

# ***Texas Department of Banking***

***March 3, 2025***

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***Presented to:***

***Pensions, Investments & Financial Services Committee***

# 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.”
- ★ Reports to the Finance Commission of Texas, an eleven-member board appointed by the Governor.
- ★ Sunset date is September 1, 2031.

# Profile of Regulated Entities

As of December 31, 2024

Regulated Entities	Number of Entities	Total Assets (\$ millions)
<b>State-Chartered Commercial Banks</b>	212	\$453,364
<b>Trust Companies</b>	17 nonexempt 22 Exempt	\$189,327
<b>Foreign Bank Organizations</b>	7 FBAs 18 representative offices	\$109,691
<b>Money Services Businesses</b>	189	\$490,141
<b>Prepaid Funeral Contract Sellers</b>	327	\$5,053
<b>Perpetual Care Cemeteries</b>	245	\$481
<b>Check Verification Entities*</b>	2	NA

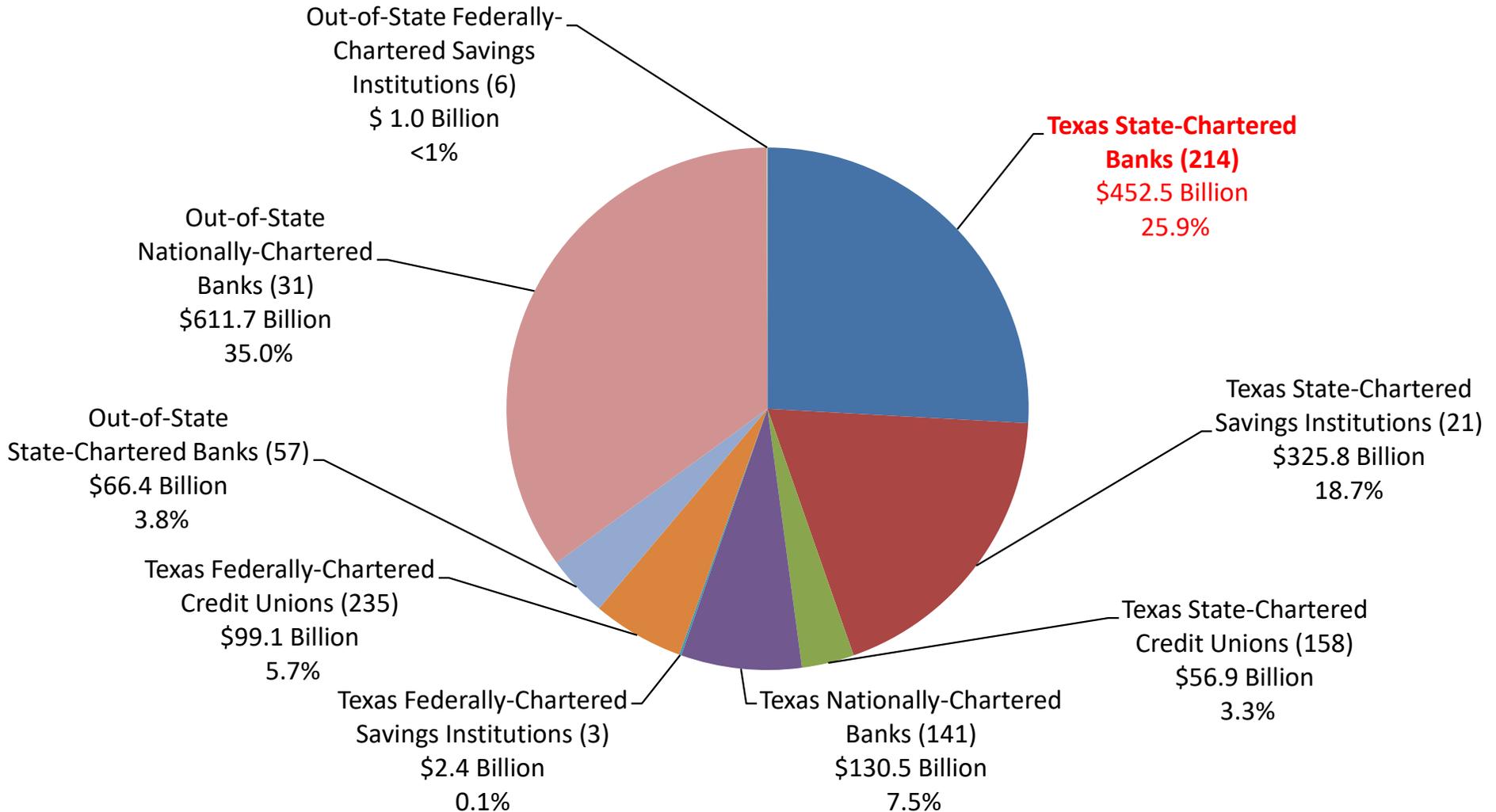
\* Registration requirement only.

Source: Texas Department of Banking

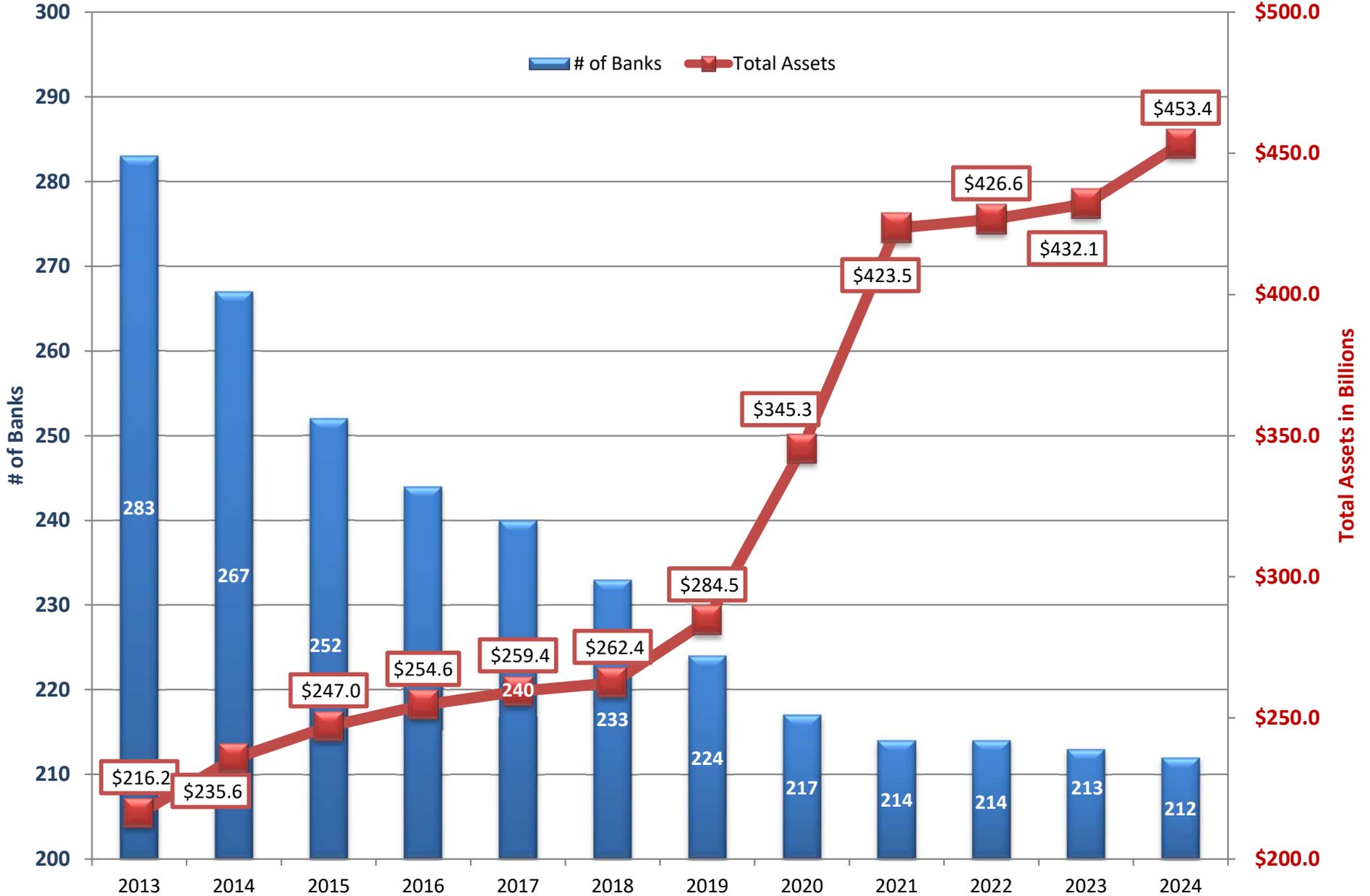
# Assets of Federally Insured Texas Financial Institutions

**\$1,746.3 Billion**

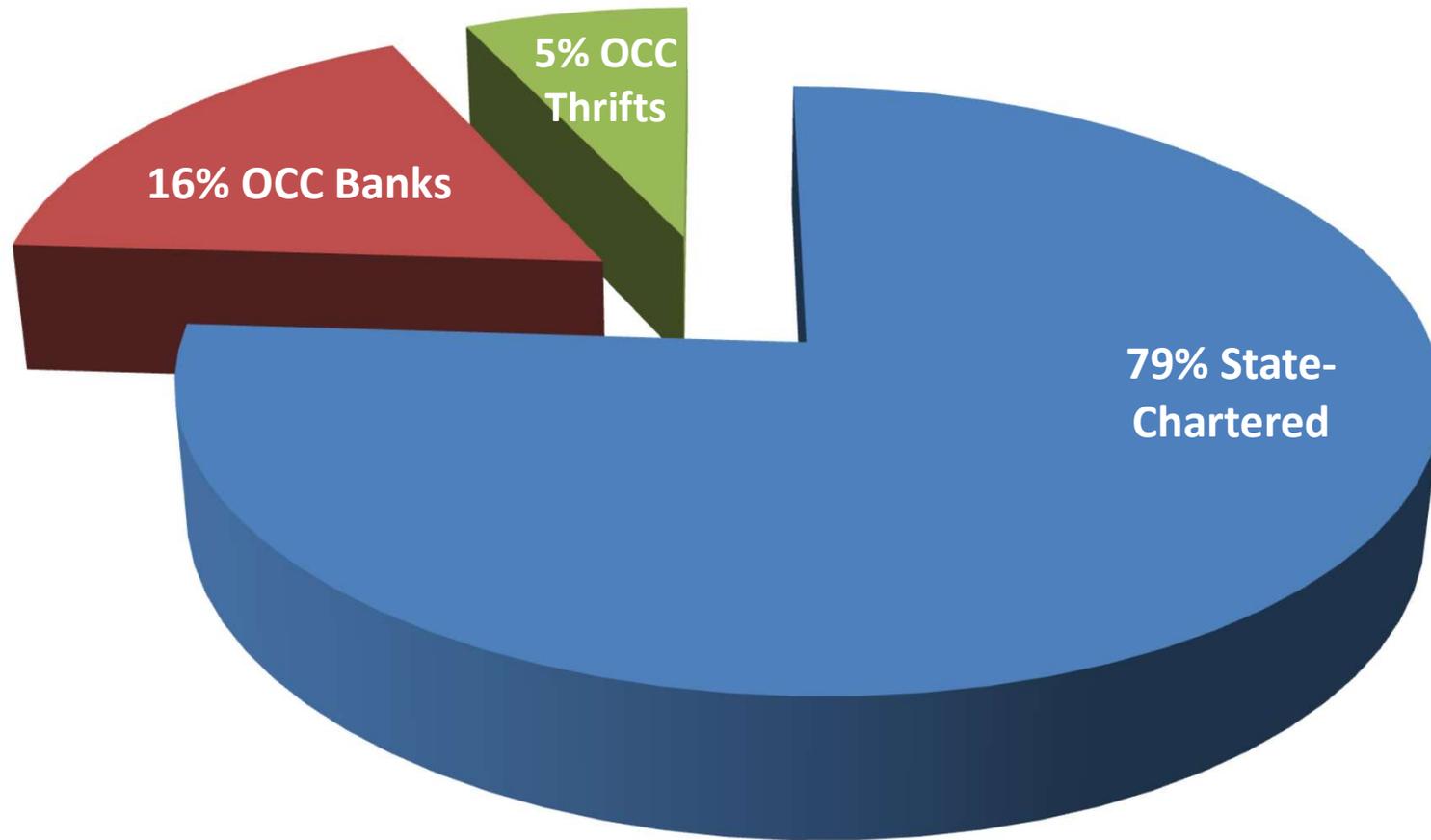
As of September 30, 2024



# Changes Over the Years

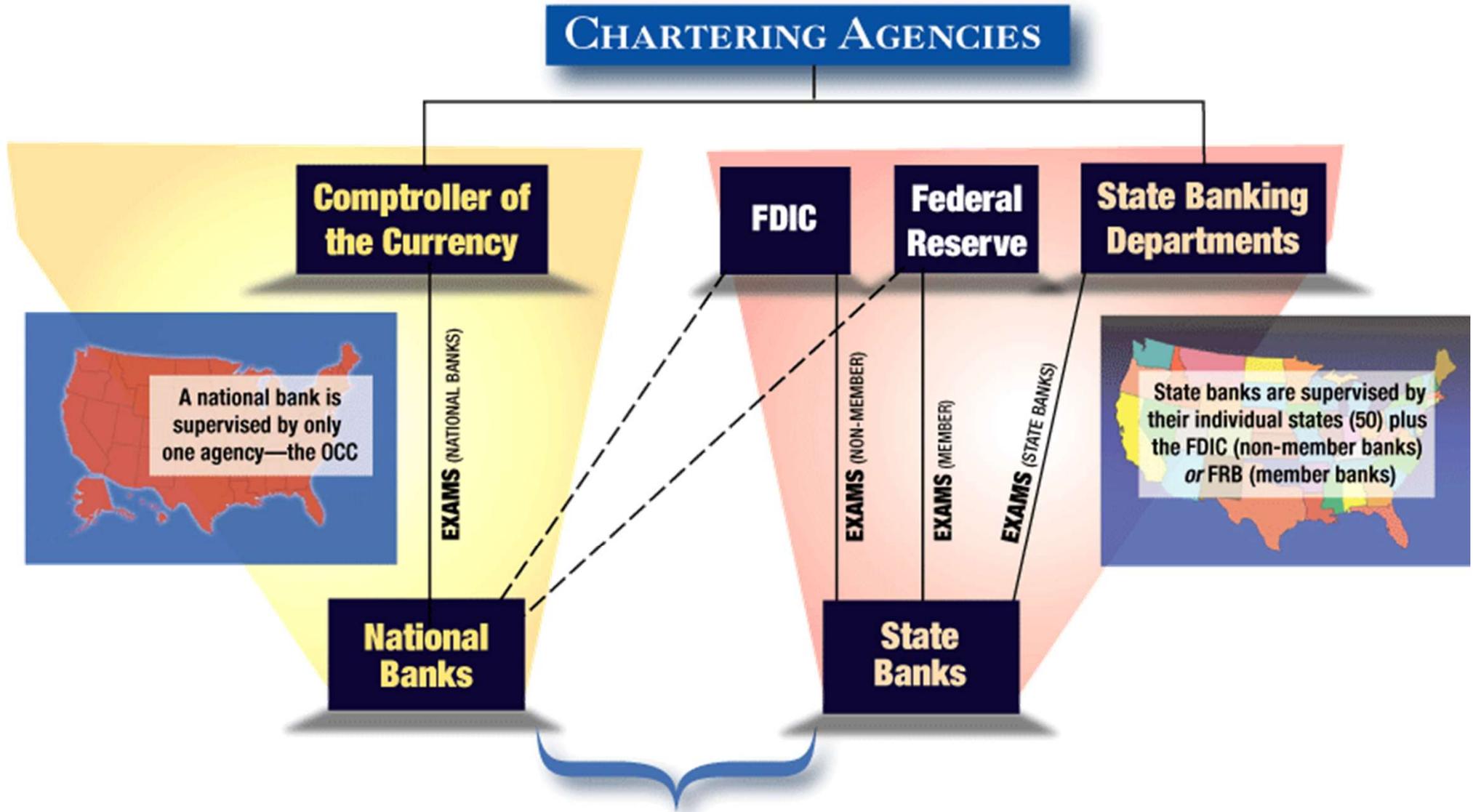


# U.S. Bank Charters by Authority



In 1985, there were more than 18,000 active bank charters in the United States. Since then, the U.S. has experienced a 75% decrease in the number of active bank charters. Despite rapid consolidation, the state charter remains preferred by community bankers. Of the **4,526** banks in operation as of September 2024, **3,587** (79%) hold a state charter.

# Breaking Down Supervision and Regulation



# Department Budget

- Budget process – All revenues for operations are derived from application filings, assessments, and other fees from regulated entities.
- Divisions work on budget in June.
- Public budget hearing is held annually.
- Finance Commission approves budget annually.
- The fiscal year 2025 budget was approved by the Finance Commission in August 2024.

## Texas Department of Banking Budget - FY 2025

	Budget 2024	Budget 2025*
<b>REVENUE</b>		
Bank & Trust Regulation	\$31,577,971	\$33,902,880
Penalties - Bank & Trust Regulation	0	0
Non-Depository Supervision	3,983,938	4,571,913
Penalties - Non-Depository Supervision	154,600	154,600
Miscellaneous Revenues	963,400	1,226,400
<b>TOTAL REVENUES</b>	<b>\$36,679,909</b>	<b>\$39,855,793</b>
<b>EXPENDITURES</b>		
Personnel Costs		
Employee Compensation	\$23,513,891	\$25,790,757
Employee Benefits	6,275,031	6,955,025
Add'l Health/Retirement	345,091	370,731
Other Personnel Costs	852,848	944,261
Subtotal Personnel Costs	\$30,986,860	\$34,060,775
Travel		
In-State	\$1,856,074	\$1,691,339
Out-of-State	663,055	705,998
Subtotal Travel	\$2,519,129	\$2,397,337
Operating Costs		
Professional Fees	\$632,766	\$642,224
Consumables	55,000	64,327
Office Utilities	32,670	40,718
Rent - Building/Space	497,582	458,066
Rent - Equipment/Other	39,516	29,960
Communications	313,761	335,367
Information Technology	709,573	790,050
Employee Training	310,509	273,978
Misc. Operating Costs	582,543	762,992
Subtotal Operating Costs	\$3,173,920	\$3,397,681
<b>TOTAL EXPENDITURES</b>	<b>\$36,679,909</b>	<b>\$39,855,793</b>
<b>EXPENDITURES (OVER) / UNDER REVENUES</b>	<b>\$0</b>	<b>\$0</b>

FTEs

220

236

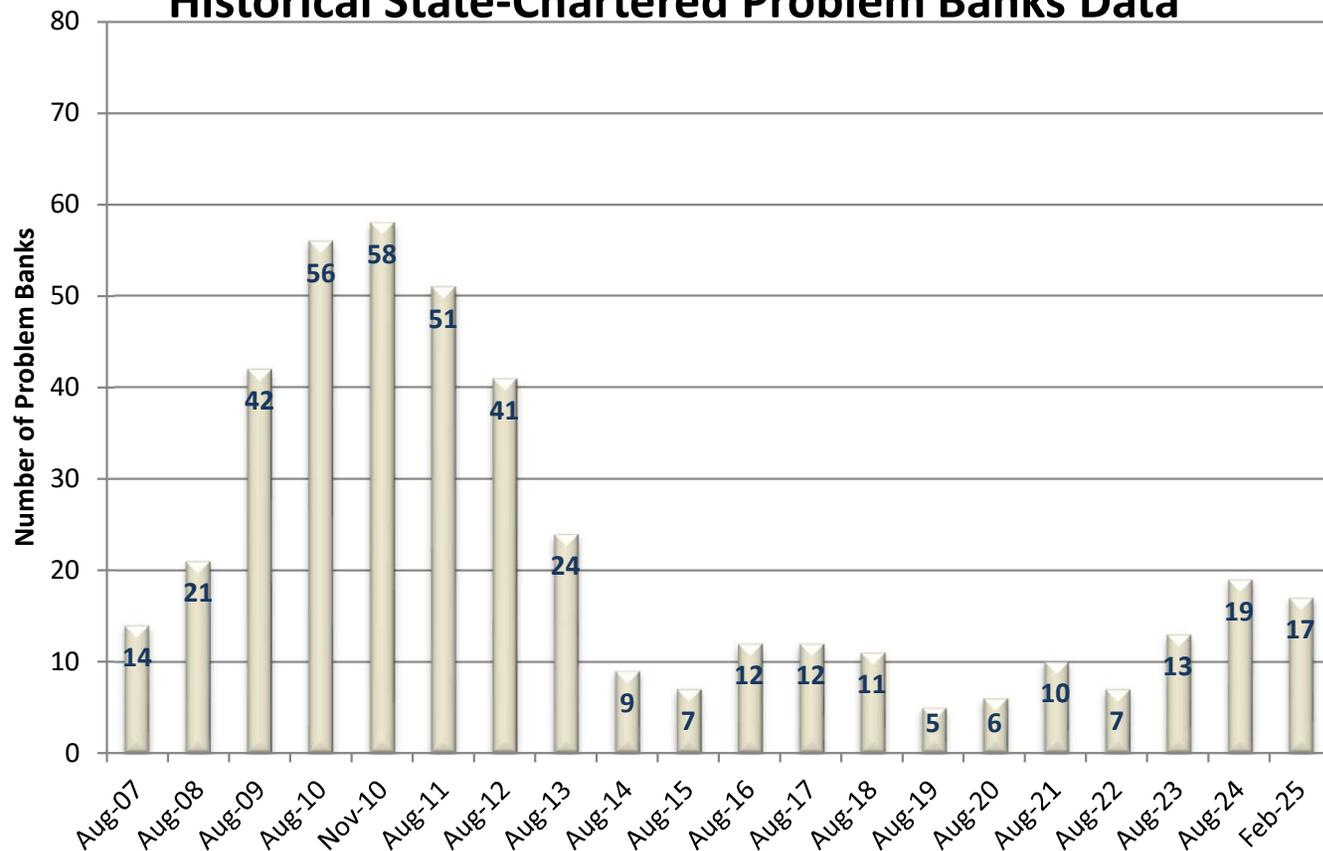
\* FY 2025 budgeted assessments are net approximately \$15.4 million in Bank and Trust that are not expected to be assessed to operate the Department.

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# Condition of Banking Industry

Banks are generally in satisfactory condition.

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

## Historical Bank Failures

Year	All Texas Banks	Nation
2008	2	25
2009	5	140
2010	1	157
2011	1	92
2012	0	51
2013	2	24
2014	0	18
2015	0	8
2016	0	5
2017	0	8
2018	0	0
2019	1	4
2020	0	4
2021	0	0
2022	0	0
2023	0	5
2024	0	2
2025	0	1

as of 2/28/25

Source: FDIC

# Department Initiatives

- ★ Industry leader in Cybersecurity
  - Hosted first Executive Leadership on Cybersecurity event in the nation.
- ★ Recognized nationally on banking and money services business issues.
- ★ Regulatory leader in developing supervisory policies, procedures, and training, and one of the only state regulators to have formal testing program for commissioning examiners.
- ★ Accredited through Conference of State Bank Supervisors for Banking and Money Services Businesses.
- ★ Active with:
  - Conference of State Bank Supervisors - CSBS
  - Money Transmitter Regulators Association - MTRA

# Regulatory Concerns for Banking

- ★ Cybersecurity risk
- ★ Competition for deposits from all sources
- ★ Interest rate / Inflation uncertainty
- ★ Managing third-party relationships
- ★ Regulatory uncertainty

# Issues Impacting Money Services Businesses (MSB)

- ★ The number of licensed MSBs has increased partly due to the rise in cryptocurrency usage and mainstream recognition.
- ★ Increasing demand for stablecoins which is a regulated MSB activity in Texas.
- ★ The complexity of the examinations continue to increase, requiring additional resources to properly review and analyze MSBs.
- ★ Examination results indicate a steady increase in the number of less than satisfactory rated MSBs.
- ★ Cybersecurity risks – advanced ransomware techniques and the use of artificial intelligence to create new threats.
- ★ The Department continues to collaborate and coordinate with other state regulators to address the increasing regulatory risks.
- ★ The Money Services Modernization Act passed by the 88th Texas Legislature.
- ★ As of January 2025, this model law has been enacted by 22 additional states resulting in nationwide standards for licensing and regulation.