



# *Texas Department of Banking*

*March 29, 2016*

**Presented to:  
House Investments and Financial Institutions**

# DEPARTMENT OVERVIEW

- ★ Established in 1905 by the 29<sup>th</sup> 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 81<sup>st</sup> Legislature.
- ★ Department Mission – Ensures Texas has a safe, sound and competitive financial services system.
- ★ Department Motto – “Tough but Fair.”

# PROFILE OF REGULATED ENTITIES

Regulated Entities	Number of Entities	Total Assets (\$ millions)
As of December 31, 2015		
Commercial Banks	252	246,960
Trust Companies	20 nonexempt 17 exempt	97,453
Foreign Bank Agencies	9 FBAs 17 representative offices	77,941
Money Services Businesses	147	104,133
Prepaid Funeral Contract Sellers	378	3,638
Perpetual Care Cemeteries	245	308
Cemetery Brokers*	9	NA
Private Child Support Enforcement Agencies*	10	NA
Check Verification Entities*	2	NA
Texas Bullion Depository Agent Services*	0	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 \$530.4 billion.

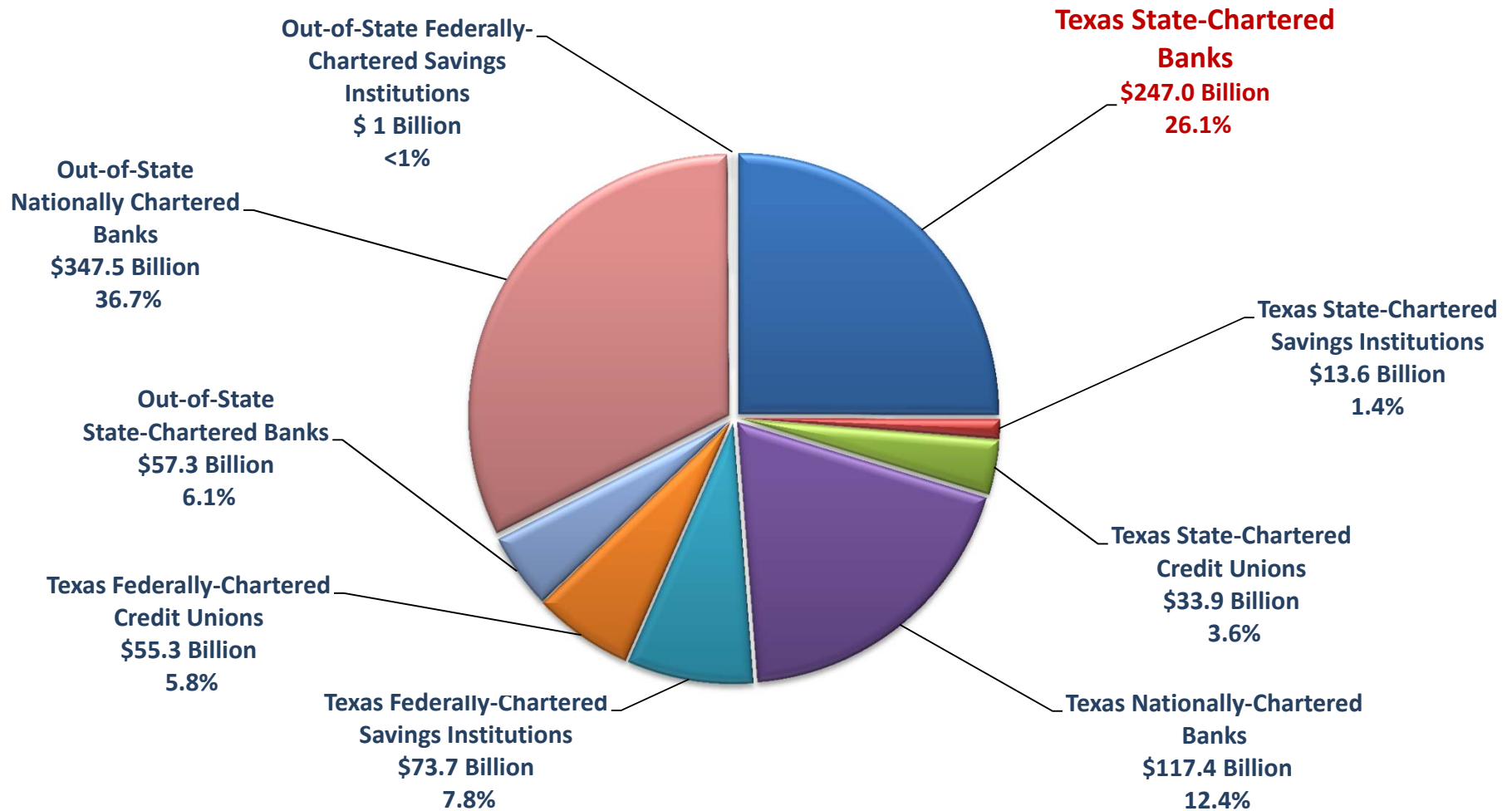
Eleven Texas state-chartered banks operate branches in nine other states.

\* Registration requirement only.

# ASSETS OF FEDERALLY INSURED TEXAS FINANCIAL INSTITUTIONS

**\$946.6 Billion**

As of December 31, 2015



As of December 31, 2010

**7,658 All U.S. Banks**

**615 All Texas Banks**

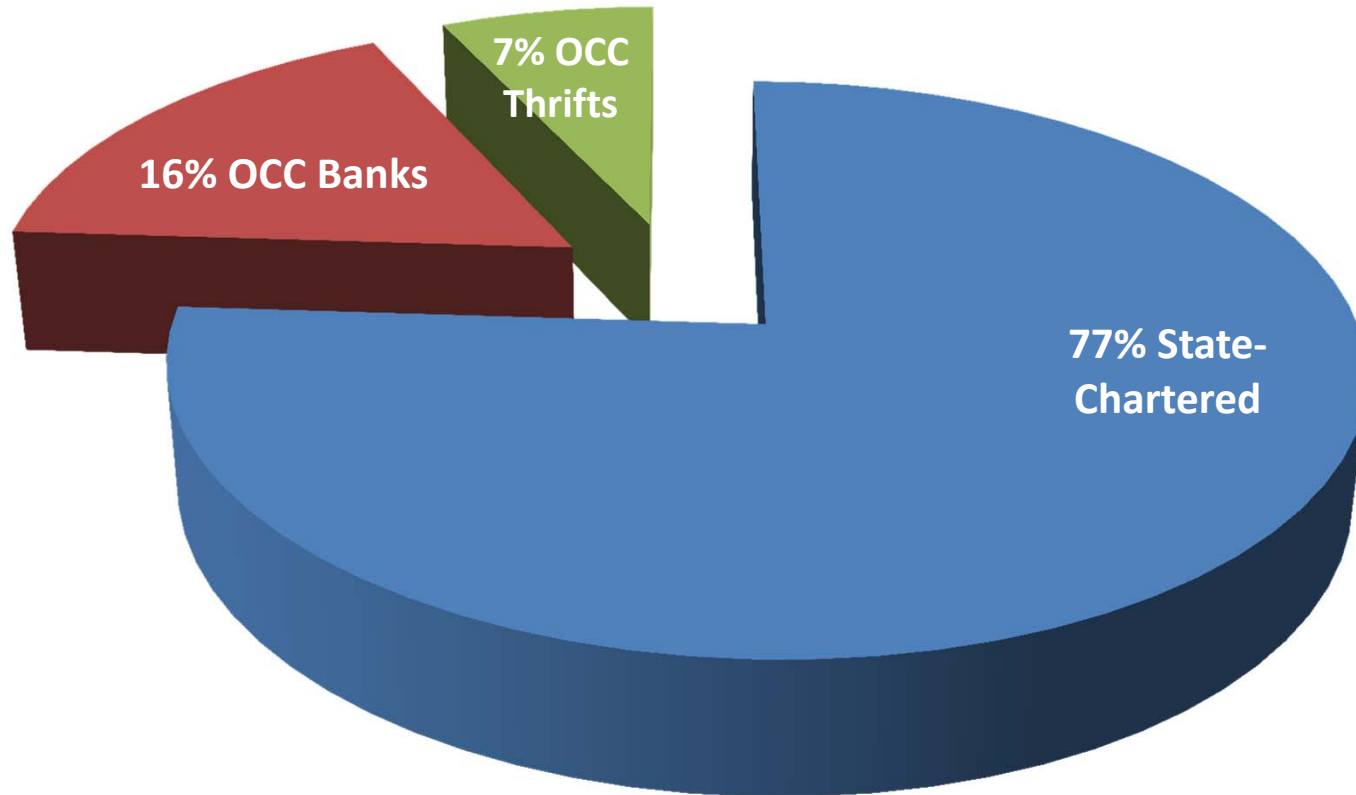


**6,143 All U.S. Banks**

**477 All Texas Banks**

As of March 24, 2016

# U.S. BANK CHARTERS BY AUTHORITY

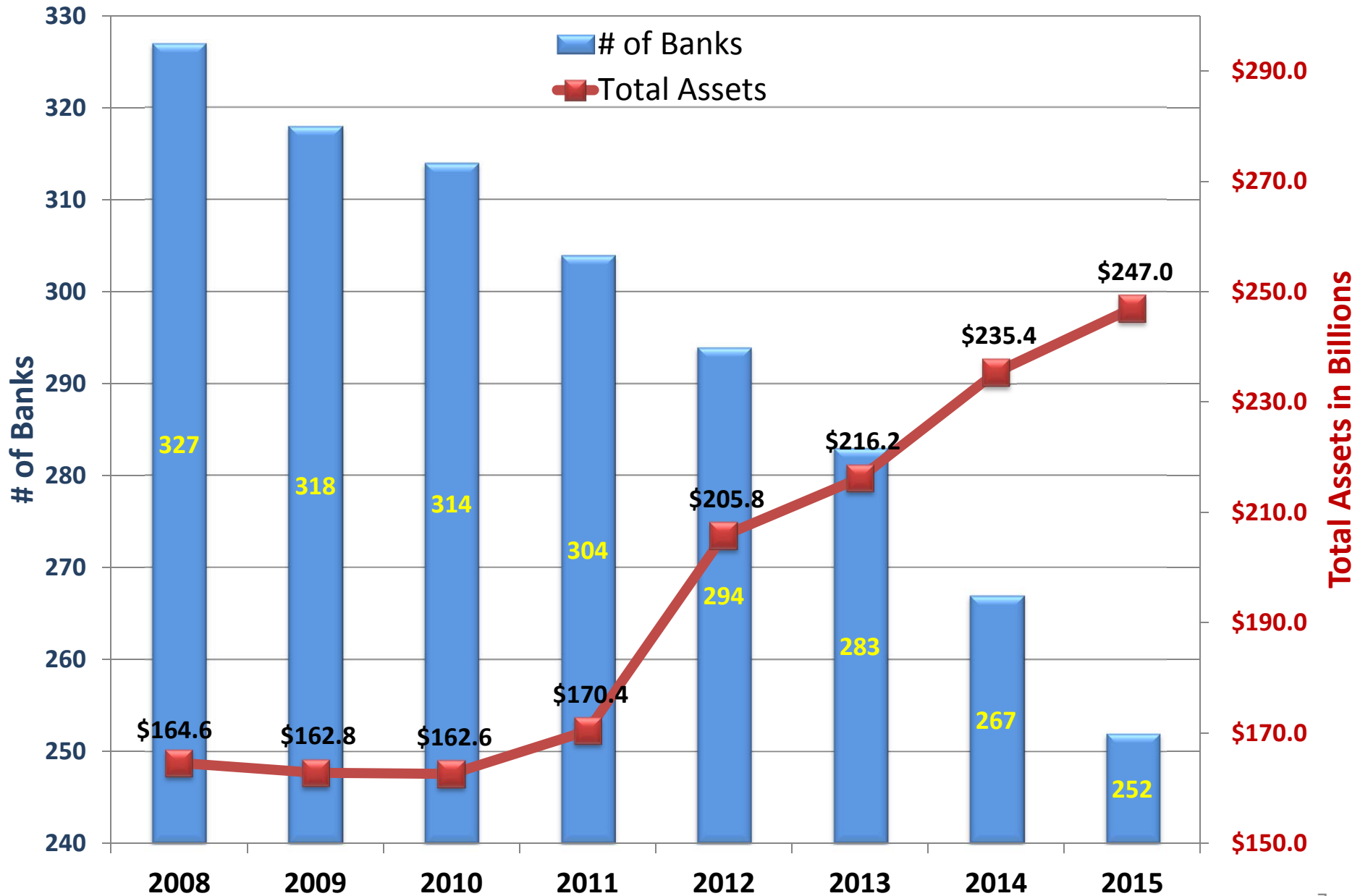


In 1985, there were more than 18,000 active bank charters in the United States. Since then, the U.S. has experienced a 65% decrease in the number of active bank charters. Despite rapid consolidation, the state charter remains preferred by community bankers. Of the **6,156** banks in operation as of March 2016, **4,770** (77%) hold a state charter.

Source: FDIC and CSBS

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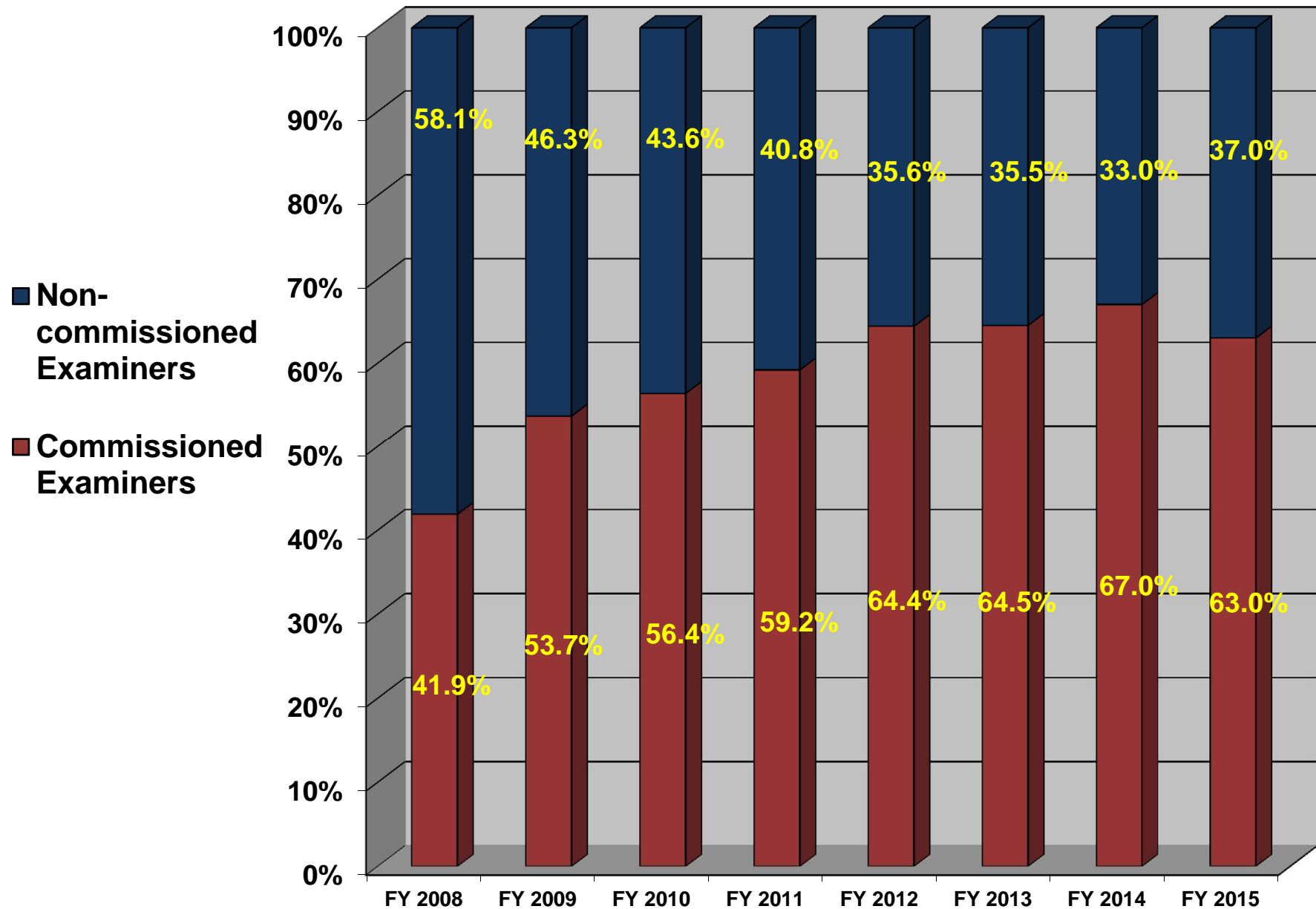
# CHANGES OVER THE YEARS



Source: FDIC

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# COMMISSIONED VS. NON-COMMISSIONED





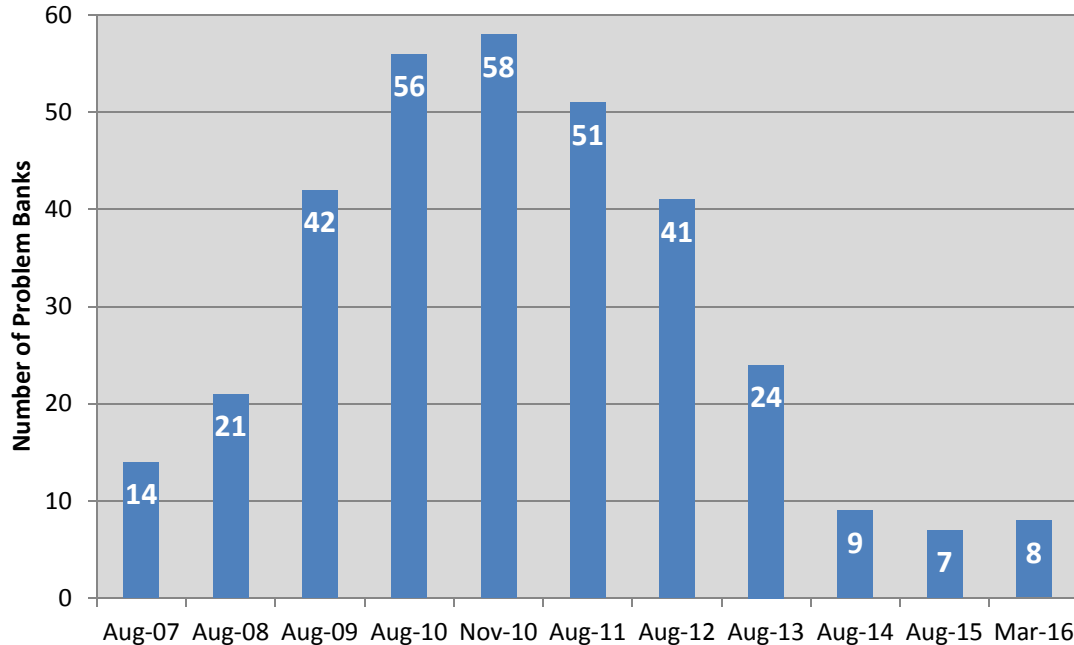
# CONDITION OF BANKING INDUSTRY

★ Generally satisfactory.

Ratios	All Texas Banks	Nation
Return on Assets	1.12%	1.04%
Return on Equity	10.16%	9.31%

*Financial Data as of December 31, 2015*

### Historical State-Chartered Problem Banks Data



### 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

# CHALLENGES FOR STATE BANKS

- ★ Regulatory burden
- ★ Cybersecurity risk
- ★ Depressed energy sector
- ★ Continuing thin margins

# 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
- ★ Number of MSB applications have increased.

# IMPLEMENTATION OF LEGISLATION

- ★ HB 1626 – Banking development districts
  - Requires the Finance Commission to administer and monitor a banking development district program to encourage the establishment of branches in underserved areas. The Commission adopted rules in November 2015 to implement.
  
- ★ HB 3536 – Appointment of agency commissioners
  - Clarifies that a majority vote is required to appoint the commissioner.
  
- ★ SB 875 – Trust company regulation
  - Changes the requirements for restricted capital and expands the definition of family for purposes of establishing an exempt trust company to individuals related within the 7<sup>th</sup> degree of a common ancestor.
  
- ★ HB 3555 – Banking enforcement procedures
- ★ SB 656 – Perpetual care cemeteries
  - Both bills provide expansion of enforcement action capabilities for the commissioner.

# IMPLEMENTATION OF LEGISLATION

- ★ SB 899 – Money services businesses
  - Modifies security requirements for Internet currency exchangers.
  
- ★ HB 483 – State bullion depository
  - Establishes state depository with the Texas Comptroller of Public Accounts. The Department would license depository agents.