

Texas Department of Banking

Press Release

Banking Commissioner Announces Reduction in the Assessments for Larger Well-run Banks; 18-month Examination Cycle

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Texas Banking Commissioner Catherine A. Ghiglieri announces today a reduction in the assessments for larger well-run banks. Beginning in 1997, banks with total assets between \$100 - \$250 million which are in satisfactory condition will be examined on an eighteen month examination cycle instead of the traditional twelve month cycle. The reduced examination burden contributes to a decline in regulatory costs which will be passed along to the affected banks through an immediate decrease in their assessments.

The Texas Department of Banking has been assessing banks based upon their condition for almost two years. However, until this time the extended examination frequency and lower assessment were only available to the smaller institutions. Including larger banks in the extended cycle is possible at this time due to changes in federal law, the success of the program to date, and the overall strength of the banking system and economy in Texas. Banks with more than \$250 million in total assets will continue to be examined annually. Also, in keeping with the need to remain vigilant against potential risk in even satisfactory institutions, banks in which management and systems are rated only "fair" will not qualify for an extended examination cycle.

"We have been extremely pleased with the results of the eighteen month examination cycle. It recognizes and rewards the banks for sound operations, while also allowing the Department to trim expenses and focus resources," states Commissioner Ghiglieri. "We see this as a means to reduce costs for the banks, which in no way compromises our mandate to promote a safe and sound financial system in Texas."

The Commissioner points out that national banks have also indirectly benefited from the efficiencies in state regulation. Under increased pressure by state regulators to reduce regulatory burden and trim supervisory expenses, the Comptroller of the Currency recently announced a reduction in assessments for nationally chartered banks. However, the cost of having a federal charter remains substantially higher than state bank counterparts, and the federal assessment system still does not distinguish between problem banks and those requiring routine supervision.

The Department's revised Examination Priorities Policy Memorandum (# 1003) will be issued in the next update to the Texas Banking Act binder. Until that time, a copy can be obtained by calling the Policy Development and Examination Support Division, or visiting the Department's [website](#).