Attach list of persons who appeared at hearing, comments  
received, amendments, reasons for amendments.  
Attached \_\_\_\_\_ No comments received X
  
- e. Date you filed in State Register the agency approved  
proposed Legislative Rule following public hearing:  
(be exact)  
NA - no public hearing
  
- f. Name and phone number of agency person to contact  
for additional information:  
David S. Mudie  
Deputy Commissioner of Banking  
348-2294

3. If the statute under which you promulgated the submitted rules requires certain findings and determinations to be made as a condition precedent to their promulgation:

a. Give the date upon which you filed in the State Register a notice of the time and place of a hearing for the taking of evidence and a general description of the issues to be decided.

N/A

b. Date of hearing: N/A

c. <sup>a</sup> On what date did you file in the State Register the findings and determinations required together with the reasons therefor?

N/A

d. Attach findings and determinations and reasons:

Attached N/A



STATE OF WEST VIRGINIA  
DEPARTMENT OF BANKING  
CHARLESTON 25305

SUMMARY OF PROPOSED LEGISLATIVE RULE  
Title 106, Section 6

Proposed legislative rule regarding a subsidiary bank holding the stock of its parent holding company as collateral.

This rule permits a state chartered bank to hold the stock of its parent holding company, within certain limits as collateral for an extension of credit.

The reason for the rule is to bring state chartered banks and holding companies into parity with federal rules governing federally chartered counterparts, that is, to allow state chartered entities a "level playing field" with federal entities.

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WEST VIRGINIA LEGISLATIVE RULE

COMMISSIONER OF BANKING

OFFICE OF THE  
SECRETARY OF STATE

CHAPTER 31A

SERIES 6

Title: Proposed legislative rule regarding a subsidiary bank holding the stock of its parent holding company as collateral.

Section 1. General Provisions.

1.1 Rule Designation - This rule is legislative.

1.2 Scope - This rule permits a state chartered bank to hold the stock of its parent bank holding company, within certain limits as collateral for an extension of credit.

1.3 Authority - West Virginia Code Chapter 31A, Article 2, Section 4(c)(11).

1.4 Filing Date - September 22, 1988

1.5 Effective Date -

Section 2. Holding Company Stock as Collateral.

2.1 In the case of a single state chartered bank, such bank may hold the stock of its parent company as collateral for extensions of credit as long as the amount of the fair market value of such parent bank holding company hold as collateral will not exceed 10% of the capital; and, further, as long as the aggregate amount of all such parent holding company stock held as collateral by all of such parent holding company's subsidiaries will not exceed 20% of its capital and surplus.

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Note: The purpose of this proposed rule is to clarify state law interpretations regarding a state chartered bank's ability to hold the stock of its parent bank holding company as collateral. - The proposed rule is consistent with a June 9, 1988 opinion of the Attorney General and with federal statutes which apply to banks in West Virginia.