



NEWS RELEASE

Comptroller of the Currency
Administrator of National Banks

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New OCC Paper Describes Benefits of the Dual Banking System

WASHINGTON -- The Office of the Comptroller of the Currency has published a new [paper](#) on the dual banking system that discusses the important roles played by both state and nationally chartered banks in maintaining the health and vitality of the U.S. banking system as a whole.

The paper discusses the history of the dual banking system, noting that some issues that are controversial today, including preemption of state laws that attempt to restrain entities created under federal statute, are governed by Constitutional principles and court cases that date back to the earliest years of our nation's history. Indeed, it was President Lincoln who proposed the legislation that created the national banking system and the OCC.

“Distinctions between the national banking system and the state banking system are rooted deep in Constitutional principles and our country’s formative history,” the paper notes. “These distinctions should be encouraged and preserved, not blurred or undercut. Indeed differences that may be controversial today are at the very heart of the “dual” character of the dual banking system and are inextricably linked to the benefits and success we associate with the dual system.”

The paper observes that some commentators praise the state banking system for the variety of activities allowed in different states, but then criticize the other half of the system – national banks – for seeking national standards of operation and supervision, consistent with the federal character of their charter.

In this regard, the paper stresses that the characteristics of both parts of the dual banking system are important. For example, many observers have correctly argued that the states have, in the past, served as laboratories of innovation that have fueled advances in bank powers and consumer protections.

“On the other hand, the national banking system is the venue for testing and evaluating the efficiencies and benefits that flow from uniform national standards,” the paper observes. “This takes on a new value as the banking and financial marketplace evolves, increasingly oblivious to state boundaries, as a result of enhanced technology and the growth of national markets for loans, deposits and other financial products.”

The OCC has pioneered advances not only in new bank activities and supervisory

techniques, but also in consumer protections. At the same time, while states are free to take their own approaches to protecting consumers, customers of national banks benefit from the ability of a national regulator – the OCC – to take actions to protect their interests no matter what state they happen to reside in.

The OCC is also [republishing a speech](#) that Comptroller of the Currency John D. Hawke, Jr. gave September 9, 2003 to Women in Housing and Finance, in which he discussed the dual banking system and the federal character of the national bank charter.

Both papers can be found on the news release page of the OCC web site by going to www.occ.treas.gov and clicking on the news release button on the left side of the page. A single printed copy of each publication can be ordered by writing to: Comptroller of the Currency, Communications Division, ATTN: Felicia Belton, 250 E Street SW, Mail Stop 3-1, Washington, DC 20219.

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The OCC charters, regulates and examines approximately 2,100 national banks and 52 federal branches of foreign banks in the U.S., accounting for more than 55 percent of the nation's banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.