Comptroller of the Currency
Administrator of National Banks

US Department of the Treasury

Office *of the* Comptroller *of the* Currency

ANNUAL REPORT
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List of Acronyms

ACH: Automated clearinghouse

AICPA: American Institute of Certified Public Accountants

BIT: Bank Information Technology

BSA/AML: Bank Secrecy Act/Anti-Money Laundering

CAG: Customer Assistance Group

CDO: Collateralized Debt Obligations

CDFI: Community development financial institution

CFR: Code of Federal Regulations

CMP: Civil money penalty

CRA: Community Reinvestment Act

CRE: Commercial real estate

FASAB: Federal Accounting Standards Advisory Board

FDIC: Federal Deposit Insurance Corporation

FECA: Federal Employees' Compensation Act

FFMIA: Federal Financial Management Improvement Act

FinCEN: Financial Crimes Enforcement Network

FISMA: Federal Information Security Management Act

FM: Financial Management Department

FMFIA: Federal Managers' Financial Integrity Act

GAAP: Generally accepted accounting principles

GAO: Government Accountability Office

HSPD: Homeland Security Presidential Directive

IT: Information Technology

ITS: Information Technology Services

OCC: Office of the Comptroller of the Currency

OMB: Office of Management and Budget

UNICEF: United Nations Children's Fund

OPM: Office of Personnel Management

OTS: Office of Thrift Supervision

SFAS: Statement of Financial Accounting Standards

SIV: Structured investment vehicle

SFFAS: Statement of Federal Financial Accounting Standards

USC: United States Code

WaMu: Washington Mutual

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OCC History *and* Traditions

In February 1863, President Lincoln signed into law the National Currency Act, which created a national banking system under the supervision of a new bureau in the U.S. Department of the Treasury, headed by the Comptroller of the Currency.

The law was designed to supply the country's longstanding need for a uniform national currency and a nationwide system of banks operating under uniform rules, uniform supervision and regulation, and uniformly high standards. The law aimed to address the instability that had long beset banking in the United States.

Until 1863, as many as 20,000 different bank note varieties were in circulation at any given time—some good as gold, some worth little more than the paper they were printed on. This diverse and irregular paper fueled inflation and uncertainty and, in some cases, was a barrier to trade and economic growth. Banks themselves banded together in some parts of the country to promote monetary order and provide some assurance to depositors that, if one bank failed, others in the group would stand by it. Regulation, conducted by state banking departments, was uneven.

Under the National Currency Act and the follow-on National Bank Act of 1864, bank organizers were required to raise substantial capital. Previously, many banks had little or no real capital. The banks were required to invest a portion of that capital in U.S. government bonds, stimulating their sale at a time when the Treasury faced severe financial need. The bonds would be deposited with the Comptroller, who would deliver a proportionate quantity of bank notes of uniform design imprinted with a bank's name. The bonds served as security for the notes; if a national bank was unable to meet its obligations, the bonds were liquidated and the note holders repaid. This ingenious arrangement served the country for many years until national currency was phased out in favor of a more elastic system of Federal Reserve notes.

The first Comptroller was Hugh McCulloch, a respected Indiana banker. McCulloch staffed the office, developed policies and procedures, promulgated standards of professional conduct for bankers and bank examiners, and worked to refine the legal framework under which national banks still operate today.

Charter number one was issued to the First National Bank of Philadelphia. The First National Bank of Davenport, the 15th charter, was first to open for business, on June 29, 1863. By 1870, more than 1,600 institutions, including hundreds of former state banks, had joined the national system, holding well over 50 percent of the country's total bank assets.

The National Bank Act offered a broad and potent grant of enumerated powers and such "incidental powers as shall be necessary to carry on the business of banking." The law required the Comptroller to report directly to Congress on needed improvements in the law. Modifications undertaken over the years have provided national banks with the flexibility to meet changing conditions in the financial marketplace.

From the beginning, professionalism and independence have been the OCC's hallmarks. The Comptroller, appointed by the President with the consent of the Senate, serves a five-year term of office. The OCC receives no appropriated funds; its revenues are derived from assessments paid by national banks.

During its 145-year history, the OCC has supervised the national banking system through many turns of the economic cycle. Its goal is to promote sound banking practices in good times and bad, ensuring that the interests of depositors, investors, communities, and taxpayers are appropriately safeguarded.

The seal depicted on the front cover dates to 1863. It was designed under the direction of the first Comptroller of the Currency, Hugh McCulloch, chosen by President Abraham Lincoln and Secretary of the Treasury Salmon P. Chase. The OCC marked its 145th anniversary in 2008.