



Comptroller of the Currency
Administrator of National Banks

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Administrator of National Banks

John C. Dugan
Comptroller of the Currency

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1034 , 4/1/2005, Letter states that the bank may construct a new office complex on existing bank premises and lease unused space as excess bank premises.	
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securities, the usual 25 percent prudential limit is not intended to apply under the specific facts and circumstances represented, and retention of the subordinated interest is permissible under 12 USC 24(Seventh). The conclusions are subject to various safety and soundness requirements. The appropriate risk-based capital treatment is the risk-based capital charge for the underlying HELOCs.

1036, 8/10/2005, Letter states that a remote check scanning terminal at a customer's location, which permits the customer to deposit checks electronically, is not a branch.

September [Interpretations and Actions]

1037, 8/9/2005, Letter concludes that trust company may use cash-settled derivatives linked to S&P 500 Index to hedge the market risk associated with the fees it charges customers as part of its investment advisory activities, provided the trust company establishes to the satisfaction of its supervisory office, an appropriate risk management and compliance process.

1038, 8/16/2005, A national bank, under contract with the General Services Administration, provides purchasing, travel, and fleet charge cards to government agencies and employees as a payment tool for official government purchases and travel expenses. This letter responds to a request from the bank for an opinion the appropriate capital treatment for unused portions of lines of credit (unused lines) on cards issued to federal employees. Liability for all charges and fees incurred on government credit cards rests solely with the cardholder; the government bears no secondary liability. In the letter, we conclude that the OCC will use its reservation of authority in 12 CFR 3.4 to assign a zero percent conversion factor to the unused lines. This reflects our conclusion that a zero percent conversion factor more appropriately reflects the credit risk to the bank associated with the lines.

1039, 9/13/2005, Letter concludes that the bank may engage in customer-drive, perfectly matched, cash-settled derivative transactions provided the bank's examiner-in-charge is satisfied that the bank has adequate risk management and measurement systems and controls to conduct the activities on a safe and sound basis.

1040, 9/15/2005, Letter states that the bank, with the approval of its examiner-in-charge, may engage in customer-driven, physically settled emissions derivative transactions and may enter into physical transactions in emission allowances to hedge its risk exposures to the emissions derivative transactions.

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December 2005

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Background

The Office of the Comptroller of the Currency (OCC) was established in 1863 as a bureau of the Department of the Treasury. The OCC is headed by the Comptroller, who is appointed by the President, with the advice and consent of the Senate, for a five-year term.

The OCC regulates national banks by its power to:

- Examine the banks;
- Approve or deny applications for new charters, branches, capital, or other changes in corporate or banking structure;
- Take supervisory actions against banks that do not conform to laws and regulations or that otherwise engage in unsound banking practices, including removal of officers, negotiation of agreements to change existing banking practices, and issuance of cease and desist orders; and
- Issue rules and regulations concerning banking practices and governing bank lending and investment practices and corporate structure.

The OCC divides the United States into four geographical districts, with each headed by a deputy comptroller.

The OCC is funded through assessments on the assets of national banks, and federal branches and agencies. Under the International Banking Act of 1978, the OCC regulates federal branches and agencies of foreign banks in the United States.



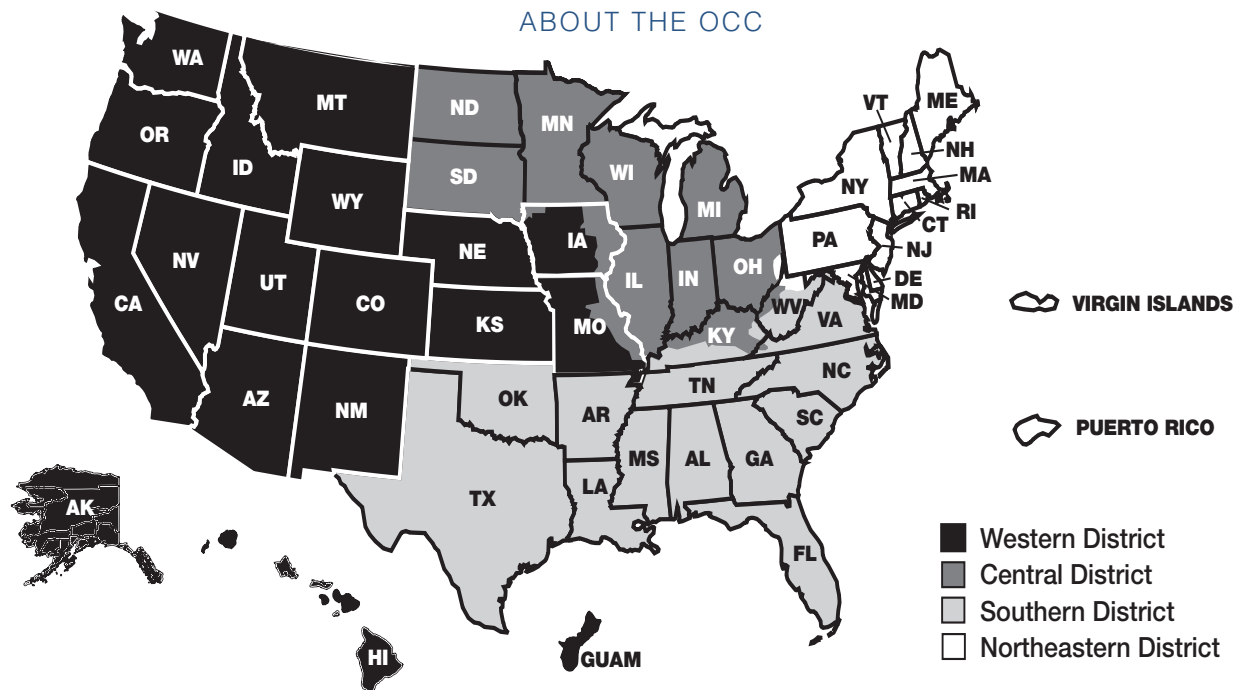
The Comptroller

John C. Dugan was sworn in as the 29th Comptroller of the Currency on August 4, 2005. Prior to his appointment as Comptroller, Mr. Dugan was a partner at the law firm of Covington & Burling, where he chaired the firm's Financial Institutions Group. He specialized in banking and financial institution regulation. He also served as outside counsel to the ABA Securities Association. He served at the Department of the Treasury from 1989 to 1993 and was appointed assistant secretary for domestic finance in 1992. While at Treasury, Mr. Dugan had extensive responsibility for policy initiatives involving banks and financial institutions, including the savings and loan cleanup, Glass-Steagall and banking reform, and regulation of government-sponsored enterprises. In 1991, he oversaw a comprehensive study of the banking industry that formed the basis for the financial modernization legislation proposed by the administration of the first President Bush. From 1985 to 1989, Mr. Dugan was minority counsel and minority general counsel for the U.S. Senate Committee on Banking, Housing, and Urban Affairs. There he advised the committee as it debated the Competitive Equality Banking Act of 1987, the Proxmire Financial Modernization Act of 1988, and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

Among his professional and volunteer activities before becoming Comptroller, he served as a director of Minbanc, a charitable organization whose mission is to enhance professional and educational opportunities for minorities in the banking industry. He was also a member of the American Bar Association's committee on banking law, the Federal Bar Association's section of financial institutions and the economy, and the District of Columbia Bar Association's section of corporations, finance, and securities laws. A graduate of the University of Michigan in 1977 with an A.B. in English literature, Mr. Dugan also earned his J.D. from Harvard Law School in 1981.

The *Quarterly Journal* is the journal of record for significant actions and policies of the OCC. It is published four times a year, based on data released in March, June, September, and December. The *Quarterly Journal* is first released on the Web at www.occ.treas.gov/qj/qj.htm, and then, by subscription, on the CD-ROM *Quarterly Journal Library*, a cumulative collection starting with volume 17. The *Quarterly Journal* includes the briefing on the condition and performance of commercial banks, statistical tables on the performance of FDIC-insured banks and OCC data on bank corporate structure, policy statements, decisions on banking structure, appeals to the ombudsman, links to selected speeches and congressional testimony and interpretive letters, summaries of enforcement actions, and other information of interest in the administration of national banks. Please send your comments and suggestions to Rebecca Miller, senior writer-editor, by fax to (202) 874-5263 or by e-mail to quarterlyjournal@occ.treas.gov. Subscriptions to the *Quarterly Journal Library* CD-ROM are available for \$50 a year by writing to Publications—QJ, OCC, Attn: Accounts Receivable, MS 4-8, 250 E St., SW, Washington, DC 20219.

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(revised July 2005)

*Note: The *Quarterly Journal Library* starts with Volume 17, not 16 as stated previously.

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