

Texas Department of Banking

March 3, 2025

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.”
- ★ 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)
State-Chartered Commercial Banks	212	\$453,364
Trust Companies	17 nonexempt 22 Exempt	\$189,327
Foreign Bank Organizations	7 FBAs 18 representative offices	\$109,691
Money Services Businesses	189	\$490,141
Prepaid Funeral Contract Sellers	327	\$5,053
Perpetual Care Cemeteries	245	\$481
Check Verification Entities*	2	NA

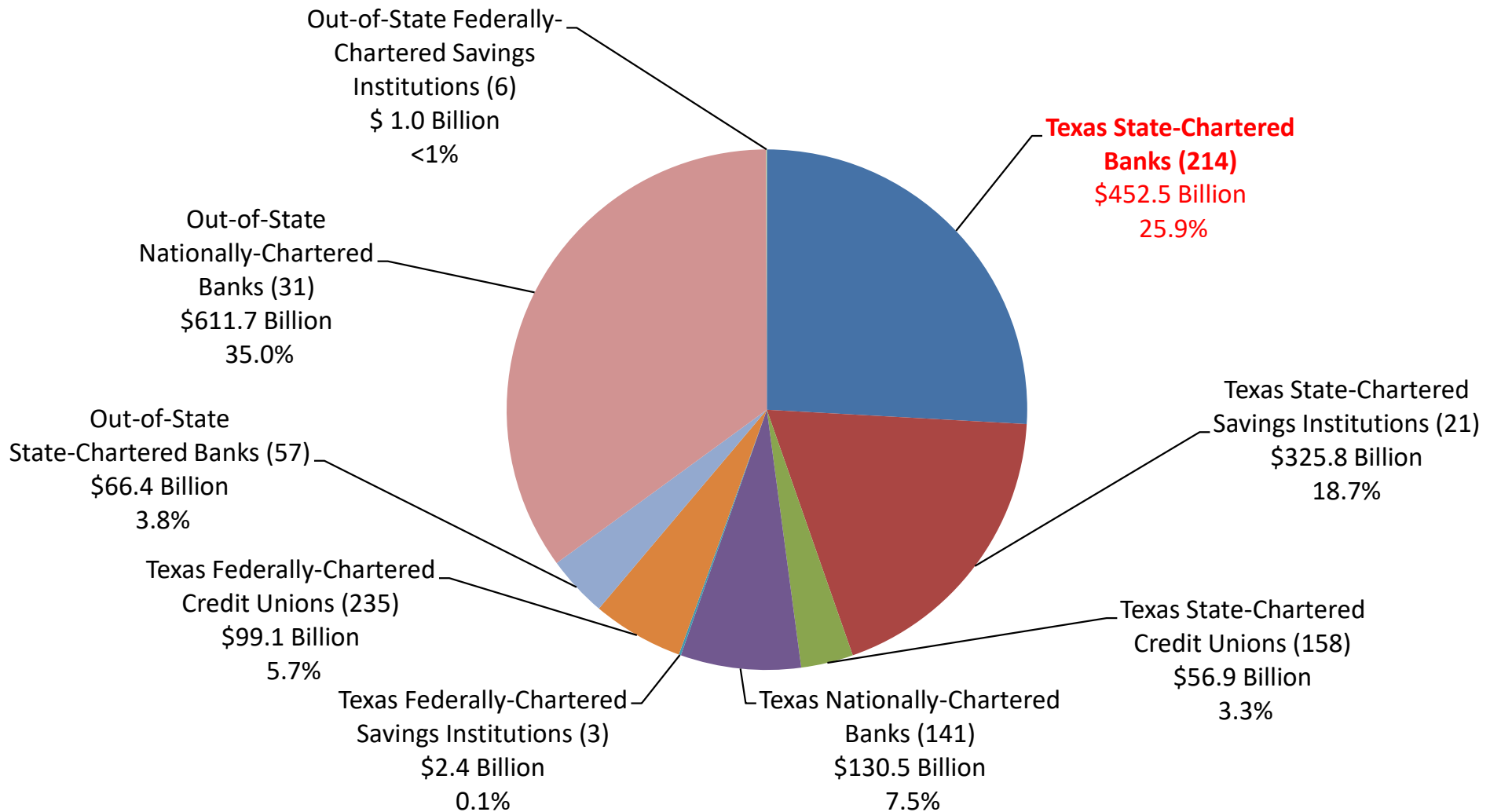
* Registration requirement only.

Source: Texas Department of Banking

Assets of Federally Insured Texas Financial Institutions

\$1,746.3 Billion

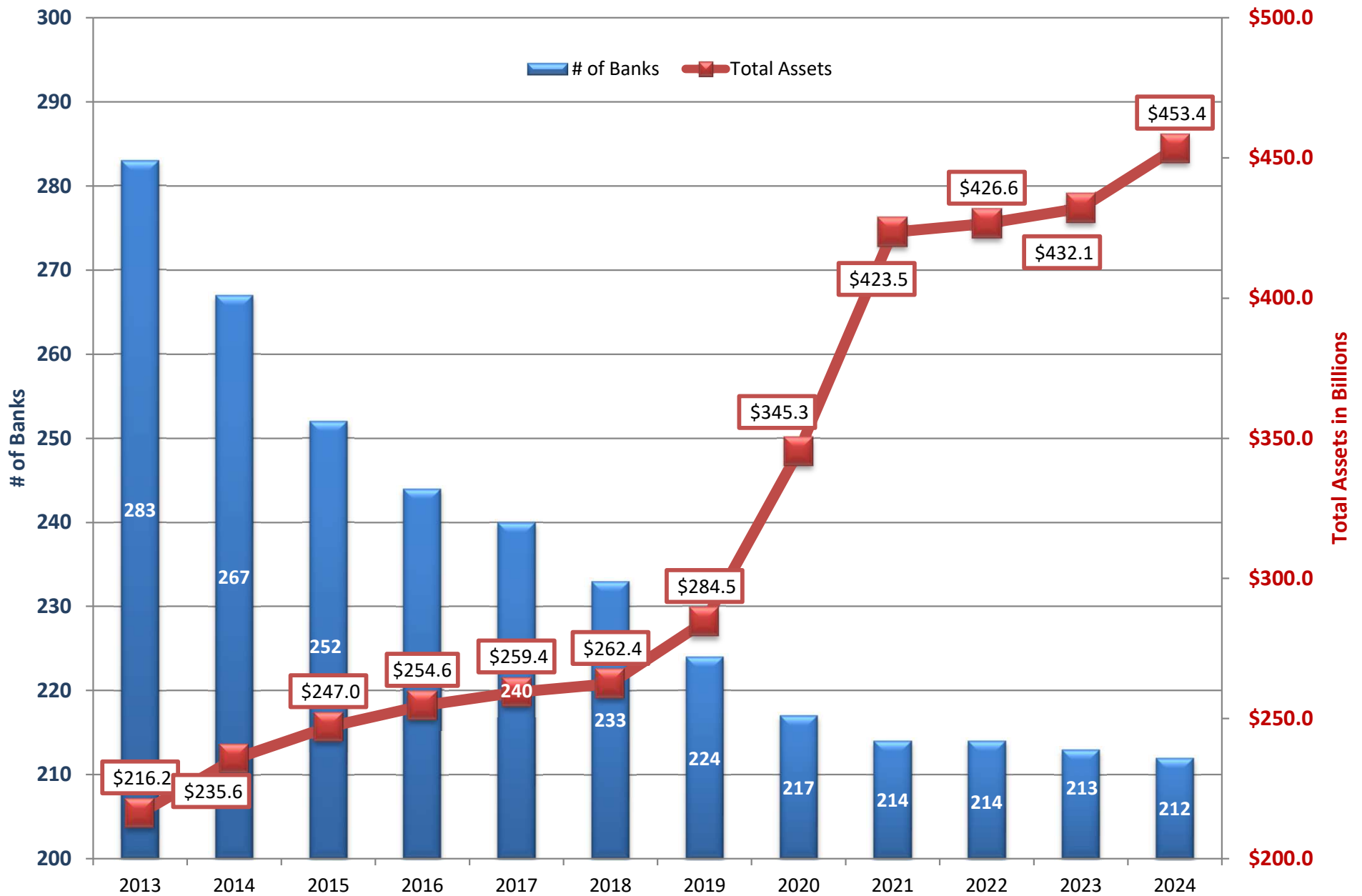
As of September 30, 2024



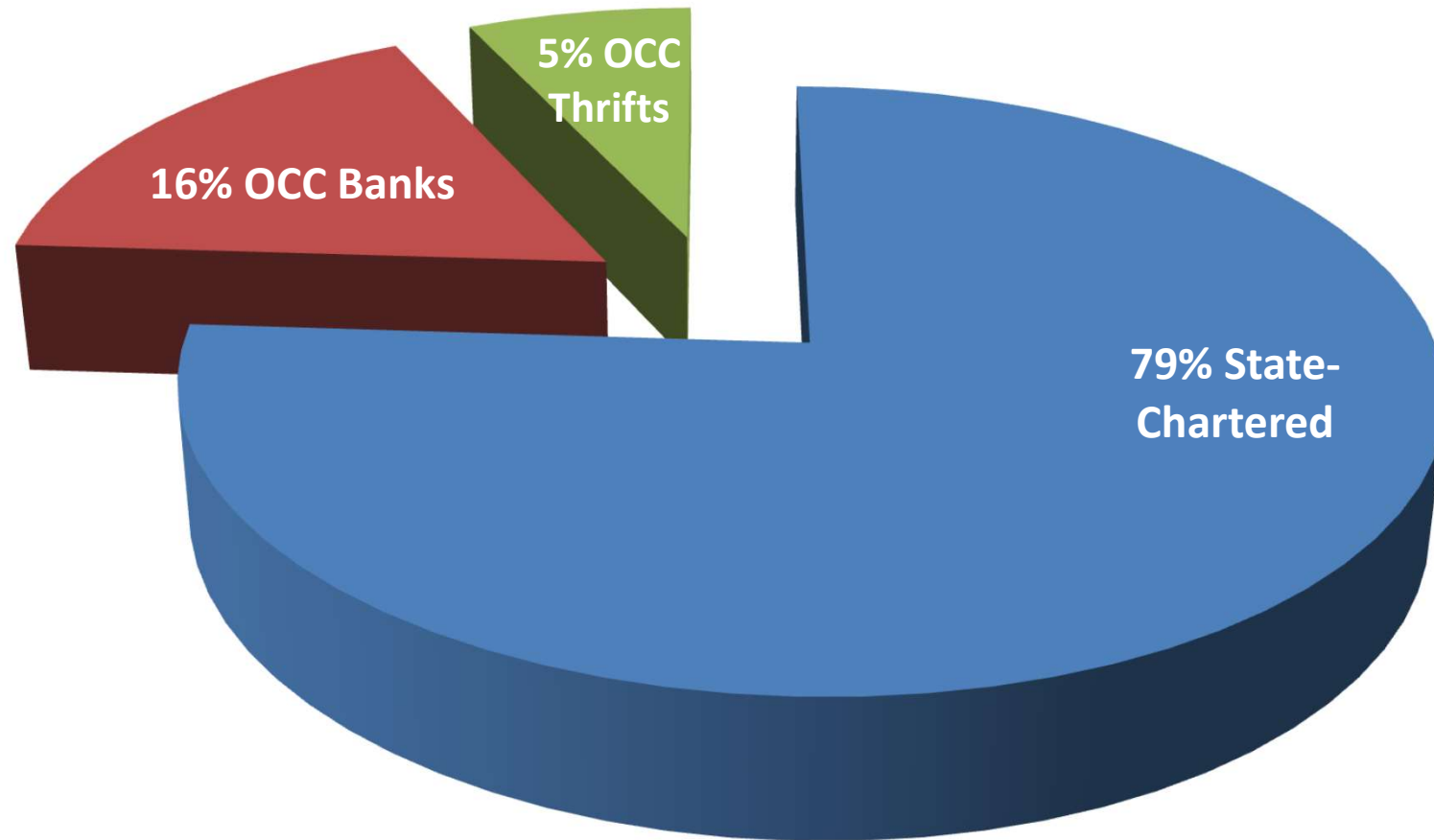
Sources: Bank and Thrift Data - FDIC September 2024 / Summary of Deposits June 2024.

Presented by the Texas Department of Banking

Changes Over the Years

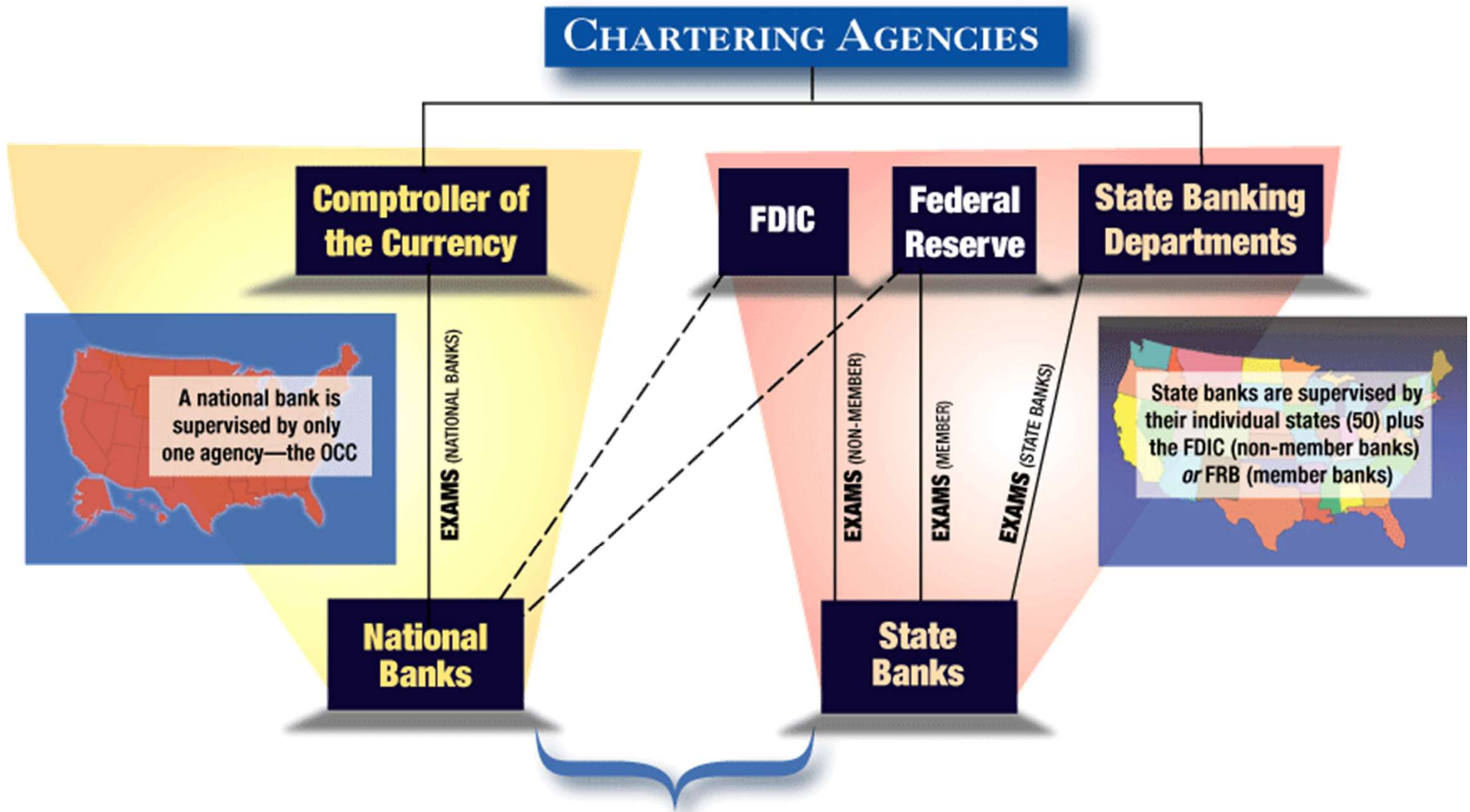


U.S. Bank Charters by Authority



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*
REVENUE		
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
TOTAL REVENUES	\$36,679,909	\$39,855,793
EXPENDITURES		
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
TOTAL EXPENDITURES	\$36,679,909	\$39,855,793
EXPENDITURES (OVER) / UNDER REVENUES	\$0	\$0

FTEs

220

236

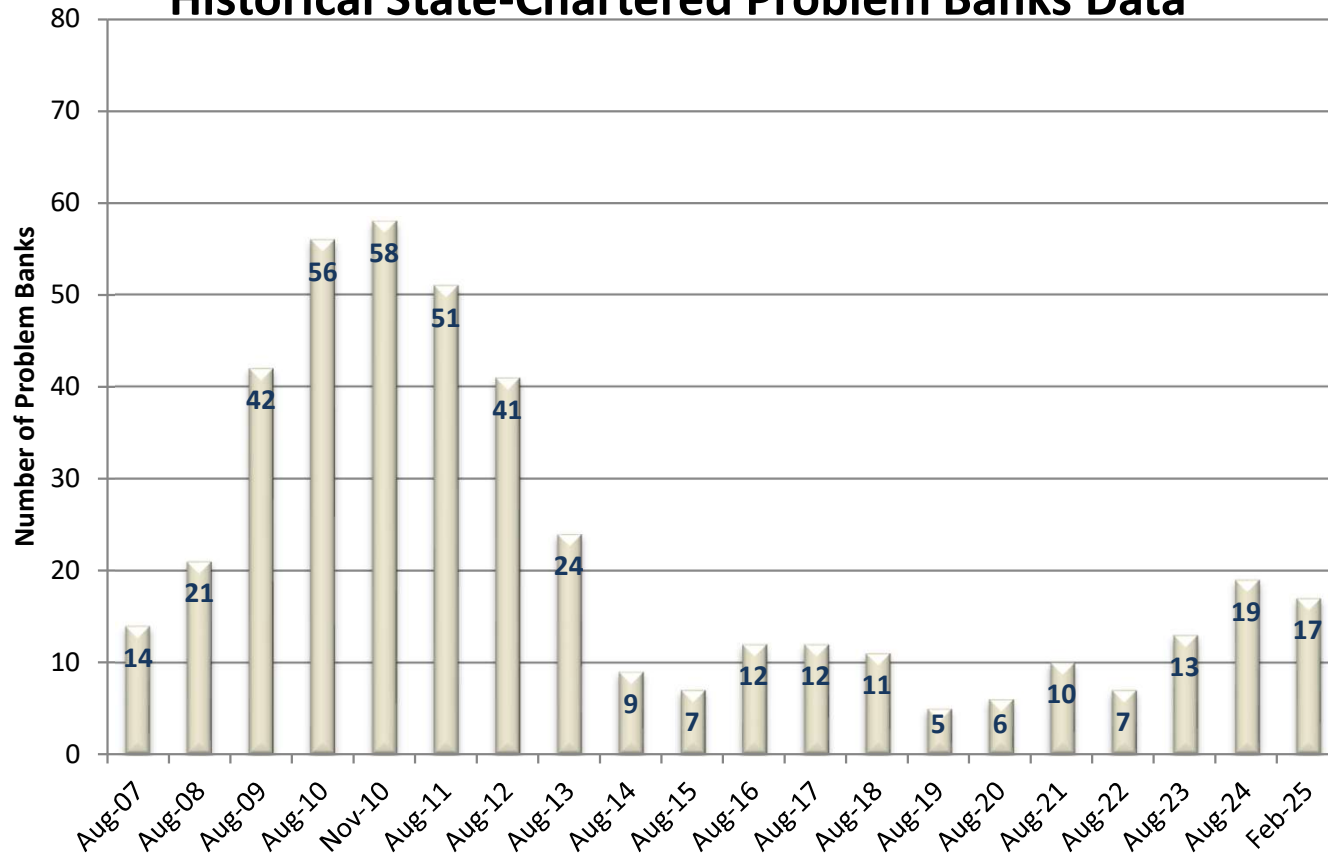
* FY 2025 budgeted assessments are net approximately \$15.4 million in Bank and Trust that are not expected to be assessed to operate the Department.

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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.