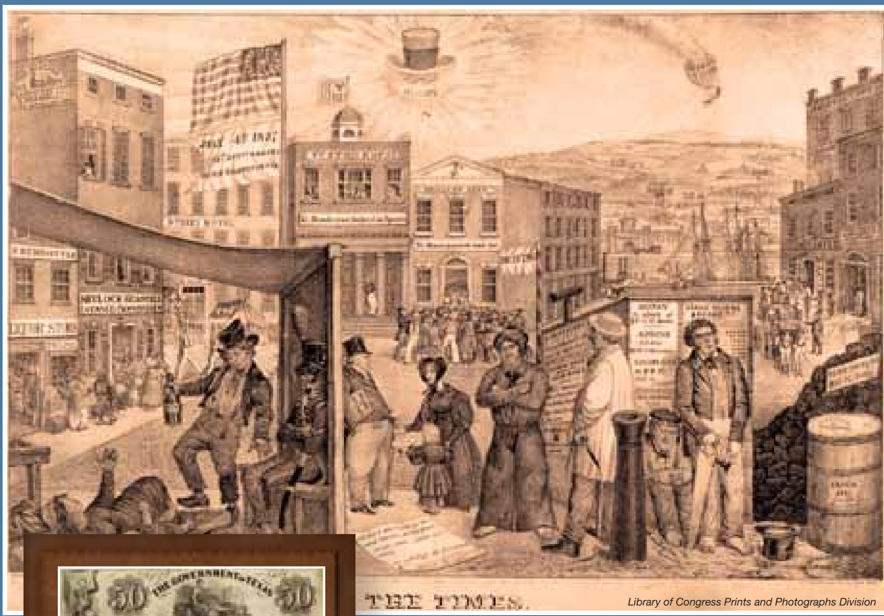
Comptroller of the Currency
Administrator of National Banks
US Department of the Treasury

Office of the Comptroller of the Currency

A Short History



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The disorderly pre-Civil War money supply, based on state bank notes, contributed to periodic “panics” and economic hardship.

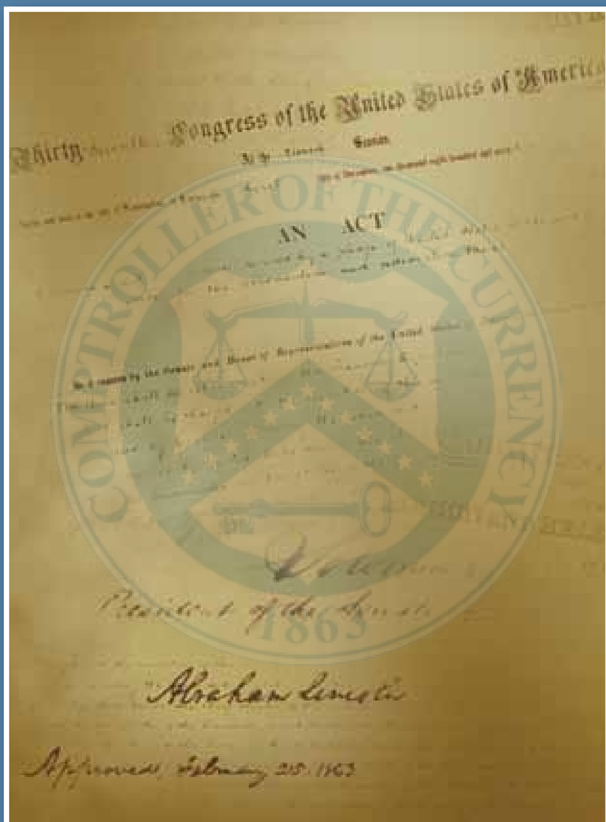
The story of the Office of the Comptroller of the Currency (OCC) and the national banking system begins in 1863, when the National Currency Act was passed by Congress and signed into law by President Abraham Lincoln.

The law was a response to the mishmash of local banks, local money, and conflicting regulatory standards that prevailed before the Civil War. Banking systems varied from state to state. Some states required a special act of the legislature before prospective bankers could obtain an operating charter. Other states adopted "free banking," under which charters were granted to all applicants that met established conditions. In such states as Indiana and Tennessee, banks were state-operated and -owned; elsewhere, ownership was vested in public-private partnerships. And in states like Ohio, several of these institutional arrangements were in use at the same time.

The pre-Civil War money supply consisted of various types of gold and silver coins along with paper notes issued in multiple denominations by each of the thousands of individual banks. In theory, holders of notes could return them to the issuer and receive their face value in precious metal. However, especially where state supervision and oversight were weak, banks tended to issue notes beyond their redemption capabilities, which led to bank runs and failures.

But the biggest problem with state banking before the Civil War was that it discouraged the development of an integrated national market and a shared national identity. At each destination, long-distance travelers had to convert their bank notes into local money, usually sustaining a loss with each exchange. The cost and inconvenience were significant deterrents to interstate travel and commerce.

Such a fragmented banking and monetary system increased the likelihood that people would think of themselves as citizens of a state or a region rather than citizens of the United States.



The National Currency Act of 1863 created the national banking system and the Office of the Comptroller of the Currency.

Founding of the National Banking System, 1863–1865

Local and sectional loyalties tore the country apart in 1861. The National Currency Act of 1863 was part of Congress's attempt to stitch it back together.

The immediate challenge was meeting the costs of a civil war that vastly exceeded anything the government had confronted before. As the war ground on, the challenge of keeping the troops paid and provisioned became a crisis that rivaled the military challenges on the battlefield.

Abraham Lincoln

Congress acted on several fronts. Taxes were raised. Assets, especially land, were sold. Fiat currency—the unsecured paper known as greenbacks—was printed and used to pay the troops and their suppliers. And the government borrowed. But in the face of military reverses that raised doubts about the government's prospects and permanence, bond sales faltered.

One of the purposes of the national banking legislation introduced in December 1862 was to stimulate bond sales and generate a rush of cash for the hard-pressed U.S. Treasury. The legislation would create the first national bank charter. Applicants would have to meet minimum capital standards, pass muster with the system's administrative officer (designated the Comptroller of the Currency), and be willing to buy U.S. bonds to be deposited with the Comptroller as security for the new national currency. Supporters of the legislation promised that tens of millions of dollars would be raised annually for the war effort through such bond sales; in the end, the wartime take amounted to a fraction of that.


Salmon P. Chase

Some members of Congress supported the national banking legislation as a simple act of patriotism. But the legislation's leading proponents—President Abraham Lincoln, Treasury Secretary Salmon P. Chase, and Ohio Senator John Sherman—saw the legislation not only as a way to tap the North's wealth and win the war but also as a means to assure the future greatness and permanence of the United States.


John Sherman

At the heart of their vision was a safe, sound, and reliable banking and monetary system. The OCC would write uniform rules that would apply to all national banks and send examiners into the banks to make sure those rules were being followed. The national currency itself would be identical except for the name of the issuing bank and the signatures of its officers. The idea behind the system was simple, but the system's impact on commerce, public confidence, and national unity would be profound.

Hugh McCulloch

The bill that Lincoln signed into law on February 25, 1863, established the system's basic framework. Because it was passed with relatively little review or debate, the bill was imperfect and incomplete, prompting the first Comptroller, Hugh McCulloch of Indiana, to change and clarify many of its provisions. Congress passed McCulloch's expanded and redrafted version, called the National Banking Act, in June 1864.

McCulloch was in fact an unlikely choice for Comptroller. He had come to Washington in his capacity as president of the state-owned Bank of Indiana to fight against the national banking legislation, which he rightly perceived as a threat to state-chartered banking. Although he had tried to block the system's creation, McCulloch was now determined to be its champion.

McCulloch was an industrious, able administrator. He acquired office space, hired a staff, assisted in the design of the new national bank notes, and arranged for their engraving, printing, and distribution. He personally evaluated applications for bank charters and consoled prospective bankers who were late with their paperwork and the initial installment of their paid-in capital, thus losing out to competitors for the coveted designation of "First National Bank" in the same locality.

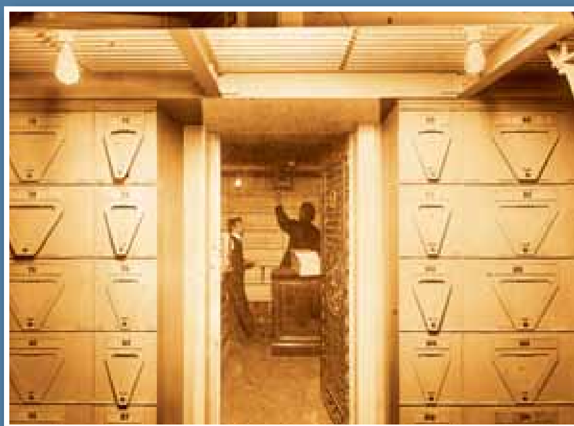
McCulloch was keenly aware that his decisions would set standards for years to come. In a letter of advice to bankers in 1863, McCulloch encouraged the pursuit of "a straightforward, upright, legitimate banking business."

"Never be tempted by the prospect of large returns to do anything but what may be properly done" under the law, he advised.

Although the new law allowed both new charters and the conversion of state banks into national ones, McCulloch, as a former state banker, gave preference to the latter, convinced that experienced bank managers were essential to the system's success.

For various reasons, they were slow to take him up on the offer. Some bankers were reluctant to abandon the descriptive, sometimes colorful names their institutions had borne for years, like the Safety Society Bank and the Planters and Drovers Bank, in favor of the dry "First National" and "Second National" nomenclature prescribed by the new law. Bankers also balked at the law's capital requirements, the prospect of tougher federal oversight, and the restrictions on activities that state laws allowed them to conduct, such as real estate lending.

In March 1865, in the face of this reluctance, Congress passed a 10 percent tax on the notes of state banks, signaling its determination that national banks would triumph and the state banks would fade away. And, for a time, they did.



Within its vaults, the OCC held the U.S. government bonds that secured national currency.

OCC officials sorted, bundled, and destroyed national bank notes that were turned in for redemption.

The System in Operation, 1866–1913

Of the 1,600 state banks that existed in 1860, only 300 remained by 1866, while the national banking system shot ahead in numbers and influence. In his 1872 *Annual Report* to Congress, Comptroller John Jay Knox took pride in the nearly decade-old system's contribution to the country's rising wealth and power.

In 1868, the OCC's headquarters staff consisted of 72 clerks, a third of them women. Their work was tedious. The office dispatched orders to the examiner force across the country, received and processed applications for charters and other corporate changes, and filed the examination reports. The national currency had to be ordered from printers (initially private contractors and later the federal Bureau of Engraving and Printing). Under tight security, the currency had to be cut, registered, bundled, and shipped to the issuing national bank, where each note was supposed to be signed by hand. The U.S. bonds deposited with the Comptroller's office required similar care. When a bank failed or was voluntarily dissolved, the outstanding notes had to be withdrawn and destroyed and the bond security liquidated.

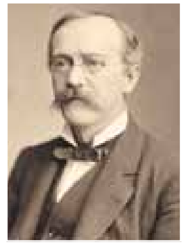
Although the OCC's headquarters operations were initially funded by Congress, national bank examiners were more akin to independent contractors, paid directly by the banks they examined at a rate of $5.00 a day plus $2.00 for every 25 miles traveled. Assessing banks for the cost of their supervision was not only a matter of being frugal with public funds; the assessment system was also designed to insulate examiners from the pressures of the federal budgeting and appropriations process.

This approach, while well intentioned, did not always result in effective supervision. Many examiners were overwhelmed by the number of banks in their supervisory portfolios and by the challenge of getting from one to the next. One OCC examiner in 1887 had responsibility for 90 banks scattered throughout seven states. He could have hired an assistant to help, but that would have been an out-of-pocket expense. Nineteenth-century rail travel was physically grueling; schedules and connections were erratic. Examiners were sometimes tempted to rush through their work to avoid missing the train that could leave them stranded—and unpaid—for days. One Comptroller after the other pleaded with Congress to abolish the fee-based system in favor of regular salaries, but that change was not adopted until 1913.

Who were the people who examined national banks during these early years? Many were attorneys and auditors; others had worked in banks as tellers and cashiers. Some of them stayed with the OCC for life, while for others, the job of national bank examiner became a stepping-stone to other ambitions, especially in banking or politics. For the writer O. Henry and the naturalist John Burroughs, the OCC was a way station to a career in the arts and sciences.

The first generations of national bank examiners were all white males. The first female examiner, Adelia M. Stewart, was not commissioned until the 1920s. African-Americans were hired as messengers and watchmen. Such was the

United States in the decades after the Civil War.


John Jay Knox

The Comptrollers of the Currency in this period were men of accomplishment and distinction befitting the office's broad responsibility for the banking and monetary systems. McCulloch went on to serve two terms as Secretary of the Treasury. Knox, who joined the OCC as a clerk and rose through the ranks to become one of the longest-serving Comptrollers in history, wrote several outstanding treatises on banking and financial history during his tenure. Charles G. Dawes already had published a study on banking when he became Comptroller in 1898. After leaving the OCC in 1901, Dawes ran unsuccessfully for the U.S. Senate, founded a bank, became a brigadier general in World War I, developed the Dawes Plan for the economic recovery of post-war Europe, served as the 30th Vice President of the United States, and was the U.S. Ambassador to the United Kingdom. In his idle time, he was an accomplished musician and composer of popular tunes that enjoyed considerable commercial success.


Charles G. Dawes

Congress had established the OCC as a "separate bureau" of the Department of the Treasury under the "general direction" of the Secretary. Other provisions of the National Banking Act underscored the Comptroller's independence by giving the Comptroller a five-year term, a direct reporting line to Congress, and protection against arbitrary removal. But ambiguity about the Comptroller's status existed from the beginning and has persisted throughout the OCC's history. Democratic presidents invariably selected Democrats to serve as Comptroller, Republicans


Lawrence O. Murray

Eugene T. Wilson, National Bank Examiner

Merchant, journalist, and member of the Washington State Senate, Eugene T. Wilson was appointed a national bank examiner in 1892. During the Panic of 1893, he was assigned to supervise the national banks of Helena, Montana, where he uncovered evidence of fraud and mismanagement and took steps to force the banks to clean up their affairs. The bankers tried to bribe and discredit him, but Wilson prevailed. According to a scholar who studied his OCC career, Wilson "brought to his job profound personal integrity, a well developed concept of public responsibility, and a firm idea of fairness to all classes in connection with the banks."

picked Republicans, and, notwithstanding the five-year term, incumbent Comptrollers often were pressured to leave early when the White House changed hands. A break in this tradition came in 1908, when Republican President Theodore Roosevelt appointed Lawrence O. Murray, a Democrat, as the 12th Comptroller.

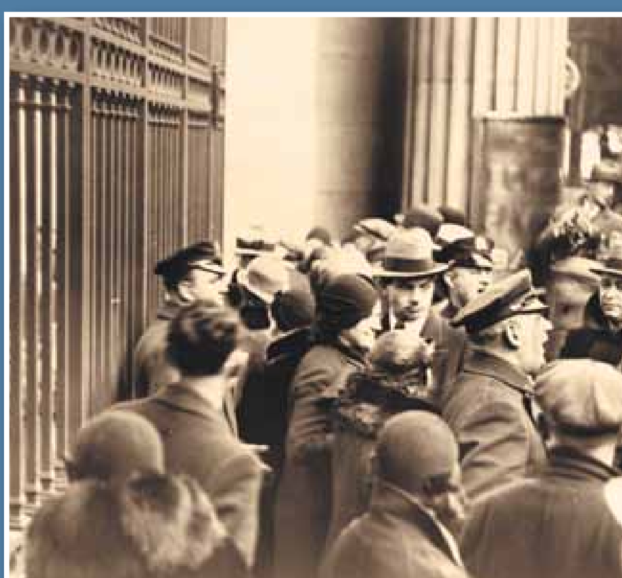
The law required that Comptrollers report annually to Congress on the condition of the national banking system, making recommendations for improvements as they saw fit. Some of the issues they identified were addressed legislatively, but larger questions about the system's adequacy and fairness remained.

The unexpected resurgence of state banking was an increasing concern for the OCC. State banks had circumvented efforts to tax their notes into oblivion by encouraging customers to pay bills with checks instead of currency. State regulators and legislators eased chartering requirements, reduced lending limits, broadened eligible collateral, and cut the fees that banks paid for examinations. The Comptrollers urged Congress to help national banks compete by easing restrictions and expanding powers. Nonetheless, by 1900, state banks outnumbered national ones.

Fifty years after it was created, one thing was clear: The national banking and national currency system was a vast improvement over the system it had replaced. Yet public dissatisfaction with banking was still keen. There was a perception that the national system was national in name only, that it favored Eastern, urban interests over Western, rural ones. Moreover, the economy was still subject to periodic bouts of extreme instability, when liquidity and loans dried up and banks failed in alarming numbers.

Changes in the nation's financial structure were on their way.

Comptroller Daniel R. Crissinger (center), who served between 1921 and 1923, meeting with his senior national bank examiners.



A Great Depression-era bank run.

Years of Transition, 1914–1935

The passage of the Federal Reserve Act in 1913 was a watershed in U.S. banking history. It created the Federal Reserve System, consisting of a network of branches in large American cities, tied together by a Board of Governors headquartered in Washington, D.C. The Fed would serve as the country's central bank, regulating its members (including all national banks) and overseeing a new, more flexible currency that could grow with the needs of the economy and would gradually take the place of national bank notes in the money supply. The last such notes were issued in 1929. Despite its name, the OCC was now officially out of the currency business.

No longer burdened with the administration of a complex monetary system, the OCC sharpened its focus on bank examination and regulation. It became essentially an organization of national bank examiners charged with doing one job: maintaining the safety and soundness of the banks they supervised.

While the OCC's work after 1913 was simplified in one respect, it was complicated by the surge in new bank formation. By 1921 there were more than 29,000 commercial banks in the United States, three-quarters of them state-chartered and many so thinly capitalized that the loss of a single large deposit or loan could bankrupt them. In addition, there were thousands of savings and loan institutions that specialized in making residential mortgages and that, consequently, were extremely vulnerable to fluctuations in house prices.

The OCC had long taken a stand against chartering new banks in communities that already had more banks than they could support. The shift in banking resources away from the national charter and federal authority nevertheless was a development the OCC could not ignore.

Adelia M. Stewart, National Bank Examiner

Adelia M. Stewart made history when, in 1921, she became the OCC's first female national bank examiner. But setting precedents was nothing new for her. While working as a clerk at the OCC, she earned a law degree with high honors and was one of two women admitted to the Washington, D.C., bar in 1914. Her superiors recognized her accomplishments in 1922 by appointing her chief of the OCC's Division of Examinations. In Stewart's 44-year career at the OCC, she served under 11 Comptrollers, displaying the grit and dedication to public service that made her a model for men and women alike.

With the agency's support, Congress passed the McFadden Act of 1927, which empowered national banks to increase their loans to single individuals, to make real estate loans, to deal in securities, and to open branches. The Comptrollers in office between the two world wars were resolute in maintaining high supervisory standards, upholding the quality of OCC supervision, and refusing charters to banks they believed had little or no prospect of success.

All this mattered little when the Great Depression struck with devastating force after 1929. First to feel the effects were banks involved in stock trading—and those whose customers were. Unfortunately, the 1920s bull market on Wall Street had brought millions of Americans into the market for the first time, and many of them were wiped out when the market turned against them. Loan losses soared, and bank deposits dwindled. Whole industries shut down. As the crisis worsened, people lost their jobs, their homes, and their hopes.

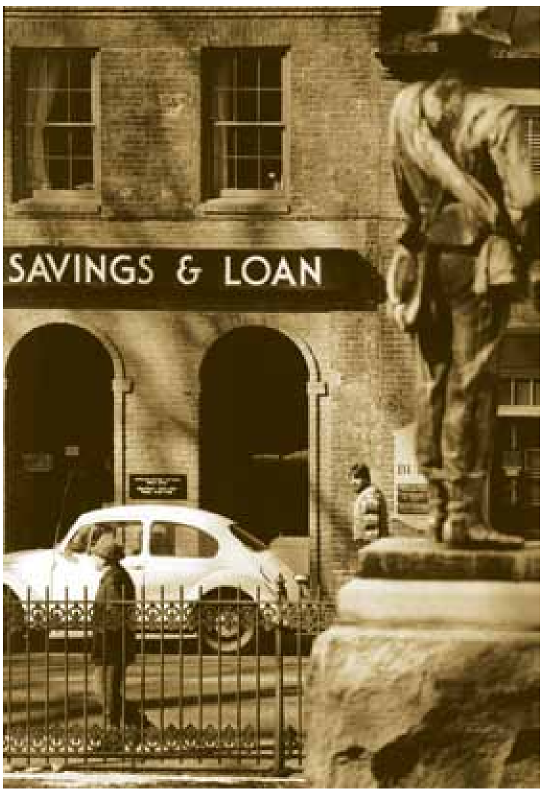
On March 6, 1933, just two days after taking office, President Franklin D. Roosevelt declared a bank "holiday"—a respite designed to calm frazzled nerves, conserve assets, and begin the process of healing the nation's shattered banking system.

The OCC played a major role in that effort. The temporary shutdown of the nation's banks was no holiday for state and national bank examiners, who worked under heavy pressure to review the condition of thousands of banks and decide whether to issue or deny them the licenses they needed to reopen. National banks failing the test were placed into OCC-supervised receiverships that liquidated the banks' assets. Banks judged to be salvageable were returned to private management, offered government capital until money could be raised privately, and placed under intensive supervision to nurse them back to health.

For many Americans, the crisis underscored the weaknesses of the existing regulatory framework, with its liberal if not runaway chartering, inconsistent supervision, and regulations that allowed banks to engage in the riskiest activities. Major changes came with the passage of the Glass–Steagall Act of 1933, which created "firewalls" separating investment and commercial banking, regulated many deposit products, and raised minimum capital requirements for national banks. Glass–Steagall also created a system of federal deposit insurance, which proved instrumental in restoring public confidence and luring funds back into the banks, where the money could be used to promote recovery. State banks that opted for protection under the federal deposit insurance umbrella were subject to co-supervision by the newly created Federal Deposit Insurance Corporation (FDIC) and state banking authorities—an important step toward more consistent supervisory standards.

By now, there were three major federal bodies regulating commercial banks—the OCC, the Federal Reserve, and the FDIC—as well as authorities in each state. Calls to resolve differences in how the agencies' examiners rated banks and evaluated their assets led to a 1937 interagency agreement that prescribed a more consistent treatment of loans and securities and common reporting forms. Differences persisted nonetheless, as each agency adopted its own policies within the shared framework.

A new era of conservatism and government involvement in banking was about to begin.



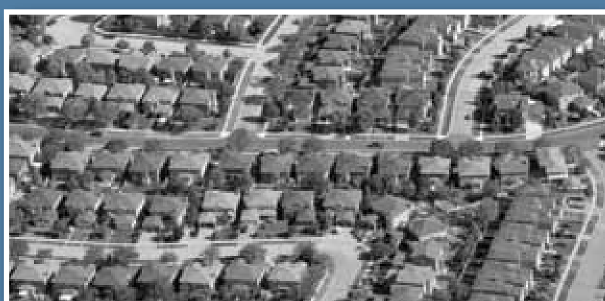
The Federal Thrift Charter

The original national banking laws essentially forbade national banks from making residential mortgage loans. Savings institutions—variously known as savings and loans, savings banks, and building associations—helped fill the gap.

The U.S. thrift industry's roots date back to 1831, when townspeople in Frankford, Pennsylvania, agreed to pool their money to purchase their own homes. The result was the Oxford Provident Building Association, which lasted until all 40 original members had been given the opportunity to become home owners. The Oxford's example of cooperative finance to promote home ownership inspired the founding of other associations across the country. By 1893, there were nearly 6,000 such institutions in the United States.

The Great Depression brought a wave of foreclosures and thrift institution failures. In response, Congress created a federal thrift charter, administered by the Federal Home Loan Bank Board and funded by the Federal Home Loan Bank System, and the Federal Savings and Loan Insurance Corporation to protect thrift depositors. This structure remained in place for the next half-century. At their height, savings institutions originated two-thirds of the nation's home mortgages.

The deregulation of financial markets in the 1970s and 1980s threatened the thrift business model, which depended on low-cost retail deposits. Congress broadened thrift powers, which led many institutions to venture into riskier investment and lending activities. In the late 1980s and the 1990s, hundreds of savings institutions failed. To revive and supervise the struggling industry, the Office of Thrift Supervision (OTS) was created under the Treasury Department to replace the independent Federal Home Loan Bank Board. During its more than 20 years, the OTS regulated institutions that helped millions of Americans achieve the dream of home ownership.



Stabilization and Challenge, 1936–1966

World War II, with its insatiable demand for manpower and matériel, signaled the end of the Great Depression. National service pulled many bank examiners off the front lines of supervision and moved them to the front lines of combat, which meant increased responsibility for the remaining staff. Fortunately, with the newly restrictive regulatory framework and the emphasis on lending to government rather than individuals, bank safety and soundness was never compromised.

After the war, consumer spending and borrowing grew briskly. With relatively few new banks being chartered, national banks could be extremely selective about those with whom they did business and how much they charged customers for their services. Loan losses were low, bank failures were practically nonexistent, and banks were profitable.

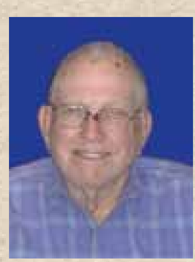
Stability in the banking system eased the pressure on OCC examiners. The interstate highway system and air-conditioned cars made travel more comfortable, and the team approach to examination bred camaraderie and esprit de corps.

These relatively tranquil days for the national banking system—and those who were responsible for it—were fleeting. Competition arose from financial providers that were not commercial banks and were therefore not subject to Glass–Steagall restrictions. By the early 1960s, a century after the national banking system began, James J. Saxon, the 21st Comptroller, was issuing warnings about the "spectre of over-regulation" that threatened to erode the system's future strength and relevance.


James J. Saxon

Saxon was among the most innovative and assertive Comptrollers in OCC history, but his legacy was mixed. Some of his key regulatory initiatives, one of which permitted national banks to underwrite revenue bonds for state and municipal governments, were later overturned in court. His muscular assertion of the Comptroller's independence produced a backlash: By the time he left office, the OCC's relations with the Fed, the FDIC, and the Treasury Department were all seriously strained.

P. Brantley "Preacher" Knight, National Bank Examiner



"Preacher" Knight—he got the nickname as a four-year-old for his impersonation of the local minister—joined the OCC as an assistant national bank examiner in 1947. For most of the next 32 years, he tooled the highways and byways of Texas and New Mexico, supervising mainly rural community banks, some of them so small that they didn't have a restroom on the premises. Driving his beloved 1950 Plymouth, "Old Grey," through blinding ice and dust storms, Knight became a familiar and respected figure among local bankers, who quickly learned that it was no use trying to hide their problems from him. "Examiners," as he wrote after his retirement, "are just like the Pony Express. Nothing stops them."

His reforms, however, were significant and their effects lasting. He set up an OCC international banking unit; created an economics department, which he staffed with graduate-level economists; and strengthened the law department, which he kept busier than ever. He raised hiring standards for new examiners, who for the first time were required to hold college degrees. He encouraged national bank expansion into new geographic and product areas, liberalized chartering policies, and aggressively promoted the national charter to state banks. Saxon's policies helped reinvigorate the national banking system and improved the OCC.

Past, Present, and Future

The Vietnam War became a catalyst for discontent with many national institutions, including government itself. This activism fed the civil-rights movement, with its call for greater social and economic justice. The result was a wave of legislation, some of it affecting financial institutions. Some laws, like the Equal Credit Opportunity Act of 1974, responded to evidence that bank policies had discriminated against women and certain minority groups. Other laws, like the Community Reinvestment Act of 1977, addressed the declining fortunes of many American cities, a decline that was blamed in part on bank business strategies. For the OCC, ensuring compliance with consumer protection and community development laws while continuing to safeguard national bank safety and soundness became a major organizational challenge.

One fundamental change in the banking environment after the war was not related to banking or any act of Congress. Rather, the change was a function of advances in microchip technology and the reduced cost of computing power.

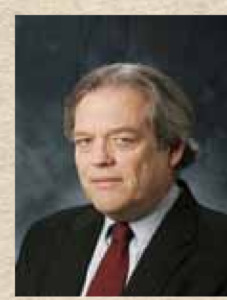
As primarily an information business, banking was profoundly affected by computerization and the subsequent development of the Internet. Access to this technology not only changed the way basic banking transactions were conducted but also tied individual banks into a national and global financial nexus that brought new risks and benefits.

Funds could now be deposited and withdrawn with a single keystroke, giving banks a new ability to tap distant sources. That also meant they instantly could be tapped themselves, in response to swift-moving news or even rumors. Ultimately, the digitization of money reduced the dominant role that banks once played as financial intermediaries.

Banks found that they did not necessarily need a physical presence to take advantage of deal-making opportunities in distant markets (although most large U.S. banks eventually established a presence abroad). Foreign-owned institutions were free to cast their nets just as widely, creating new competition for U.S. banks in their home markets.

Technology would also help the OCC manage these changes. After two national banks failed in the mid-1970s, evoking anxious memories of the Great Depression, Comptroller James E. Smith commissioned a comprehensive review of the OCC's organization and supervisory processes. A large number of adaptations flowed from that study for several years. Communication between banks and examiners became more automated. Supervisory activities were increasingly risk-based. The OCC, like the industry it supervised, expanded internationally: The agency established an office in

Emory Wayne Rushton, National Bank Examiner



Wayne Rushton was one of the bright, young college graduates whom Comptroller James J. Saxon recruited to the OCC in the 1960s. A graduate of the University of South Carolina, Rushton found that the OCC rewarded diligence, courage, and technical know-how. He quickly developed a sixth sense for banks with hidden problems. One of those was the National Bank of Georgia, owned by T. Bertram Lance, a friend of President Jimmy Carter's and Carter's director of the Office of Management and Budget. Lance left that office after Rushton and OCC colleagues uncovered questionable use of the bank's assets. After moving to Washington, Rushton helped establish the OCC's Multinational Banking Program and became one of its earliest Deputy Comptrollers. A career marked by high-level cases and breakthroughs in supervisory policy and execution culminated in his appointment as Chief National Bank Examiner. He retired in 2008, after 43 years of OCC service.

Jerry Martin, Certified Thrift Examiner

Jerry Martin began his supervisory career in 1974 as a financial intern at the OCC. After examining troubled institutions in the Southwest and Northeast during the banking crisis of the 1980s, he moved to the OTS in 1990. His OCC experience supervising real estate loan portfolios served him especially well at the OTS, whose institutions specialized in just such lending. He found high-quality colleagues at both agencies and formed relationships that sustained him throughout his 37 years of government service, culminating in his assignment as resident examiner at ING Bank. He retired in 2011 after 37 years of service as a federal bank examiner.

London and became an active participant in forums like the Basel Committee on Banking Supervision that brought professionals together from around the world with the goal of harmonizing supervisory policies and standards.

The closer integration of America and the world brought changes to the OCC as well as to the industry it supervised. Communications improvements meant faster and more consistent decision making across the OCC's districts, which, accordingly, were reduced from 14 to six, and then to four. Women, African-Americans, Hispanic-Americans, and members of other previously underrepresented groups became indispensable parts of the OCC team—not because equal opportunity had become the law of the land but because the OCC needed the best people available to effectively fulfill its mission.

The information revolution revived the long-standing debate over whether banks are regulated too heavily or not heavily enough. The relaxation of Glass–Steagall restrictions, which Comptroller Saxon advocated in the 1960s, began in earnest in the 1980s, as interest-rate ceilings on deposit accounts, limitations on interstate activity, and other regulations were phased out. The Gramm–Leach–Bliley Act of 1999 broke down the wall separating commercial and investment banking, giving banks greater autonomy than they had had since the 1930s. A decade later, in the wake of the worst financial crisis since the Great Depression, events came full circle with the passage of the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010, which points to a more comprehensive, more exacting regulatory regime.

The OCC faces a number of organizational challenges as it looks toward its 150th anniversary and beyond. Under Dodd–Frank, most of the agency's compliance responsibilities migrate to the new Consumer Financial Protection Bureau. Oversight of the waning thrift industry, which over time lost its unique identity as a source of mortgage funding, comes to the OCC from the Office of Thrift Supervision (the descendant of the Federal Home Loan Bank Board), which Dodd–Frank dissolved. The OCC also takes its place on a new Financial Stability Oversight Council, which aims through interagency cooperation to identify and address potential sources of systemic risk.

Throughout these changes, the agency continues to fly its flag proudly as the oldest regulatory agency of the U.S. government. The OCC's name harks back to the time of Abraham Lincoln. But its fundamental mission of assuring a safe and sound national banking system is as modern as the 21st century.

Revised November 2011

Anatomy of National Bank Notes

The designers of the national currency had several goals: attracting converts to, and building confidence in, the new banking system and money supply; promoting patriotism and civic awareness; preventing counterfeiting; stimulating the sale of U.S. government bonds; and striking a balance between local autonomy and federal authority.

To foil counterfeiters, national bank notes were intentionally detailed and ornate. In addition, several denominations of national currency contained lengthy extracts from the law that assigned penalties for counterfeiting.

National banks were required to purchase U.S. bonds or other investment-grade securities in an amount equal to 90 percent of the face value of their notes. These securities were placed on deposit with the OCC. If a national bank was unable to meet its redemption requirements, the OCC could sell the bonds and distribute the proceeds to note-holders.

The essence of the national banking system was that locally owned and managed institutions would operate under federal authority and supervision. This note from a New York national bank, showing the state seal on one side and the United States eagle on the other, communicated that concept.

The front of a $10 note issued by the National Bank of Commerce in St. Louis, 1889.

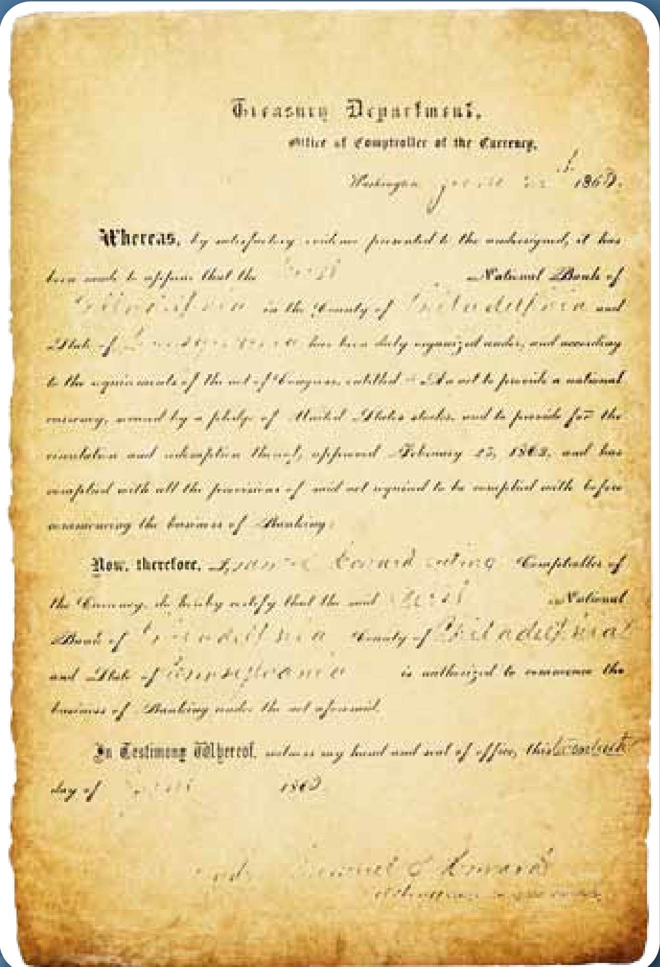
National banks were required to hold reserves of precious metal, to be paid “on demand” when notes were presented to them.

To make them legally binding instruments, the National Bank Act required that each note issued by a national bank be signed by its officers.

National banks were attracted by the prestige of having their name (and charter number) inscribed on the notes they issued.

The back of a $1 note issued by the Marine National Bank of New York, 1865.

Most Americans in the nineteenth century were woefully unfamiliar with their history. To promote historical awareness and patriotism, national currency depicted iconic scenes from the nation’s past. Here, the Pilgrims land at Plymouth Rock.



Treasury Department,

Office of Comptroller of the Currency.

Washington 1863.

Whereas, by satisfactory evidence presented to the undersigned, it has been made to appear that the National Bank of in the County of and State of has been duly organized under, and according to the requirements of the act of Congress, entitled "An act to provide a national currency, secured by a pledge of United States stocks, and to provide for the circulation and redemption thereof," approved February 25, 1863, and has complied with all the provisions of said act required to be complied with before commencing the business of Banking.

Now, therefore, Comptroller of the Currency, do hereby certify that the said National Bank of County of and State of is authorized to commence the business of Banking under the act aforesaid.

In Testimony Whereof, witness my hand and seal of office, this day of 1863.

The first national bank charter was issued to the First National Bank of Philadelphia on June 20, 1863.

Official seal of the OCC, 1863.

2011