

# Texas Department of Banking Testimony

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## Testimony Presented to the House Committee on Financial Institutions, House Bill 2155

*Date: March 19, 2001*

On Behalf Of the Texas Department of Banking  
By Randall S. James, Banking Commissioner

### **Financial Modernization (Texas Response to the Gramm-Leach-Bliley Act of 1999)**

Tracks the Year 2000 Agencies' and Legislative Interim Studies on Financial Modernization

1. **Maintains the viability and competitiveness of state chartered financial institutions (Banks, Trust Companies and Bank Holding Companies)**
  2. **Enhances the flexibility of the state charter**
  3. **Strengthens regulatory supervision**
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1. **Maintains the viability and competitiveness of state chartered financial institutions (Banks, Trust Companies, and Bank Holding Companies)**
    - Protects the value of the state charter – precludes a reliance on federal rules and regulations
    - Improves industry flexibility – allows new activities that are financial in nature or incidental or complementary to a financial activity
    - Refocuses new charter emphasis – places greater reliance (attention) on the proposed business plan and marketability of services instead of geographic location (financial markets are expanding dramatically through electronic commerce)
  2. **Enhances the flexibility of the state charter**
    - Modernizes and clarifies
      - an entity's ability to invest, underwrite, and sell government obligations (under close regulatory supervision), and
      - the ability to engage in real estate lease financing transactions
    - Facilitates alternative organizational structure – allows a bank holding company to become a financial holding company and engage in nonbanking activities as authorized by GLBA
  3. **Strengthens regulatory supervision**
    - Supports functional regulation – formally recognizes and reinforces the regulatory domain of existing state agencies while requiring supervisory cooperation
    - Authorizes information sharing among state and federal regulatory agencies
      - provides for interagency agreements,

- protects the confidentiality and applicable privilege of information, and
  - preserves agency discretion regarding the appropriate use of its confidential regulatory information
- ATM disclosure requirements – conforms state law to the ATM Fee Reform Act of 1999 as enacted by GLBA