

Texas Department of Banking

February 14, 2019



**Presented to:
Pensions, Investments, & Financial Services Committee**

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.”

PROFILE OF REGULATED ENTITIES

As of September 30, 2018

Regulated Entities	Number of Entities	Total Assets (\$ millions)
Commercial Banks	234	258,204
Trust Companies	17 nonexempt 17 exempt	107,971
Foreign Bank Agencies	6 FBAs 15 representative offices	64,790
Money Services Businesses	161	131,466
Prepaid Funeral Contract Sellers	365	4,031
Perpetual Care Cemeteries	241	346
^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 \$566.8 billion.

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

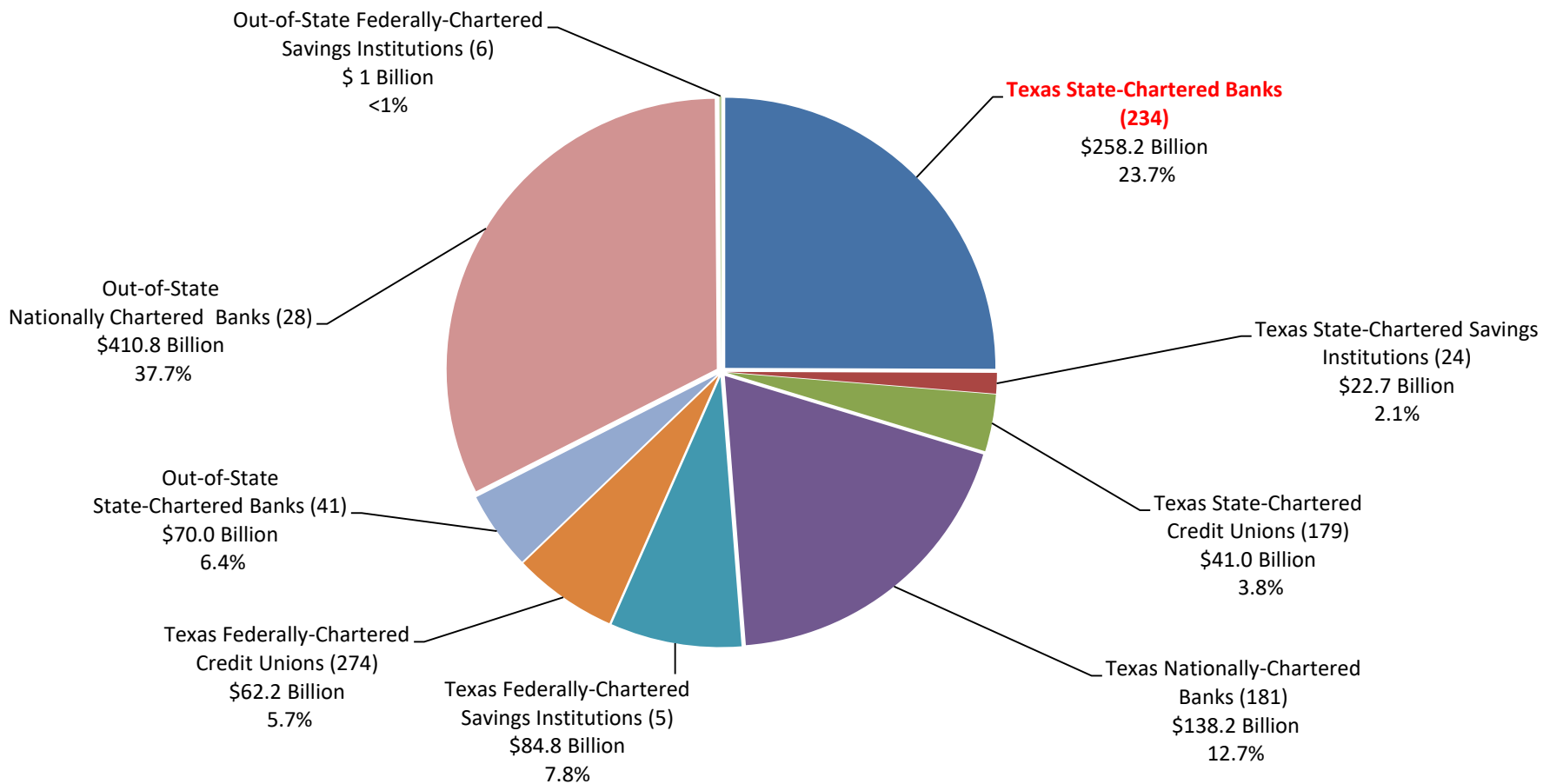
* Registration requirement only.

^ The Sunset Review Team recommended to discontinue registration of entity.

Source: Texas Department of Banking

ASSETS OF FEDERALLY INSURED TEXAS FINANCIAL INSTITUTIONS

\$1,088.8 Billion
As of September 30, 2018



As of December 31, 2010

7,658 All U.S. Banks

615 All Texas Banks

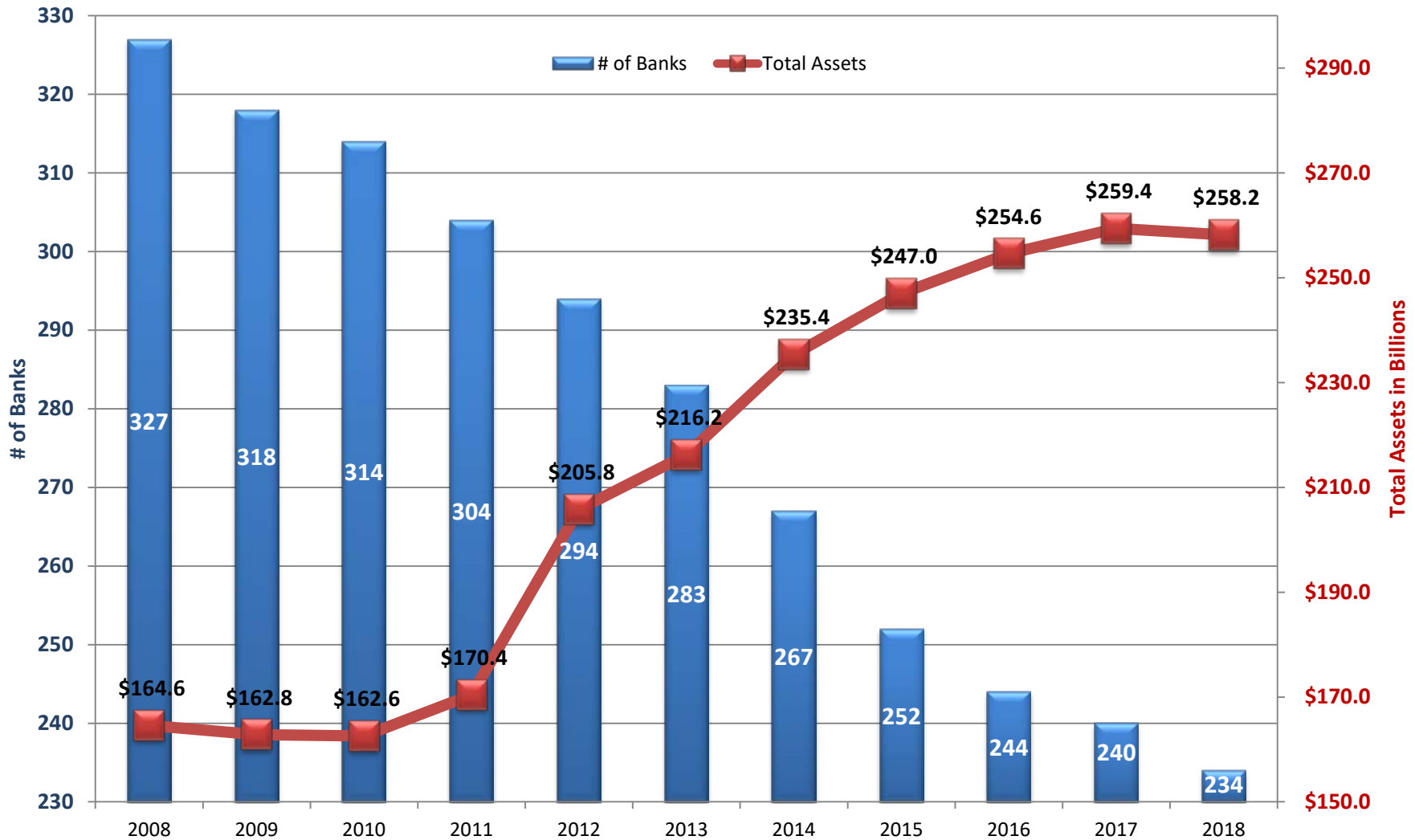


5,403 All U.S. Banks

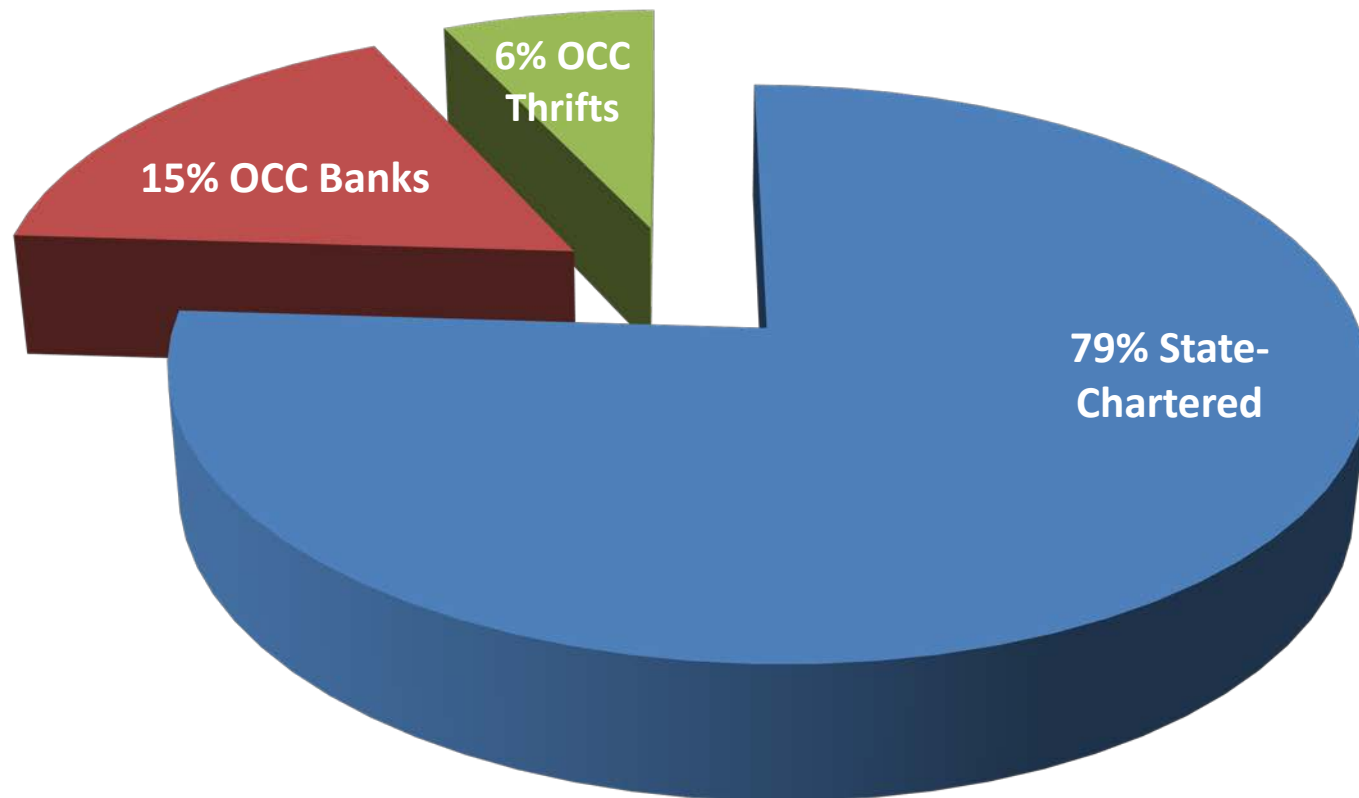
437 All Texas Banks

As of January 31, 2019

CHANGES OVER THE YEARS



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 70% decrease in the number of active bank charters. Despite rapid consolidation, the state charter remains preferred by community bankers. Of the **5,403** banks in operation as of January 2019, **4,274** (79%) hold a state charter.

CONDITION OF BANKING INDUSTRY

Banks are generally in satisfactory condition.

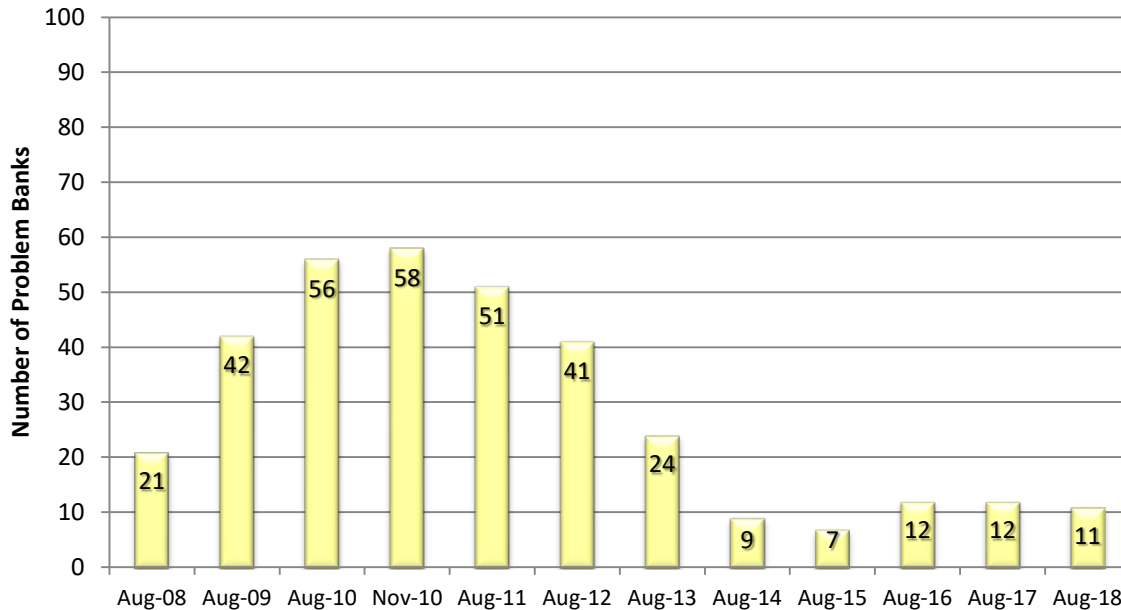
Ratios	All Texas Banks	Nation
Return on Assets	1.46%	1.36%
Return on Equity	13.06%	12.05%

Source: FDIC. Financial Data as of September 30, 2018

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
2017	0	8
2018	0	0

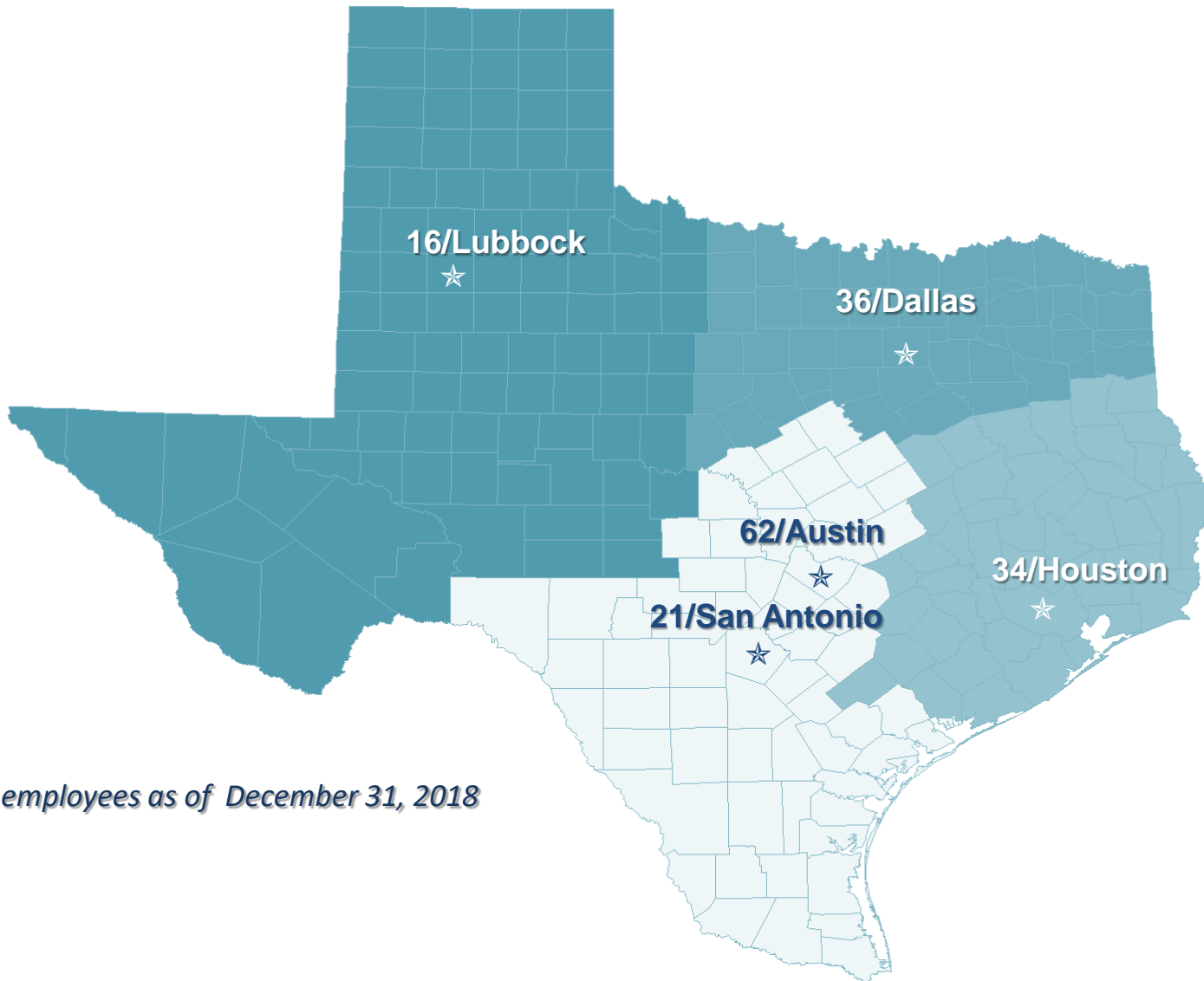
Historical State-Chartered Problem Banks Data



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

Source: FDIC

DEPARTMENT STAFFING



169 employees as of December 31, 2018

REGULATORY CONCERNS FOR BANKING

★ Cybersecurity Risk

- ★ Equifax Breach – Texas lead a multi-state examination resulting in a consent order on June 25, 2018.

★ Regulatory Burden

★ Access to Liquidity and Competition for Deposits from All Sources

★ Some Concern Over Commercial Real Estate Concentrations

REGULATORY CONCERNS FOR MONEY SERVICES BUSINESSES (MSB)

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