

Texas Department of Banking

Press Release

Commissioner Announces Revisions to Supervisory Memo Addressing Examination Frequency for State-Chartered Banks

Date: July 11, 2007

Commissioner Randall S. James announces the revision of Supervisory Memorandum 1003, which addresses the frequency of examinations for State-chartered commercial banks and bank trust departments. The Texas Department of Banking has now amended Supervisory Memorandum 1003 to align our examination frequency policy with federal law. This issuance revises Policy memorandum 1003 issued on August 27, 2003.

The Texas Department of Banking works very closely with the Federal Deposit Insurance Corporation and the Federal Reserve Bank of Dallas to minimize the disruptions caused by on-site examinations while maintaining an effective supervisory role. We examine commercial banks on an alternating examination schedule with our federal counterparts. This means that each agency accepts the others' examination report in lieu of its own, and for most institutions we alternate our on-site examination responsibilities accordingly.

The Financial Services Regulatory Relief Act of 2006 (FSRR) changed the federal examination frequency requirements for commercial banks. Under previous requirements, well-capitalized commercial banks with total assets less than \$250 million and rated under the Uniform Financial Institutions Rating System as a composite 1 or 2, could be examined under an extended 18 month examination cycle, with provisions that allowed the federal supervisory authorities the discretion of conducting an examination more frequently if deemed necessary. The FSRR increased the total asset threshold to \$500 million from \$250 million, effectively allowing more banks to qualify for the extended 18 month examination cycle. Under the changes provided by the FSRR, composite 2 rated institutions did not qualify for the extended 18 month examination cycle, but a subsequent amendment was passed by Congress which now allows composite 2 rated institutions to also qualify for the extended cycle.

Any questions or comments should be directed to Terry Skains, Director of Strategic Support at 512/475-1319.