

Last year the OCC focused its efforts on maintaining a safe and sound national banking system for all Americans by protecting the deposits of bank customers. This annual report will describe what those activities entailed, highlighting steps the OCC took to combat terrorist financing and money laundering, as well as threats from natural disasters, such as Hurricane Katrina.

Overview

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, 2005, the OCC was responsible for regulating and supervising 1,933 national banks and 51 federal branches of foreign banks in the U.S. Based on the most recent data (June 30, 2005 call reports), national banks held \$5.8 trillion in assets or 67 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 (97 percent) and from interest revenue from investments in U.S. Treasury securities and licensing and other fees combined (3 percent). The OCC does not receive congressional appropriations to fund any of its operations.

Structure

As of September 30, 2005, the OCC had 2,802 OCC employees, including 1,895 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's Office of the Ombudsman is located in Houston. The OCC also has 52 field offices and 25 satellite locations in cities throughout the U.S., resident examiner teams in the 23 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. From October 2004 to August 2005, Julie L. Williams was the acting Comptroller of the Currency.

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

The OCC issues an annual performance budget outlining the performance goals and measures for the year, as mandated by the Government Performance Results Act (GPRA) and its implementing guidance. The OCC performance information presented in this report is reliable and complete, as ascertained through the FY 2005 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 the results achieved on the OCC's GPRA performance measures and

other internal measures, workload indicators, and customer service standards. Performance results for the three previous years are also presented, as available.

Program Results

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

- 1,287 strategy certifications 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.
 - 94 percent of national banks merited high consumer compliance ratings of 1 or 2.
- 427 Community Reinvestment Act (CRA) examinations completed.
 - 273 bank consultations on community development opportunities were conducted.
 - 100 percent of qualified banks in the new category of “Intermediate Small Bank” under recently amended CRA regulation were offered a consultation.

¹Acronym for composite rating that 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.

- 607 enforcement actions completed on banks and individuals.
 - 44 percent of problem national banks rehabilitated.
 - Approximately 150 substantive inquiries, including formal and informal appeals, processed by the Office of the Ombudsman.
 - 67,839 calls fielded by the OCC’s customer assistance call center.
 - 72 percent of the 72,203 closed consumer complaints were completed within 60 calendar days of receipt.
 - 131 legal opinions issued in response to banks’ requests. Significant topics addressed included use of derivatives, electronic banking, and directors’ qualifying shares.
 - 86 percent of the 120 legal opinions subject to established processing time frames were issued on time. The remaining 11 opinions dealt with novel or complex issues and were excluded from this requirement.
 - 3,332 corporate applications and notices received.
 - 96 percent of the 2,128 decisions issued were within established time frames.
 - 38 percent of all corporate applications and notices 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 service standards.
- Other noteworthy program accomplishments in FY 2005 included:
- OCC filed “friend of the court” briefs in six cases that affirmed federal preemption of state law restriction of national bank activities.
 - Conducted USA PATRIOT Act (USAPA) examinations in all large banks as well as transaction testing and compliance reviews regarding BSA/AML/USAPA for identified high-risk areas and activities. Completed BSA/AML/USAPA reviews in high-risk mid-size and community banks.
 - Published the FFIEC’s BSA/AML Examination Manual, which provides bankers and bank examiners with comprehensive guidance and resources about the BSA requirements and the agencies’ supervisory expectations in this area. Hosted a series of interagency training and outreach sessions for examiners and bankers to discuss the new manual.
 - Completed the annual shared national credit review that covered 6,817 credits with commitments totaling \$1.6 trillion in coordination with the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation

(FDIC), and the Office of Thrift Supervision (OTS).

- Placed 96 entry-level bank examiners, hired in June 2004 and January 2005, into permanent field office positions for community bank supervision. Another 100 new examiners began on-the-job training and will be placed into permanent field offices in the first half of 2006.
- Issued four consumer advisories on such subjects as gift cards and Check 21.
- Revised guidance on the national banking system in “A Guide to the National Banking System,” a companion publication to the Comptroller’s Licensing Manual that is distributed at OCC’s outreach meetings and recruitment efforts.
- Issued interagency Credit Risk Management Guidance on Home Equity Lending that describes supervisory expectations for product development and marketing; origination and underwriting; third-party originations; collateral valuation management; account management; portfolio management; operations, servicing, and collections; secondary marketing activities; and portfolio classifications, allowance for loan and lease losses, and regulatory capital.
- Through the FFIEC, issued updated guidance for the industry on effective methods that they can use to authenticate the identity of customers who use Internet-based banking services to help deter account fraud and identity theft.
- Implemented a Collective Bargaining Agreement between the OCC and the National Treasury Employees Union (NTEU) covering employee working conditions, such as processes for job and assignment opportunities, provisions for administering leave, work scheduling and work location, and provisions for remediation.
- Initiated 21 process improvement studies. Completed projects have resulted in cost savings of \$700,000, enabled the redirection of staff resources to higher priority needs, minimized the impact of complying with new mandated or existing requirements, and matched internal customer expectations with service delivery.

Financial Management Results

- Received an unqualified audit opinion from its independent auditors on the FY 2005 financial statements with no material weaknesses.
- Published the annual statement of reasonable assurance on the OCC’s compliance with the Federal Managers’ Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA).
- Completed timely and accurate monthly and quarterly financial and performance reporting.

Two business lines reside within the supervise program: large banks and mid-size/community banks. This approach reflects the recognition that institutions of varying sizes and complexity present different risks and require unique supervision philosophies.

The supervise program, by far the largest program, constitutes the core for accomplishing the OCC's mission.

