

OCC at a Glance

The Office of the Comptroller of the Currency continued its strong stewardship of the national banking system during a year of excellent industry health. The OCC also maintained a keen focus on its internal financial controls, while the value of the national bank charter gained increasing recognition. This annual report presents the OCC's most significant program accomplishments, performance results toward its long-term strategic goals, and financial status for Fiscal Year (FY) 2004.

Profile

The OCC was established in 1863, as a bureau of the Department of the Treasury. The OCC is responsible for supervising, regulating, and licensing the nation's federally chartered banks.

As of September 30, 2004, the OCC was responsible for regulating and supervising 1,934 national banks and 52 federal branches of foreign banks in the U.S. Based on the most recent data (June 30, 2004 call reports), national banks held \$4.6 trillion in assets or 57 percent of the total assets of all U.S. commercial banks.

The OCC's operations are funded primarily by semiannual assessments levied on national banks (99 percent) and 1 percent from interest revenue from its investments in U.S. Treasury securities and licensing and other fees combined. The OCC does not receive congressional appropriations to fund any of its operations.

Structure

As of September 18, 2004, the OCC had 2,727 OCC employees, including 1,824 bank examiners. The OCC has its headquarters in Washington, D.C., a data center in Maryland, and four district offices in Chicago, Dallas, Denver, and New York. The OCC also has 48 field offices and 23 satellite locations in cities throughout the U.S., resident examiner teams in the 25 largest banking companies supervised, and an examining office in London, England.

The OCC is headed by the Comptroller of the Currency, who is appointed for a five-year term by the President, with the advice and consent of the Senate. An Executive Committee of senior executives of the major business units advises the Comptroller on policy and operational issues. To provide more focused attention on critical issues, senior executives also serve on smaller subcommittees (audit; bank supervision; budget and finance; human capital; regulatory policy, legal and external affairs; and technology and systems) that regularly report to the Comptroller and Executive Committee.

Figure 1: OCC Organization

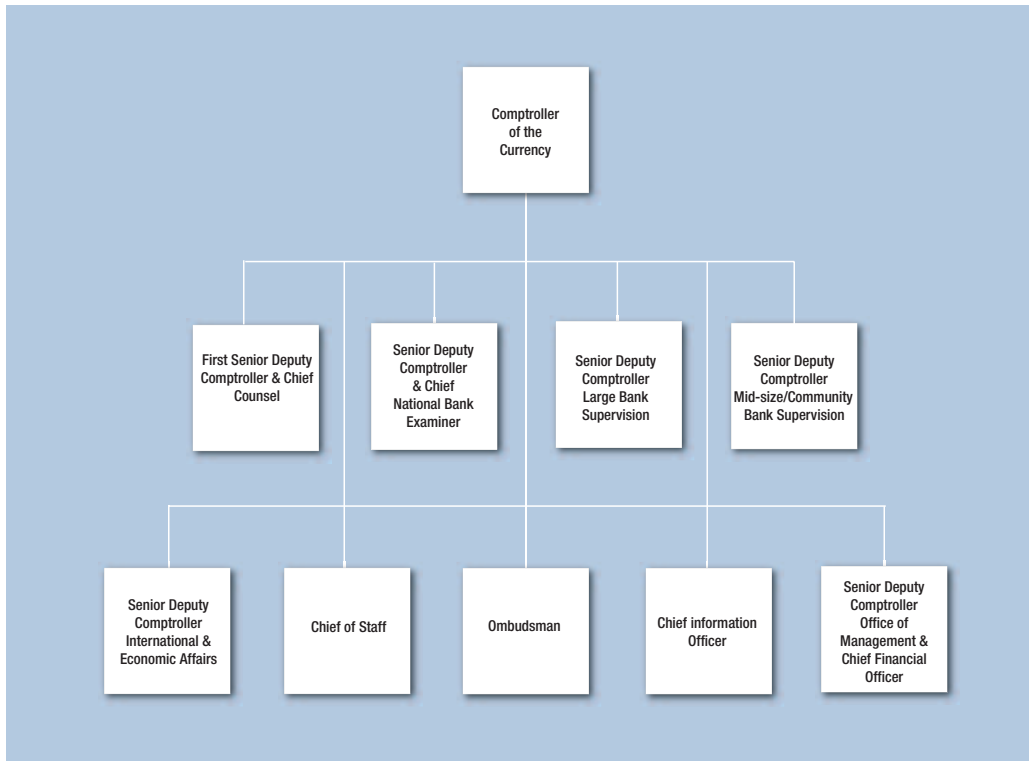
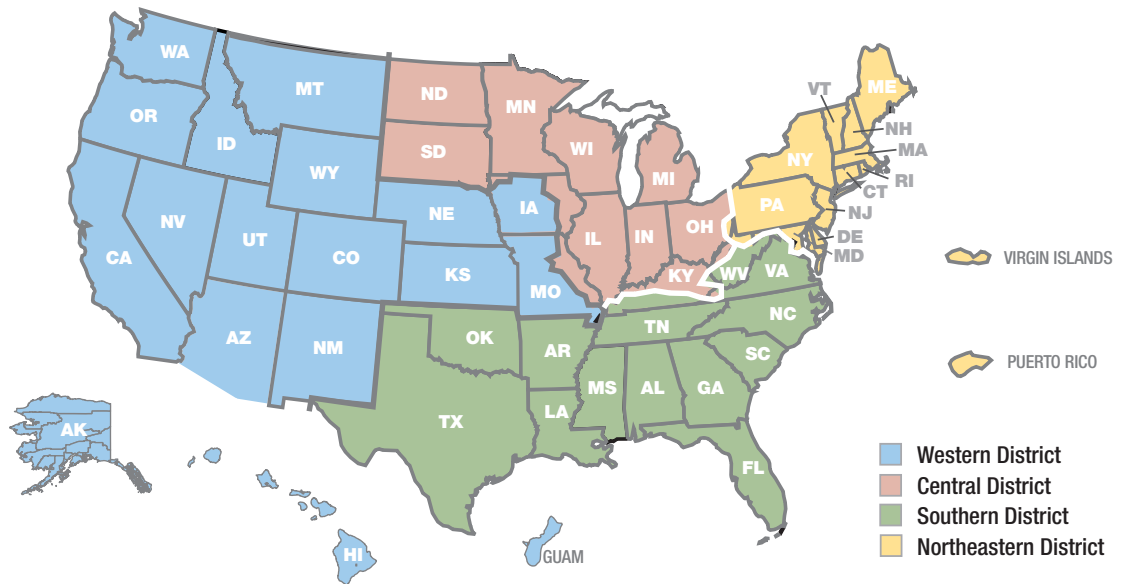


Chart: District Map



Strategic Goals

The OCC has four strategic goals to achieve its mission and contribute to the achievement of the Department of the Treasury's strategic goals (promoting prosperous U.S. and world economies and preserving the integrity of financial systems). The OCC's goals, as defined in its FY 2003-2008 Strategic Plan, are:

- A safe and sound national banking system.
- A flexible legal and regulatory framework that enables the national banking system to provide a full competitive array of financial services.
- Fair access to financial services and fair treatment of bank customers.
- An expert, highly motivated and diverse workforce that makes effective use of OCC resources.

Performance Measures

Consistent with the Government Performance Results Act (GPRA) and its implementing guidance, the OCC issues an annual performance budget outlining the performance goals and measures for the year. The OCC's performance information presented in this report is reliable and complete, as ascertained through the FY 2004 management control assessment process described in the *Systems, Controls, and Legal Compliance* section of this report. The OCC's performance on the GPRA goals is incorporated in the program area discussions. Appendix A presents a complete list of the OCC's GPRA performance measures, workload indicators, customer service standards, and the results achieved during FY 2004. Performance results for the three previous years are also presented, as available.

¹Acronym for composite rating banks are given as a result of a bank examination. The letters stand for Capital, Asset quality, Management, Earnings, Liquidity, and Sensitivity to market risk.

Program Results

The OCC accomplishes its mission through three major programs: supervise, regulate, and charter. Accomplishments from the OCC's programs and operations follow.

- 1,642 strategy certifications were completed for examination activities that concluded:
 - 99 percent of national banks were well-capitalized.
 - 94 percent of national banks earned strong composite CAMELS¹ ratings of 1 or 2.
 - 96 percent of national banks merited high consumer compliance ratings of 1 or 2.
- 486 Community Reinvestment Act (CRA) examinations completed.
 - 230 bank consultations on community development opportunities were conducted.
 - 100 percent of qualified banks that were within one year of their first large bank CRA examination were offered a consultation.
- 457 enforcement actions completed on banks and individuals.
 - 41 percent of problem national banks rehabilitated.
- Approximately 150 substantive inquiries, including formal and informal appeals, processed by the Office of the Ombudsman.
- 66,864 calls fielded by the OCC's customer assistance call center.
 - 74 percent of the 68,104 closed consumer complaints were completed within 60 calendar days of receipt.
- 119 responses issued to banks' requests for legal opinions.
 - 87 percent of legal opinions were issued within established time frames.
- 2,592 corporate applications received.
 - 96 percent of the 2,477 decisions issued

- were within established time frames.
- 34 percent of all corporate applications were received electronically.
- Examination and licensing activities performed in a quality and professional manner.
 - External ratings on the OCC's examination and licensing functions exceeded goals for all service standards.

Other noteworthy program accomplishments in FY 2004 included:

- Issued the final rules on Preemption and Visitorial Powers in January 2004.
- Placed all national banks under continuous supervision using individually developed supervisory strategies based on the specific risk profile and the condition of the bank.
- Initiated a Quality Management (QM) review and evaluation of the approach to, and effectiveness of, its Bank Secrecy Act/Anti-Money Laundering (BSA/AML) supervision programs. The OCC also approved the development of an enhanced database of national bank-filed Suspicious Activity Reports (SARs) and a revised risk assessment process to better identify high-risk banks.
- Revised examination procedures for key sections of the USA PATRIOT Act, in coordination with other federal banking agencies.
- Completed the shared national credit (SNC) review that covered 7,490 credits with commitments totaling \$1.5 trillion, in coordination with the Federal Reserve and the FDIC. The quality of large syndicated bank loans showed marked improvement this year. Adversely rated loans continue to subside, although certain industries continue to have a high concentration of adversely rated loans.
- Trained and placed 74 new bank examiners into permanent field positions for community bank supervision. Another 40 examiners have begun on-the-job training and will be placed into permanent field

positions in the first half of FY 2005. This initiative is critical to the OCC in light of the number of examiners who are expected to retire over the next five years, as well as the need to deploy experienced examiners to supervise the new mid-size and large banks entering the national banking system.

- Added nine corporate applications and seven notices to the Electronic Corporate Application Process (e-Corp) for electronic filing.
- Provided a team of four examiners to help design and build Iraq's bank supervision system. The team served as technical advisors on supervision issues, including the underlying concepts of risk-based supervision and CAMELS ratings, guidance documents, bank reporting and analysis, and training.
- Completed the security certification and accreditation for 73 percent of the OCC's information technology systems, achieving the Department of Treasury's FY 2004 target of 70 percent.

Financial Management Results

- Received an unqualified audit opinion from its independent public accountant on the FY 2004 financial statements with no material weaknesses.
- Completed timely and accurate monthly and quarterly financial and performance reporting.
- Published the annual statement of reasonable assurance on the Federal Managers' Financial Integrity Act (FMFIA) and substantial compliance on the Federal Financial Management Improvement Act (FFMIA).
- Paid invoices totaling \$68.8 million with 98.7 percent paid timely, achieving the Office of Management and Budget's (OMB) goal for government entities.
- Collected assessments totaling \$490.3 million with 98.4 percent collected within five work days.