

BILL ANALYSIS

C.S.H.B. 3850
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Committee Report (Substituted)

BACKGROUND AND PURPOSE

It has been suggested that Texas needs to update its regulation of state banks. C.S.H.B. 3850 seeks to provide for the modernization of state law relating to the regulation of state banks.

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

C.S.H.B. 3850 amends the Finance Code to clarify that the banking commissioner of Texas has grounds to issue a cease and desist order as an enforcement action against both current and former officers, employees, or directors of a state bank if the commissioner determines that those individuals have engaged in any of the following behavior:

- violated an applicable law;
- engaged in a breach of trust or other fiduciary duty;
- refused to submit to examination or examination under oath;
- conducted business in an unsafe or unsound manner; or
- violated a condition of the bank's charter or an agreement between the bank or the person and the banking commissioner or the Texas Department of Banking.

C.S.H.B. 3850 establishes that a state bank's investment in a subsidiary only be allowed, rather than approved, by the Federal Deposit Insurance Corporation under applicable federal law in order for the bank to establish or acquire a subsidiary or obtain a controlling interest in a subsidiary that engages in activities as principal in which the bank is prohibited from engaging directly.

EFFECTIVE DATE

September 1, 2021.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 3850 differs from the original in minor or nonsubstantive ways to conform to certain bill drafting conventions, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute includes a procedural provision not in the original specifying that it applies only to a violation that occurs on or after the bill's effective date.

The original included an effective date of on passage, or, if the bill does not receive the necessary vote, September 1, 2021. The substitute does not provide for possible immediate effect and instead includes an effective date of September 1, 2021.