

Texas Department of Banking

Press Release

Texas Governor Signs Bill To Usher In Interstate Branching

Date: July 16, 1999

Governor Bush has signed a bill which formally opens Texas to interstate bank branching. The bill also makes a Texas bank charter one of the most attractive in the nation to conduct banking business.

The Interstate Banking and Branching Bill, which becomes effective September 1, 1999, provides a framework for interstate branching in Texas. Until now, interstate branching has only been affected through court interpretation. The bill provides for de novo branching by banks headquartered in states offering reciprocity to Texas institutions or authorized to branch in Texas; otherwise, the five-year minimum age requirement is retained. Foreign banks and trust companies will also be allowed to branch. Many previous provisions of Texas law that were inconsistent or ambiguous in an interstate environment – such as escheat and public deposits – are resolved under the new legislation. A state-wide deposit cap of 20% limits any banking institution's presence in the Texas market.

The bill is a product of an Interstate Branching Task Force convened by the Banking Department, which met between legislative sessions to tackle the details of bringing Texas to the forefront of nationwide banking and branching. "The efforts of the Task Force were creative and far-reaching. This group is to be commended for their important achievement," states Deputy Banking Commissioner Randall S. James.

Of particular interest is a "super parity" provision which provides a framework for a bank chartered in Texas, upon application, to conduct any of the activities allowed any other state or federal financial institution in the nation. Not only does this increase the value of existing state charters, but it also dramatically increases Texas' appeal as a central location from which to conduct nationwide banking activity. Although current licensing and other state laws may preclude Texas institutions from immediately engaging in some activities, the framework now exists in banking law to pursue such a course if and when other state laws are amended.

"I applaud the foresight of our state legislature in granting this exciting new power to our banks," states Deputy Banking Commissioner James. "The nature of the banking business is increasingly competitive and constantly evolving. This law provides Texas banks access to the latest and best advantages to ensure their continued strength in the modern banking world."