

Texas Department of Banking

Press Release

Legislators Announce Financial Modernization Study To Be Directed By Banking Commission

Date: April 27, 2000

On March 31, 2000, Senator David Sibley, Senate Economic Development Committee Chair, Rep. Kip Averitt, House Financial Institutions Committee Chair, and Rep. John Smithee, House Insurance Committee Chair directed that a study be conducted of the impact on Texas statutes of the *Gramm-Leach-Bliley Act*, also known as the *Financial Services Modernization Act*. The Gramm-Leach-Bliley Act, signed into law by President Clinton on November 12, 1999, not only allows but encourages the convergence of the banking, insurance and securities industries that federal legal barriers and some state laws have inhibited in the past.

The Committee Chairs requested that Texas Department of Banking Commissioner, Randall S. James, perform an interim study on financial services modernization. In conducting the study, Commissioner James will consult with Insurance Commissioner Jose Montemayor, Securities Commissioner Denise Voigt Crawford, and Savings and Loan Commissioner James L. Pledger as well as federal financial institution regulators.

The Commissioners view the Financial Services Modernization Act as a very positive development for consumers in improving the availability and affordability of many financial products and services. Commissioner James emphasized the importance of the process and of the study: "One of the challenges facing those of us involved in financial services modernization is that we will see the convergence of industries, along with a blurring of the boundaries of state and federal supervisory jurisdictions; areas of responsibility that have developed separately over the years. The Commissioners and I, as well as the Chairs and staff of the Senate Economic Development, and the House Financial Institutions and Insurance Committees, are already working to delineate the issues for this important study. We encourage input from the various industries, as well as Texas consumers that are being affected by this new law, to help the legislature and regulatory authorities make Texas a leader in financial modernization."

The Commissioners will focus on changes in state law and the regulatory process that will be needed to implement an expeditious transition to the financial services environment envisioned by Gramm-Leach-Bliley. Other areas of concern include that regulated institutions continue to be operationally sound and that consumer interests are satisfactorily protected. Consensus recommendations will be made to the Legislature for such changes and a status report on the study will be presented to the Legislative Committees by August 1, 2000.

Commissioner Randall S. James was named Texas Banking Commissioner November 3, 1999 and was formerly the Deputy Commissioner of the Texas Department of Banking for seven years.