

CHAPTER 636

S.B. No. 718

An Act relating to the prohibition of the provision of financial services by banking organizations having limited banking powers; amending Article 13, Subchapter IX, The Texas Banking Code of 1943, as amended (Article 342-101 et seq., Vernon's Texas Civil Statutes).

Be it enacted by the Legislature of the State of Texas:

SECTION 1. PURPOSE. The State of Texas relies upon its large network of banks to serve its citizens. The long-standing constitutional prohibition against branching has further necessitated that banks be empowered to provide the full range of financial services needed by the public they serve. Accordingly, Section 6, as added by this Act, exists for these purposes:

(1) to prevent the acquisition or creation of banks which, to avoid restrictions on corporate expansion, legally and intentionally disable themselves in some manner, rendering themselves incapable of providing certain basic and traditional banking services to their customers;

(2) to prevent the establishment of such organizations to the practical exclusion of organizations empowered to serve their trade areas with a full range of banking services; and

(3) to avoid public confusion and inconvenience arising from the creation of an array of institutions that are limited in their permissible functions for reasons not associated with market demand.

SECTION 2. Article 13, Subchapter IX, The Texas Banking Code of 1943, as added by Section 2, Chapter 631, Acts of the 65th Legislature, Regular Session, 1977 (Article 342-913, Vernon's Texas Civil Statutes), is amended by adding Section 6 to read as follows:

"Section 6. (a) For the purpose of this section, 'control' means:

"(1) the ability or power to vote, directly or indirectly, 25 percent or more of any class of voting securities; or

"(2) the ability to control in any manner the election of a majority of a board of directors.

"(b) It is unlawful for a bank holding company or any other company, corporation, partnership, business trust, association or similar organization, or any person to acquire, hold, establish, operate, or control an 'insured bank' as defined in Section 3(h) of the Federal Deposit Insurance Act, 12 U.S.C. 1811 et seq. or any institution that is eligible to make application to become an insured bank pursuant to Section 5 of the Federal Deposit Insurance Act, if such insured bank or such institution is domiciled in Texas, unless such insured bank or such institution both accepts deposits that the depositor has a legal right to withdraw on demand and engages in the business of making commercial loans.

"(c) This subchapter does not apply to any insured bank as defined in Section 3(h) of the Federal Deposit Insurance Act or any institution that is eligible to make application to become an insured bank pursuant to Section 5 of the Federal Deposit Insurance Act provided such bank or such institution was engaged in business in Texas on or before December 31, 1941."

SECTION 3. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force from and after its passage, and it is so enacted.

Passed the Senate on April 22, 1985, by the following vote: Yeas 28, Nays 0; passed the House on May 25, 1985, by the following vote: Yeas 137, Nays 0, two present not voting.

Approved: June 14, 1985

Effective: Immediately