Bank of America as a Financial Intermediary

Kaitlyn M. Hirschbuehler: 921008965

Texas A&M University

Finance 381: Money and Capital Markets

March 12, 2015

Table of Contents

Introduction

A young banker decided to get his first tailor-made suit. As he tried it on, he reached down to put his hands in the pockets, but to his surprise, he found none. He mentioned this to the tailor who asked him; "You're a banker, right?" The young man answered, "Yes, I am." "Well, whoever heard of a banker putting his hands in his own pockets?" (White). The joke above suggests that bankers spend all of their time taking money from others and never from their own pockets. While bankers and banks are the brunt of many jokes, their role has played an important part in the financial system for thousands of years.

The history of banks goes back to 300 AD, during the time of the Persians. The word “bank”, derived from the ancient Italian word, “banca” means bench or counter because Italian bankers would set up their benches in the busy market squares (“Banking Careers…”). Today, holding trillions of assets all over the world, the banking industry represents a pivotal role in the global economy. As financial intermediaries, banks intercede between depositors, who supply capital and lenders, who borrow capital in order to stimulate the flow of money (Simpson). Commercial banks are the largest class of banks in the United States financial services industry (Doe; Polski, 41). Bank of America, one of the Big Four banks in the United States, posses a rich history and has a direct impact on America.

History of Bank of America in the United States

1784 – 1850

The year was 1784; just seven years prior, in 1776, America declared freedom from England, fought them for seven years, and then signed a peace treaty in 1783. Yet, the citizens of Boston still had to do their banking through wealthy merchants managed by the Bank of England. The Massachusetts Bank, Bank of Americas' oldest heritage bank, opened July 5, 1875. It was the first stock-owned bank in the United States, the second to receive a federal charter, and it helped its citizens break free financially from England. A group of merchants met and formulated a petition to the Massachusetts legislature that would create a bank, which would allow more independence and separation from England. The petition stated: "…taught the experience of many nations that well regulated the banks are highly useful to society, as they promote punctuality in the performance of contracts, increase the medium of trade, facilitate the payment of taxes, prevent the exportation of and furnish a safe deposit for cash, and in the way of discount [loans], render easy and expeditious the anticipation of funds at the expense of only common interest…" ("Bank of America's

History, Heritage, & Timeline”). The petition was passed quickly and America began doing its own banking.

The Bank of the Metropolis, one of Americas’ oldest heritage banks, still stands today in Washington D.C., but on August 24, 1814, it did not look like the bank was going to survive. British troops raided all public buildings, but not private ones. Almost every civilian fled into the woods, except the banks custodian and cleaner, Sarah Sweeny. She convinced the British officers that they bank was the residence of a poor widow, and therefore was a private building. The British troops believed her and she saved the bank from being raided (“Bank of America’s History, Heritage, and Timeline”). The story of Sarah Sweeny shows the dedication that individual people had towards an American based bank. Becoming financially independent from England marked the beginnings of American banking and created the beginnings of what would eventually be known as Bank of America.

1850 – 1900

In the ten years following 1850, Chicago’s population increased from 30,000 to 109,000. Twelve banks stood in Chicago at the time, but each printed their own currency. The leaders saw this problem and decided to establish a trustworthy and reliable bank, the Merchants Savings Loan and Trust Company.

In 1871, the Great Fire hit Chicago. Before the Merchants Savings Loan and Trust Company burned down, its president, Solomon Smith, and two clerks saved 4 million dollars in cash, checks, securities, and bonds. In keeping with its reputation for reliability, the bank took the word of its customers for the verification of their accounts because the banks books burned in the fire (“Bank of America’s History, Heritage, and Timeline”).

During the Civil War, currency plummeted. The national currency supply consisted of a mix of bank notes issued by different banks, in different states, with different rules. John Durham, the banks first president, had the idea to conduct all business with coin money, which brought stable banking to Chicago. In fact, Abraham Lincoln, perhaps influenced by Durham’s proposition, passed the National Banking Acts of 1863 and 1864, which created the first government backed currency, national paper currency, commonly referred to as greenbacks (“Bank of America’s History, Heritage, and Timeline”). The banks emphasis on trusting and valuing its clients as well as proactive responses to currency problems are rooted in the company today.

1900 – 1950

At the turn of the century, Amadeo Peter Giannini created the Bank of Italy on October 17, 1904 as a financial institution for “the little fellow” because it served people with moderate means (“Reference for Business”; Schweikart 15, 129). A. P. Giannini’s bank was atypical. His policy of lending money to the common man was unheard of in the 20th century. This made his bank highly controversial (“Reference for Business”). However, by December 1904, Bank of Italy’s bank deposits exceeded $109,000 even though most of the patrons to the bank had never done business before (Schweikart 129). In addition to creating a bank that did not service the typical bank customer, Giannini invented the idea of branch banking, where a bank is located in a retail area, serves its customers face-to-face and offers automated services to its customers (“Reference for Business).

Then, in 1906, the Great Fire devastated San Francisco. Giannini viewed the Great Fire as an opportunity to grow his bank, even though he only had $80,000 to cover more than $840,000 in deposits (Schweikart 129). Giannini lent money to people “on a handshake and a signature” basis. This trust built a foundation for San Francisco’s economic recovery (“Bank of America’s History, Heritage, and Timeline”). Giannini’s reactions to the earthquake and fire of 1906 contributed to the reputation of the Bank of Italy (Schweikart 15).

In the late 1920's the Bank of Italy grew across America. First, was the consolidation of Bank of America of California and Transamerica into the Bank of American National Trust and Savings Association ("Reference for Business"). Second, in February of 1928, Giannini paid $17 million for a controlling interest in Bank of America of New York, which was a key step in his goal to create a national bank (Schweikart 137).

Then, the stock market crashed in 1929. Charlie Merrill predicted the Stock had peaked and the bull market would come to an end. He advised his clients "to lighten obligations, or better still, pay them off entirely". Merrill Lynch was prepared for the downturn and so were many of its clients. The tradition of research, advice, and guidance to clients are hallmarks of the firm ("Bank of America's History…").

In 1932, the Depression had deepened and no one would fund the construction of the Golden Gate Bridge. Strauss, the architect of the bridge, asked Giannini for a loan, so Bank of America bought $6 million worth of bonds. Without Giannini and Bank of America, it is unlikely the Golden Gate Bridge would exist today. In addition, during the recession, Bank of America financed many Disney movies, the construction of Disneyland, which amounted to one year of construction and $17 million, and later, Disneyworld ("Bank of America's History, Heritage, and Timeline"; Schweikart 136).

During World War II, Bank of America grew tremendously because of the amount of people that were moving to California, the headquarters of Giannini's bank ("Reference for Business"). After World War II, the Bank of Italy, founded by A. P. Giannini in 1904, was renamed the Bank of America National Trust and Savings Association, and became the largest bank in the world, with more than $5 billion in assets (Schweikart 15). Giannini died in 1949, but by 1936, A. P. Giannini's son, Lawrence Mario Giannini (Mario), controlled the bank (Schweikart 16).

1950 – 2000

Bank of America grew tremendously in the second half of the 20th century. By 1950, there was a rise in the middle class, an increase in personal checking accounts, and a post war economic boom ("Bank of America's History, Heritage, and Timeline"). In 1952, Lawrence Mario Giannini died due to health problems and Clark Beise took over. Beise focused on decentralizing the bank, which led to tremendous growth. By 1960, Bank of America had over $11 billion in assets ("Reference for Business"). Before 1954, all checks had to be processed by hand, but in

1954, the Remington Rand UNIVAC-1 was invented, which could process 12,000 numbers/letters per second. In 1955, Bank of America unveiled ERMA, the electronic recording method of accounting, which could process 33,000 accounts in the time it took a bookkeeper to do 245. This reduced the time it took to process checks by 80%. That same year, Bank of America came out with MICR (magnetic-ink character recognition), which is the string of numbers seen on the bottom of checks today. Presently, it is still one of the major breakthroughs in banking (“Bank of America’s History, Heritage, and Timeline”). In 1958, general-use credit cards changed the way people paid for items across industries. This established many credit card standards seen today, including a 25-day grace period, credit limits, and floor limits (“Bank of America’s History, Heritage, and Timeline).

In 1968, Bank of America was created as a holding company to help the company expand and further compete with Citigroup (“Reference for Business”). By 1970, BankAmericard was a huge success, with 29.5 million cardholders (Schweikart 16). In 1971, Alden Winshop “Tom” Classen became CEO and during his time from 1971-1981, Bank of America quadrupled its profits and became a powerful force in international lending. In addition, during Clausen’s time as CEO, BankAmerica made more money than any bank in history, and experienced Bank of America’s last tremendous growth spurt, which included an increase in assets of 50 percent (“Reference for Business”; Schweikart 16, 55).

After Clausen, Samuel Armacost took the reigns and Bank of America began to fall apart. By 1986, companies half its size were trying to take over Bank of America (“Reference for Business”). Despite this, one of the major successes during Armacosts’ leadership was a massive program to install automatic teller machines (ATM’s). This rose BankAmerica to number one in the ATM race (Schweikart 10). Another innovation of the 1980’s included personal computers entering homes and Bank of America introducing “Home Banking”, which allowed customers to access their account balances and perform basic banking services. Today, this is called Online Banking (“Bank of America’s History, Heritage, and Timeline”). By 1989, Bank of America no longer stood as a supremely powerful force in the banking community (Schweikart 16).

On September 30, 1998, NationsBank and BankAmerica merged to form what is now known as Bank of America. Huge L. McColl, Jr. served as NationsBank’s CEO from 1983 to 1998 when the merger occurred, then served as Bank of America’s chairman and CEO until 2001. This merger included 570 billion assets and became the first coast-to-coast banking system in the United States (“Bank of America’s History, Heritage, and

Timeline"; "Reference for Business"; Rothacker 27, 28). Bank of America experienced its best of times and worst of times in the second half of the 20th century to date.

2000 – 2015

Hugh McColl built Bank of America from a $12 billion asset, two-state bank to a $642 billion, 21-state giant. In January 2001, McColl announced he would leave Bank of America and Ken Lewis would take is place (Rothacker 34). Ken Lewis focused more internally, improving operations, boosting customer satisfaction scores, and expanding through internal growth (Rothacker 46). On April 1, 2004, Bank of America paid $47 billion to acquire FleetBoston, which was the 3rd largest bank deal of all time, made Bank of America the nations 2nd largest bank, and raised Bank of America's assets to $933 billion (Rothacker 48, 49).

On January 22, 2008, Lewis opened the banks conference call with this statement, "clearly, the past few quarters have been stressful for shareholders, managers, and associated, easily the toughest environment since I've been CEO of Bank of America" (Rothacker 80). Then, on Monday September 15, 2008, Lewis bought Merrill Lynch for $50 billion. Bank of America was now worth $2.3 trillion in assets. Reports later stated that "if the sale to Bank of America collapsed, Merrill was likely dead" (Rothacker

110). On Wednesday December 16, 2009, Brian Moynihan became the banks new CEO (Rothacker 212). Today, Bank of America operates in 48 states and 38 countries ("Reference for Business"). It has 49 million customers in the United States alone and prides itself on helping clients, customers, and communities thrive, just like it did over 200 years ago ("Bank of America's History, Heritage, and Timeline").

Economic Role and Importance of Bank of America

Bank of America plays a critical role in the economy of America through their business output, value added/Gross Domestic Product, wealth, personal income of employees, and jobs.

The development and growth of commercial banks as intermediaries began, in part, because of their specialization of making short-term commercial loans. They could make commercial loans at a lower rate than individual lenders; therefore, creating more wealth for the consumer (Makinen).

Bank of America knows how crucial small business owners are in local communities around the country. In regards to numbers, there are more small businesses in the United States than large businesses. To address the need for small businesses, Bank of America stated that they would hire more than 200 new small business bankers. This shows that they are committed to providing citizens with the expertise to grow and sustain small businesses ("Bank of Americas Strong…").

An important event that the bank organizes that provides a huge economic impact to the city is the Bank of America Chicago Marathon. In 2014, 45,000 runners, 12,000 volunteers, and 1.7 million spectators flooded into the Chicago area to participate in the event. For more than two decades, this race has had a huge impact on the city of Chicago. In 2013, the race provided more than $253 million in business activity, created the equivalent of 1,792 full time employees, and provided $85.94 million of wages and salary income, up from 11 percent in 2012 ("Bank of Americas Strong…"). Bank of America not only impacts the United States economically, but also socially through their volunteer efforts.

Social Role and Importance of Bank of America

As Felix Rohatyn, an investment banker, once said, "At its core, banking is not simply about profit, but about personal relationships." Bank of America helps build strong communities through outreach efforts, business activities, philanthropic giving and non-profit partnerships. In addition to their volunteer efforts, banks create a place of safety for American's money, even in the time of crisis. However, in the recent financial crisis of 2008, banks were not honest about their dealings and this led to distrust of banks throughout the nation.

Since 2009, the bank participated in more than 800 outreach events, awarded $22 million to more than 650 non-profits in 34 states that help with housing needs. They help in revitalizing neighborhoods and help working families find and keep suitable homes. In 2011, Community Development Banking provided more than $1.6 billion to help create more than 12,000 housing units for individuals with special needs, families, seniors, and veterans (“Bank of Americas Strong…”).

In addition to helping citizens find housing, Bank of America plays a key role in an organization called “Feeding America”, which is the nations largest hunger relief organization. Shocking to some, the United States has 49 million people struggling to find their next meal. Since 2009, Bank of America had donated $30 million in a range of activities in order to help. In addition, they donate $2 for every $1 donated. In 2012, more than 10,000 Bank of America employees worked about 60,000 hours with non-profit organizations as a way to give back to their communities (“Bank of Americas Strong…”).

Bank of America ranked as 2nd greenest bank in the world and 1st greenest United States company. Their goal is to reduce energy consumption. In 2011, they had 2 solar power transactions, and they announced a goal of 15 percent reduction of greenhouse gas emissions by 2015, which is down 30 percent from 2004. Furthermore, Bank of America ranked number fifteen on the Civic 50 list for community engagement, which is given to companies that best use their talent, time and resources to improve local communities (“Bank of Americas Strong…”).

Contrary to popular belief, Americans do trust banks with their money. In fact, it has been proven that in crisis times, people will remove their money from a variety of investments and deposit it into the bank (Bove, 4). However, during the financial crisis of 2008, American’s began to distrust their banks. Banks were repeatedly telling the media that they were in good condition when they were not in good condition. After the financial crisis, the media repeatedly reported that banks could not be trusted. This led to protests such as Occupy Wall Street as the public began to adopt this dissent (Bove, 3). Bank of America provides money and time to a variety of non-profit organizations and impact society very personally when they are not completely honest to their depositors and lenders.

Main Risks and How Risks are Confronted and Managed

There are a numerous amount of risks that the management is confronted with including government regulation, location of their banks, and the uncertainty of the bank collapsing.

One of the main risks confronted by management is the possibility of the government passing regulations that impede upon the banks normal activity. For example, Bank of America was losing half a billion dollars in fees due to the Durbin Amendment, which drastically lowers fees. So, they decided to charge a $5 charge to debit users. Richard Durbin became furious and enraged the customers of Bank of America who thought they were being gouged, so the bank repealed the $5 charge (Bove, 149). Another example of the government affecting the banking industry was through the Dodd-Frank Title XI. This Title includes a guarantee program for emergency loans. Practically, if management knows they cannot be bailed out, they will take a more conservative approach and will restrict their lending to only the wealthiest companies; they will not assist the middle class and the poor (Bove, 95).

Banks specifically have risks that they need to manage in order to keep their depositors feeling safe and to ensure the bank would not fail. Three of these risks are market risk, credit risk, and liquidity risk. Market risk, which affects the overall performance of the financial markets and cannot be controlled by a specific bank, causes many banks to have to raise capital or pull back on lending. An example of a market risk is the effects of a natural disaster nationwide (“Market Risk Definition”; Simpson). Credit risk is the number of people who will not repay their loan. To banks, the majority of borrowers will repay their loans, but some will not. The idea is to not underestimate the amount of credit losses; this could cause the bank to fail! Finally, liquidity risk is the risk that too many people will want to take their money out at one time and there will not be enough money for everyone to do this. Bank of America is a national bank; therefore, they can call upon the Federal Reserve to help provide the funds. If risk falls below 6 percent, the Federal Deposit Insurance Corporation (FDIC) has the right to force change management. If it falls below 2 percent, the FDIC can take the bank over, often selling the banks assets to another bank (Simpson). Nassim Nicholas Taleb, a risk analyst, once said, “Banking is a very treacherous business because you don’t realize it is risky until it is too late. It is like calm waters that deliver huge storms”.

Banks must also have a diversified geography and product line in order to provide positive cash flows in hard times (Bove, 108, 112).

Management must always be conscious about where they are lending money because banks collapse when too much money is driven into bad loans. Debt will rise quickly and income will rise slowly (Bove, 121). Plus, just because a bank is well capitalized doesn't mean that it is not failing. The more liquidity, the more assets are in liquid form and can be converted to cash to meet the demands for the return of deposits (Bove, 119). In summary, because banks are in the businesses of borrowing and lending money, it is crucial that they closely watch the amount of debt and assets that they have in order to keep the business afloat.

How is Bank of America Regulated in the United States?

There are three key regulators of banks, specifically Bank of America, the Board of Governors of the Federal Reserve, the Office of the Comptroller of the Currency (OCC), and the FDIC (Polski, 60). These regulators were created and are in place by the Federal Government. In response to the interrelationship between the nation's banking system and government, Dick Cheney said, “You can't fall back on the private sector and say, ‘You take care of the nations banking system.’ That's a fundamental function of the government, the Federal Reserve, the Treasury and the FDIC, etc. All of those agencies have a major role to play there”. In order to hear the voice of the bankers, trade associations were established.

Two of the main trade associations that Bank of America takes part in are the America Bankers' Association and Financial Services Roundtable.

Governmental Regulations

First, in 1913, the 63rd United States Congress passed the Glass-Owen Act, which created the Federal Reserve to infuse money and credit to the economy to prevent bank failures. The Act also created twelve regional banks, capitalized by the members and overseen by a Federal Reserve Board in Washington D.C. (Bove, 33, 37).

Then, in 1933, the Glass-Steagull Act passed and separated commercial banking from investment banking. It also placed a tighter control on the Federal Reserve and established the FDIC to ensure bank deposits (Bove, 37). A five-member board runs the FDIC; the President of the United States appoints three members (Simpson). The FDIC enforces actions against those they govern for violations of law, rule, regulation, unsafe banking practices, and breaking their fiduciary duty. They also have the power to terminate any entity that does not follow these restrictions ("Federal Deposit Insurance…").

In addition, national banks (and therefore Bank of America) must be members of the Federal Reserve, and regulated by the Office of the Comptroller of the Currency (OCC) ("Are All Commercial…"; "National

Banks Active…”). The OCC monitors a banks sensitivity to market and interest rate risk (Simpson).

An example of these entities at work in the American banking and government systems was during the financial crisis of 2008. The Gramm-Leach-Bliley Act repealed the Glass-Steagall Act in 1999; today, many blame this decision for the 2008 recession (Bove, 39). During the 2008 recession, the FDIC provided insurance to support the financial industry. This saved the banks and the economy (Bove, 2). Ben Bernanke who served as the chairman of the Federal Reserve from 2006 – 2014, funneled trillions of dollars into the economy to prevent it from slipping into a depression (Bove, 71). The Federal Reserve has successfully halted every recession since the 1929 Depression (Bove, 36).

Trade Associations

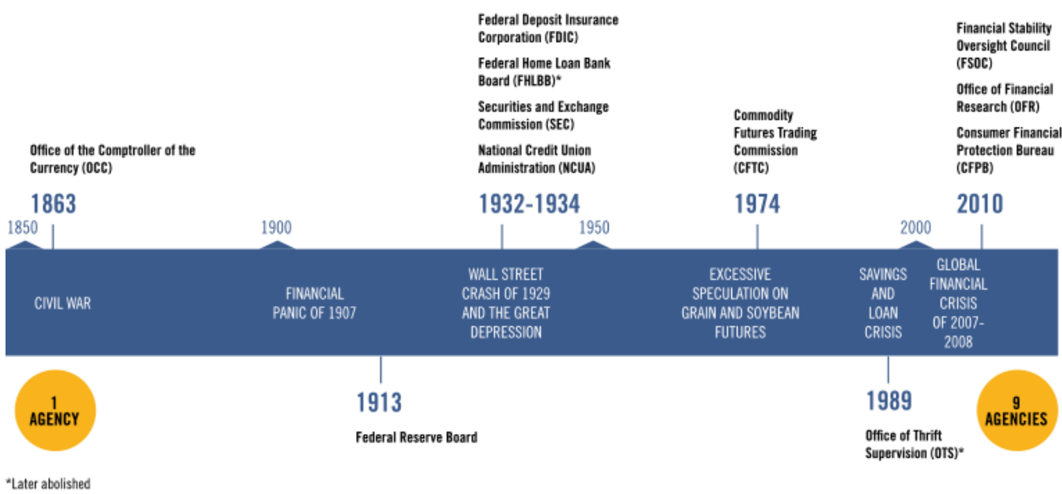
Bank of America is a member of many trade associations that advocate for public policy positions of the financial services industry as well as the global business community. Bank of America believes that the better connected they are, the better that can serve the community ("Bank of America Investor”). Two of the biggest trade associations Bank of America is a member of are the America Bankers’ Association and Financial Services Roundtable.

The American Bankers' Association (ABA) was created 140 years ago, in 1875, and is now the largest financial trade group in the United States. ABA is the voice of the banking industry, which is composed of $15 trillion in small, regional and large banks and employs most than 2 million people. They offer many services such as advocacy, professional development, maintenance of industry standards, and the availability to access many tools. ABA believes that the regulation of banks should acknowledge the diversity of the industry, including the banks charter, business model, geography, and risk profile ("ABA").

In addition, the Financial Services Roundtable is the largest advocacy group in the Untied States for financial services industry. It keeps the financial service companies informed on public policy and regulatory matters, addresses emerging threats and opportunities in the financial services industry as well as improves public policy so that defined rules exist to balance the needs to the consumer and business (Financial Services…). In general, the ABA and FSR are a check and balance to the governmental regulations to make sure that the financial industry is fairly represented. They both provide a voice for commercial banks, like Bank of America, who are subject to heavy governmental regulations.

The timeline below shows a timeline of the increased agencies for more than a century.

Figure 1. Agency Creation Timeline



Neiman, n.d.

Maybe Wilbur Ross was correct when he said, “Banking, I would argue, is the most heavily regulated industry in the world. Regulations don’t solve things. Supervision solves things.” Or were two of our former Presidents? Thomas Jefferson stated, “ I sincerely believe… that banking establishments are more dangerous than standing armies.” James Buchan remarked, “At the heart of banking is a suicidal strategy. Banks take money from the public or each other on call, skim it for their own reward and then lock the rest up in volatile, insecure and illiquid loans that at times they cannot redeem without public aid.”

How Will Bank of America Be Affected If Interest Rates Increase?

The profitability of a bank depends on the interest spread of what the bank is changing and receiving from borrowers (Polski, 42). Therefore, the changing of interest rates change affects the banking world very intimately.

First, the way that the Federal Reserve can increase interest rates is through decreasing the money supply. The increase of interest rates decreases the spending of households and businesses (Makinen). The reason why spending decreases is due to the higher interest rates increasing the value of the payments on mortgages, corporate loans etcetera (Hilsenrath). The tighter the money supply and the higher the interest rates, the lower the bank profitability and net worth. For example, interest rates exploded in the 1970's and the bank's bulk of low-interest-bearing mortgages became damaging (Makinen). In response to the Great Depression, Milton Friedman states that one of its causes was due to the Federal Reserve's restriction to the money supply; therefore, increasing interest rates. This restriction to the money supply led people to hoard their money, employers halting employment, and eventually a downturn to the economy (Bove, 34). In summary, when interest rates are low, businesses and individuals will borrow more money from banks; thus, increasing the profitability of a bank (Bove, 157). Therefore, an increase in interest rates would lead to fewer businesses and individuals seeking to borrow from the bank, which decreases the amount of revenue a bank brings in.

Advantages & Disadvantages of a Career with Commercial Banks

There are both advantages and disadvantages to a career in the banking industry including opportunities for advancement and frustrations with many regulations (Polski, 104). Every career has advantages and disadvantages; each individual decides whether he or she is interested in a career based on evaluating the advantages and disadvantages of a job. Some potential employees consider the advantages to outweigh the disadvantages and choose a career in banking; others do not.

Advantages

Working in a commercial bank, like Bank of America, has many advantages that entice people to want to work there as well as keep employees working for their bank long term. These advantages range from advancement opportunities to time off during holidays, from job stability to benefits.

Being employed with a large bank, like Bank of America, who handles million of transaction every day, has extensive opportunities for advancement like paying for continuing education. Banks are also not open on most holidays, so employees get this time off to spend with their families. Other benefits include excellent health, life and retirement plans. As seen in how long banking has been around, there is always a need for banking. People are always wanting to borrow and lend money, so intermediaries connecting the lenders and borrows will always be there. So remember, “bankers never die. They just loose interest.” Since the recession halted the recruiting and hiring process, many banks are now “catching up” hiring; therefore, providing many jobs (“Banking Careers…”). One last advantage to a career with a commercial bank is on the mind of nearly every college graduate, “How much do employees in the banking industry get paid?” Well, good news, employees in the banking industry get paid well for what they do. The salary ranges from each specific job, but overall, those working in the industry get paid nicely (Hata).

Disadvantages

There are disadvantages to working at a bank that detour some from going into the banking industry. These disadvantages occur both internally and externally.

First, the prosperity of the whole financial industry will depend on the leadership and wisdom of those who regulate the financial industry, namely the Federal Reserve, FDIC, and OCC (Polski, 104). These heavy regulations can be very frustrating to work with (Doe). In addition, a financial crisis can lead to layoffs and a halt in hiring. For example, with the 2008 financial crisis, bank careers were slim. It was hard to find employment in the banking industry (“Banking Careers…”). Globalization is also affecting the United States banking because the United States is being affected by risks that occur all over the world (Polski, 105). For example, there is a prediction by researchers that the Chinese might take over as the superpower of the world and America’s currency, the dollar, might loose its place as the universally accepted currency. This would hurt America because currently, the United States can print money. They would loose this privilege if the dollar lost its value (Bove, 198). The first example of an internal disadvantage of banking is that bank careers can be extremely stressful. People are very sensitive about their money and can get quite rude when a transaction is not carried out to their appeasement. In addition, some commercial banking careers can lead to employees hunched over at a computer screen at a desk (“Banking Careers…”). Despite these disadvantages, many people seek out commercial banking roles because they believe that the advantages outweigh the disadvantages.

Conclusion

Bank of America is a commercial bank that can trace its history back to 1784, when banks were first implemented into the United States. The bank has encountered ups and downs during this time, but has stayed true to their values of research, advice, and guidance ("Bank of America's History…"). Bank of America plays a critical role in America's economy through their business output, value added/Gross Domestic Product, wealth, personal income of employees, and jobs. It also takes part in America's social environment through the employees' volunteer efforts and monetary giving to non-profit organizations. Managers are faced with numerous internal and external risks including government regulation, and keeping the bank from failing. National banks, such as Bank of America, is governed by three main governmental entities, the Federal Reserve, Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) (Polski, 60). The effects of rising interest rates ultimately lowers the profitability of a bank because individuals and businesses are less likely to borrow (Makinen). Finally, there are both advantages and disadvantages to a career in the banking industry including opportunities for advancement and frustrations with many regulations (Polski, 104). In conclusion, banks are a key player in the history, economy, society, management, government, and careers of

America and her citizens. So, do bankers have pockets? You decide.

Bibliography

"ABA." *ABA*. N.p., 2015. Web. 06 Mar. 2015.

“Are All Commercial Banks Regulated and Supervised by the Federal Reserve System or Just Major Commercial Banks?” *Federal Reserve Bank of San Francisco.* N.p., Nov. 2006. Web. 05 Mar. 2015.

“Banking Careers Are Booming.” *Banking Careers.* N.p., 2015. Web. 06 Mar. 2015.

"Bank of America | Investor Relations | Political Activities." *Bank of America Investor Relations*. N.p., 2015. Web. 07 Mar. 2015.

“Bank of America’s History, Heritage, and Timeline.” *About Bank of America.* N.p., n.d. Web. 26 Feb. 2015.

“Bank of America’s Strong Economies and Economic Growth.” *About Bank of America.* N.p., 2015 Web. 03 Mar. 2015

Bove, Richard X. *Guardians of Prosperity: Why America Needs Big Banks.* New York. Penguin Group, 2013. Print.

Doe, Grissimee. “What are the Disadvantages of Commercial Banking?” *EHow.* Demand Media, 06 Mar. 2011. Web. 06 Mar. 2015

“Federal Deposit Insurance Corporation.” FDIC: *Federal Deposit Insurance Corporation.* N.p., n.d. Web. 05 Mar. 2015.

Financial Services Roundtable. N.p., 2015. Web. 7 Mar. 2015.

Hata, Paul. “Career Opportunities in Banking and Finance.” *Career Opportunities in Banking and Finance.* N.p., 2015. Web. 06 Mar. 2015.

Hilsenrath, Jon. “Fed Ushers in a New Era of Uncertainty Over Rates.” *Wall Street Journal* [New York City] 2 Mar. 2015: A2. Print.

Makinen, Gail E., and Eric B. Leach. United States. Economics Division. *The Monetary Transmission Mechanism: What is the Role of Commercial Banks?* Cong. Rept. CRS, 24 Oct. 1996. Web. 1 Mar. 2015.

“Market Risk Definition.” *Investopedia.* N.p., 23 Nov. 2003. Web. 06 Mar. 2015.

“National Banks Active as of 1/31/2015.” (n.d.): n pag. 2015. Web. 5 Mar. 2015.

Neiman, Richard, and Mark Olson. *Agency Creation Timeline.* Digital image. *Reforming Our Regulatory Structure: Dodd-Frank’s Missed Opportunity*. N.p., n.d. Web. 8 Apr. 2015.

Polski, Margaret M. *The Invisible Hands of U.S. Commercial Banking Reform: Private Actions and Public Guarantees.* Dordrecht: Kluwer Academic, 2013. Print.

“Reference for Business.” *Bank of America Corporation.* N.p., 2015. Web. 25 Feb. 2015.

Rothacker, Rick. *Banktown: The Rise and Struggles of Charlotte’s Big Banks.* Winston-Salem, NC: John F. Blair, 2010. Print.

Schweikart, Larry. *Encyclopedia of American Business History and Biography.* New York: Facts on File, 1990. Print. Banking and Finance, 1913-1989.

Simpson, Stephen D. “The Banking System: Commercial Banking.” *Investopedia.* N.p., 26 July 2011. Web. 05 Mar. 2015.

White, Anna. "Top Ten Banker Jokes." *The Telegraph*. Telegraph Media Group, 08 Dec. 2011. Web. 06 Mar. 2015.