

BILL ANALYSIS

S.B. 1400
By: Campbell
Investments & Financial Services
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties contend that certain laws relating to the acquisition of state banks, Texas banks, and Texas bank holding companies, and relating to safe deposit companies and foreign banks, contain inconsistencies and omissions that create otherwise avoidable regulatory burdens or would simply benefit from an update. S.B. 1400 seeks to address these issues by providing for such corrections and updates.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

S.B. 1400 amends the Finance Code to require the banking commissioner of Texas to promptly notify a proposed transferee filing an application for approval of the acquisition of control of a state bank of the date the banking commissioner determines the application to be informationally complete and accepted for filing. The bill revises the specification in certain requirements and deadlines relating to notice of such an application that such requirement or deadline is applicable in regard to the date the application is filed to instead reflect that such requirement or deadline is applicable in regard to the date the application is accepted for filing.

S.B. 1400 prohibits a safe deposit company from terminating an agreement for the rental of a safe deposit box unless the safe deposit company has delivered or sent to the lessee a notice not later than the 90th day before the date of the termination and has provided the lessee an opportunity to retrieve the contents during normal business hours throughout the duration of the notice period or unless the payment for the rental of a safe deposit box is delinquent for at least six months and the lessee fails to pay the rent due following receipt of a removal notice from the company. The bill removes a safe deposit company's discretion to send such a removal notice and instead requires such a company to send such notice to each lessee of a safe deposit box whose rental payment is delinquent for at least six months, adds the requirement that such notice be sent if the rental agreement is terminated for a reason other than delinquent payment, and requires the notice, if the rental agreement is terminated for a reason other than delinquent payment, to specify that the company will remove the contents of the box if the contents are not retrieved by the date specified in the notice. The bill specifies that the duration for which a safe deposit company is authorized to retain possession of the contents of a safe deposit box the rental agreement for which is terminated is not later than two years from the date of the opening of the box plus a reasonable period to dispose of the contents of the box and clarifies that a company is

authorized to sell all or part of the contents of a box at public auction in the manner provided by the Property Code for the sale of real property under a deed of trust if the rental agreement is being terminated for a reason other than delinquent payment and the lessee has failed to retrieve the contents in a reasonable period after notice of the termination has been sent or delivered.

S.B. 1400 specifies, for purposes of statutory provisions governing the application to acquire a Texas bank holding company or a Texas bank, that those provisions are applicable to a company intending to acquire a Texas bank holding company or a Texas bank and that a Texas bank holding company does not include a bank holding company of which the only subsidiaries are state savings banks organized under or subject to the Texas Savings Bank Act. The bill changes, for purposes of certain exceptions required or authorized by the banking commissioner or rules regarding bank holding companies and interstate bank operations, from deposits of less than \$100,000 to deposits of less than an amount equal to the standard maximum deposit insurance amount, as determined under the Federal Deposit Insurance Act, the amount of deposits that a licensed branch of a foreign bank that is located in Texas is prohibited from accepting from citizens or residents of the United States, other than certain credit balances, unless the Federal Deposit Insurance Corporation makes a specified determination.

S.B. 1400 revises the activities in which a registered Texas representative office of a foreign bank is authorized to engage to clarify that such an office is authorized to engage in the following: representational and administrative functions in connection with the banking activities of the foreign bank that may include soliciting new business for the foreign bank, conducting research, acting as liaison between the foreign bank's head office and customers in the United States, performing preliminary and servicing steps in connection with lending, or performing back-office functions and that do not include contracting for any deposit or deposit-like liability, lending money, or engaging in any other banking activity for the foreign bank; making credit decisions if the foreign bank also operates one or more branches or agencies in the United States, if the loans approved at the representative office are made by a United States office of the bank, and if the loan proceeds are not disbursed in the representative office; and other functions for or on behalf of the foreign bank or its affiliates, including operating as a regional administrative office of the foreign bank, but only to the extent that the functions are not banking activities and are not prohibited by applicable federal or state law. The bill repeals provisions prohibiting such an office from soliciting or accepting credit balances or deposits or from making final credit decisions and provisions relating to a limited authorization for such an office that becomes a regional administrative office of the foreign bank to engage in credit approval activities.

S.B. 1400 repeals Sections 204.203(b), (c), and (d), Finance Code.

EFFECTIVE DATE

September 1, 2017.