VIRGINIA ACTS OF ASSEMBLY -- 1996 SESSION

CHAPTER 306

An Act to amend and reenact § 6.1-80 of the Code of Virginia, relating to banking and finance; preferences; qualified financial contracts.

[S 313]

Approved March 22, 1996

Be it enacted by the General Assembly of Virginia:

1. That § 6.1-80 of the Code of Virginia is amended and reenacted as follows:

§ 6.1-80. Preferences; exceptions for certain borrowings and for repurchase agreements.

Notwithstanding the provisions of § 6.1-78, any bank is authorized:

1. To pledge its assets as security for amounts of borrowed money which shall not, without the approval of the State Corporation Commission given in advance in writing, exceed in the aggregate the amount of the capital, surplus and undivided profits of such bank actually paid in or earned and remaining undiminished by losses or otherwise. The amount of assets pledged for the security of such a loan shall not without such approval, so given, exceed 150 percent of the amount borrowed. No loan in excess of the amount so permitted made to any such bank shall be invalid or illegal as to the lender, even though made without the consent of the Commission. Rediscounting with or without guarantee or indorsement of notes, drafts, bills of exchange or loans is hereby authorized and shall not be limited by the terms of this section, and shall not be considered as borrowed money within the meaning of this section;

2. To borrow from a Federal Reserve Bank or a Federal Home Loan Bank and to rediscount with and sell to a Federal Reserve Bank or a Federal Home Loan Bank any and all notes, drafts, bills of exchange, acceptances and other securities, and to give security for all money so borrowed and for all liabilities incurred by the discount of such notes, drafts, bills of exchange and other securities without restriction in like manner and to the same extent as national banks may lawfully do under the acts of Congress and regulations of the Board of Governors of the Federal Reserve System and the Federal Housing Finance Board; and

3. To pledge its assets in connection with ~~agreements for the sale and repurchase of securities~~ *qualified financial contracts*, which transactions shall be governed by this subdivision and not subdivision 1 of this section. The amount of assets pledged for ~~such obligation~~ *obligations under such contracts* shall not exceed 150 percent of the amount of the obligations, without the consent of the Commission, *and the qualified financial contract shall be in writing and approved by the board of directors of such bank or an appropriate committee, which approval shall be reflected in the minutes of such board or committee*. At the time any ~~such~~ *qualified financial contracts consisting of* retail repurchase agreements are sold by a state bank, the market value of the underlying security must be at least equal to the amount of the aggregate purchase price paid by the purchasers of the retail repurchase agreements. *"Qualified financial contract" means a qualified financial contract as defined in 12 U.S.C. § 1821 (e) (8) (D) (i), as the same may be amended, and any contract or transaction that the Commissioner determines to be a qualified financial contract for purposes of this section.*