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FISCAL IMPACT REPORT

ORIGINAL DATE 01/30/13

SPONSOR Taylor/Ryan LAST UPDATED _____ HB 176

SHORT TITLE Increase Minimum Paid-Up Capital Stock SB _____

ANALYST Weber

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		NFI				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of Bill

House Bill 176 increases a state bank's minimum paid-up capital stock structure from \$500 thousand to \$5 million.

FISCAL IMPLICATIONS

There are no identified fiscal implications.

SIGNIFICANT ISSUES

RLD note the need for such an increase:

Currently, New Mexico's paid-up capital requirement for newly organized state chartered banks is significantly lower than its surrounding states, Oklahoma, Texas and Arizona. This lower threshold requirement places newly formed state chartered banks in New Mexico at risk in the current regulatory environment by allowing them to form at an undercapitalized standard. As such, the current requirement of \$500 thousand is contrary to the public policy enumerated in the Banking Act, which mandates that the Director of the Financial Institutions Division "act in the interests of promoting and maintaining a sound banking system, the security of deposits and depositors and other customers, the preservation of the liquid position of banks and in the interest

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of preventing injurious credit expansions and contractions.” §58-1-51 NMSA 1978. The increase promotes a safe and sound banking system in New Mexico.

POSSIBLE QUESTIONS

How many new banks have been chartered in the past five years with a capitalization of under \$5 million and are they safe?

MW/bm