



Texas Department of Banking

February 28, 2017

Presented to:
House Investments and Financial Services

DEPARTMENT OVERVIEW

- ★ Established in 1905 by the 29th Legislature.
- ★ Rich tradition of professional and sound regulation.
- ★ Practices and promotes fiscal responsibility.
- ★ Reduces regulatory burden by coordinating regulatory activities with other state and federal agencies.
- ★ Agency responsible for all direct and indirect costs; no cost to General Revenue Fund. Granted Self-Directed, Semi-Independent status by 81st Legislature.
- ★ Department Mission – Ensures Texas has a safe, sound and competitive financial services system.
- ★ Department Motto – “Tough but Fair.”
- ★ Banking Commissioner Charles G. Cooper
 - ★ Executive Director of Finance Commission
 - ★ Chairman of the Conference of State Bank Supervisors (CSBS)

PROFILE OF REGULATED ENTITIES

As of December 31, 2016

Regulated Entities	Number of Entities	Total Assets (\$ millions)
Commercial Banks	244	254,569
Trust Companies	18 nonexempt 17 exempt	107,147
Foreign Bank Agencies	10 FBAs 14 representative offices	62,247
Money Services Businesses	156	106,693
Prepaid Funeral Contract Sellers	379	3,828
Perpetual Care Cemeteries	243	316
Cemetery Brokers*	14	NA
Private Child Support Enforcement Agencies*	10	NA
Check Verification Entities*	2	NA

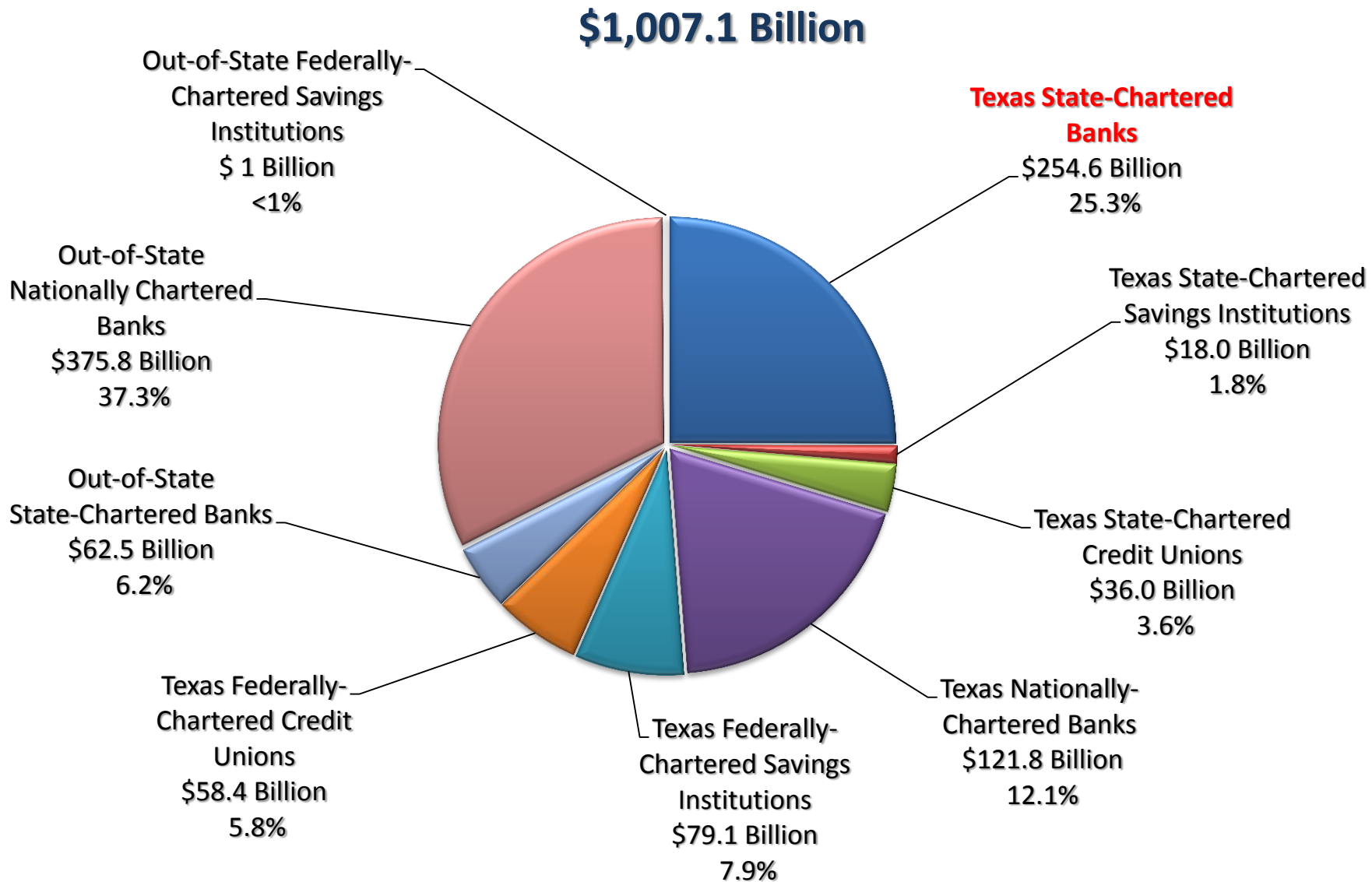
The Department conducts examinations of entities under its supervision to evaluate the safety and soundness and compliance with state and federal laws. Total assets of the regulated entities represented in the table are approximately \$534.8 billion.

Eleven Texas state-chartered banks operate branches in nine other states.

* Registration requirement only.

Source: Texas Department of Banking

ASSETS OF FEDERALLY INSURED TEXAS FINANCIAL INSTITUTIONS



As of December 31, 2010

7,658 All U.S. Banks

615 All Texas Banks



**1,760
less**



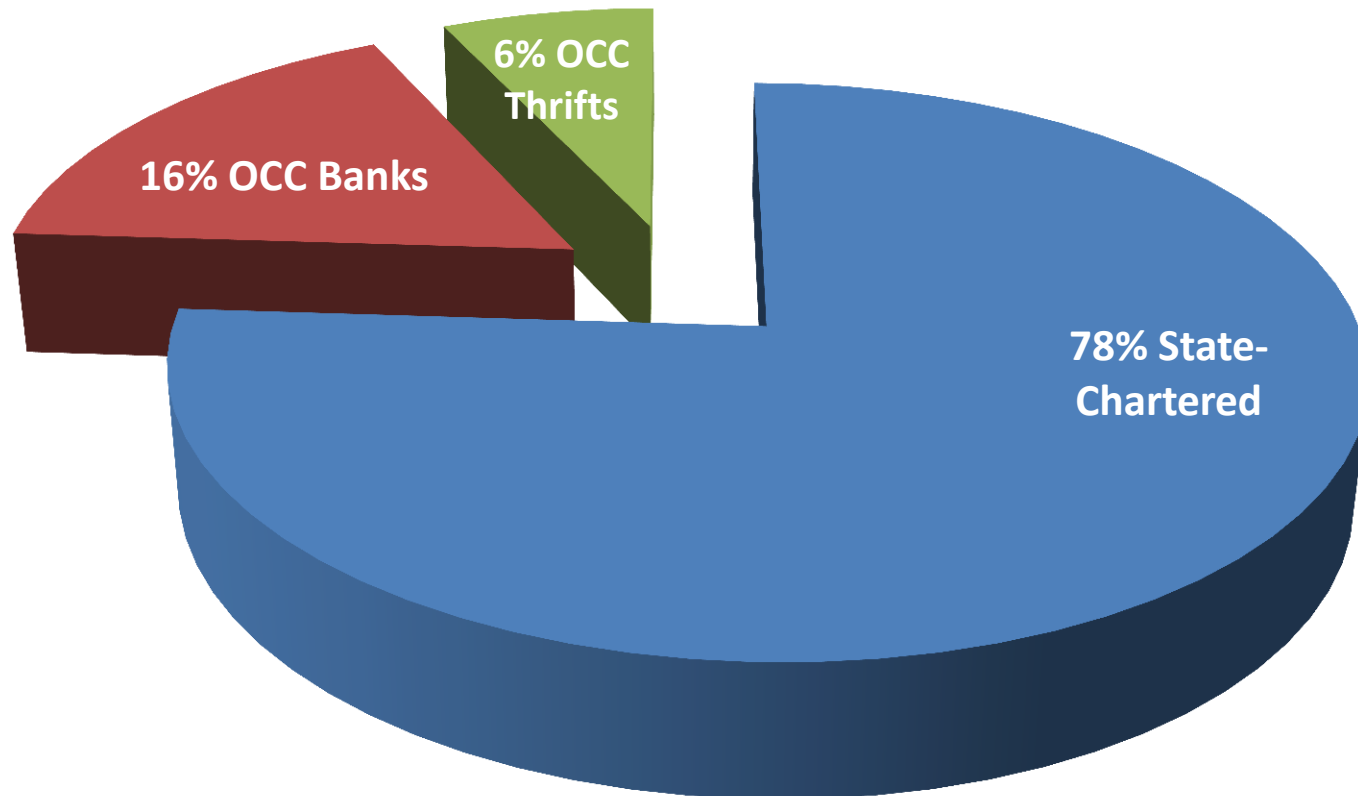
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5,898 All U.S. Banks

464 All Texas Banks

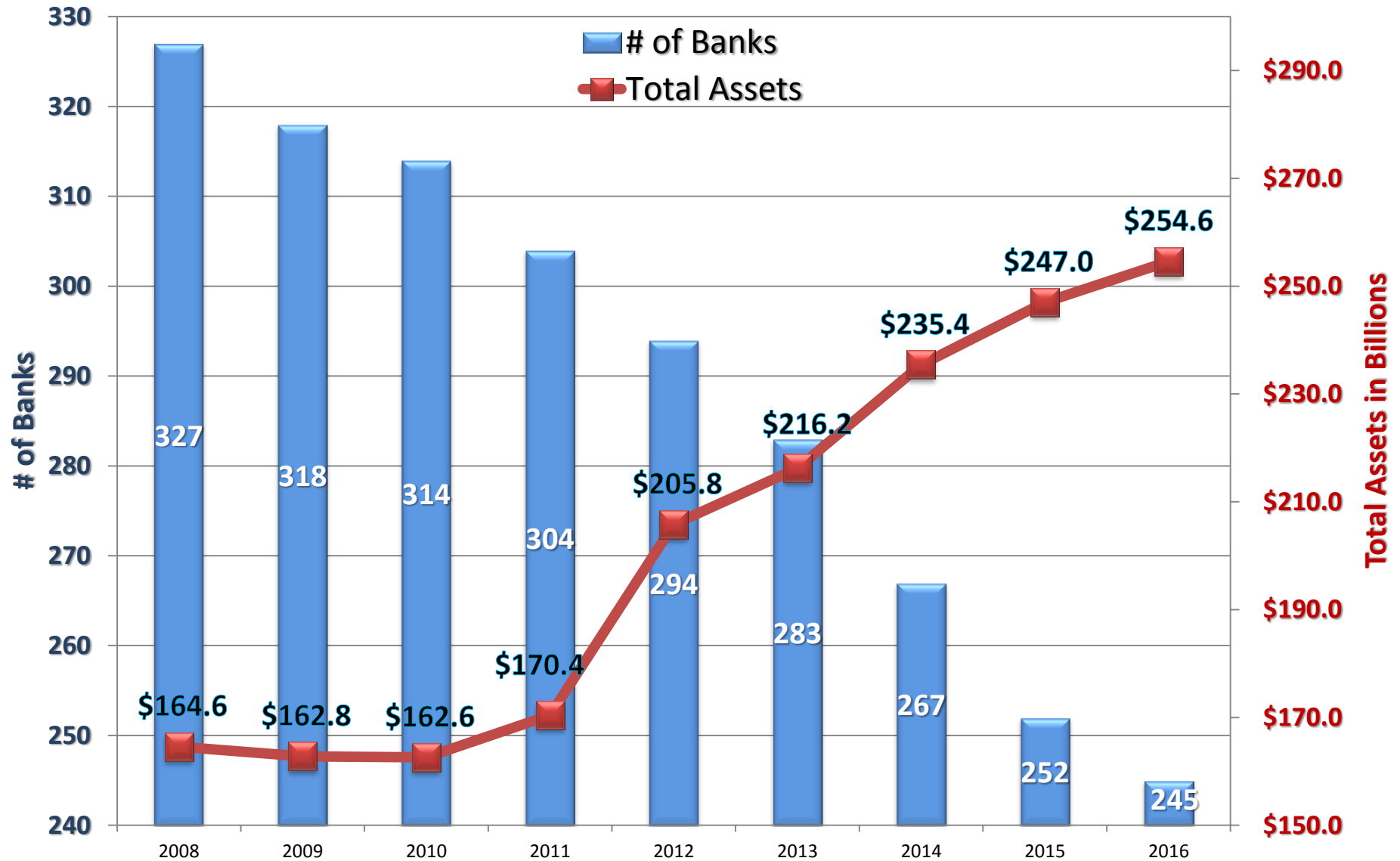
As of February 23, 2017

U.S. BANK CHARTERS BY AUTHORITY



In 1985, there were more than 18,000 active bank charters in the United States. Since then, the U.S. has experienced a 65% decrease in the number of active bank charters. Despite rapid consolidation, the state charter remains preferred by community bankers. Of the **5,903** banks in operation as of February 2017, **4,606** (78%) hold a state charter.

CHANGES OVER THE YEARS



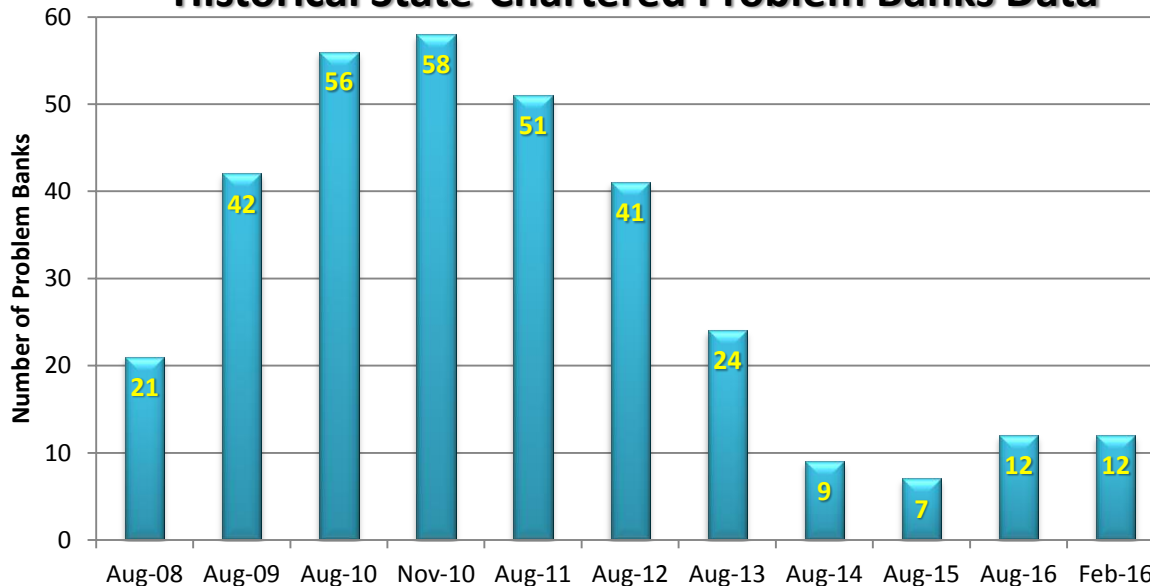
CONDITION OF BANKING INDUSTRY

Banks are generally in satisfactory condition.

Ratios	All Texas Banks	Nation
Return on Assets	1.10%	1.04%
Return on Equity	9.93%	9.29%

Source: FDIC. Financial Data as of September 30, 2016

Historical State-Chartered Problem Banks Data



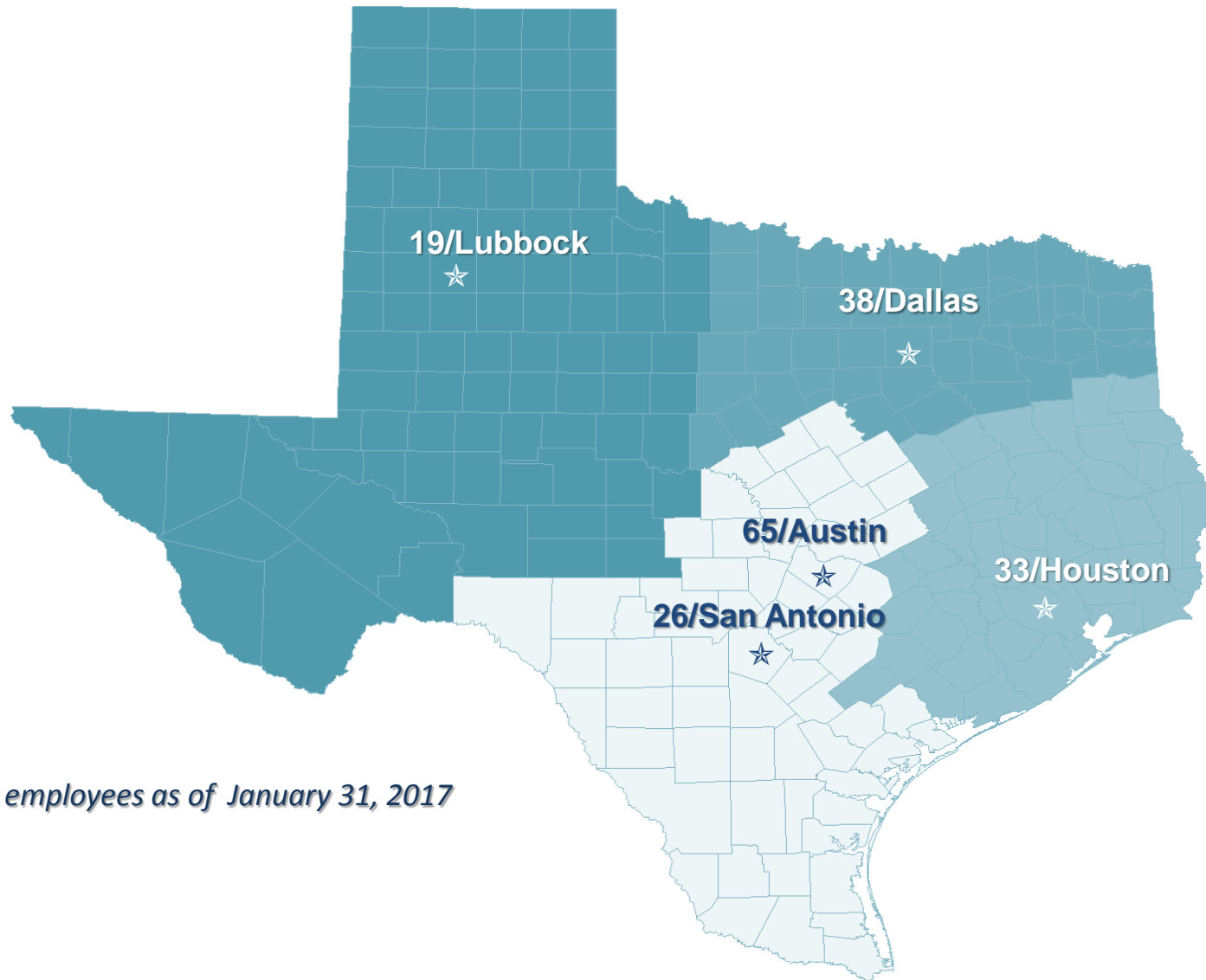
*The Department defines problem banks as defined as a 3, 4, or 5 rated financial institution.
Source: Texas Department of Banking*

Historical Bank Failure Data

Year	All Texas Banks	Nation
2008	2	25
2009	5	140
2010	1	154
2011	1	92
2012	0	51
2013	2	24
2014	0	18
2015	0	8
2016	0	5
Jan. 2017	0	2

Source: FDIC

DEPARTMENT STAFFING



181 employees as of January 31, 2017

CHALLENGES FOR STATE BANKS

- ★ Regulatory Burden
- ★ Cybersecurity Risk
- ★ Depressed Energy Sector
- ★ Some Concern Over Commercial Real Estate Concentrations

CHALLENGES FOR MONEY SERVICES BUSINESSES (MSB)

- ★ Unlicensed Activity – the worldwide web is a vehicle for businesses to operate without licensure.
- ★ Technological advancements have increased the types of products and services being offered.
 - Department must adapt to adequately supervise the MSB.
- ★ Cybersecurity Risk
- ★ Banks continue to close MSB accounts (De-risking)
- ★ Office of the Comptroller of the Currency proposed Fintech charter