PRESS RELEASE

Federal Deposit Insurance Corporation

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Media Contact:
Phil Battey (202) 898-6993

FDIC ANNOUNCES RESULTS OF YEAR 2000 ON-SITE REVIEWS

FOR IMMEDIATE RELEASE

The Federal Deposit Insurance Corporation (FDIC) today announced that examiners had completed at least one on-site review at each of the 6,034 institutions it regulates to assess the institution's efforts on addressing Year 2000 problems. The efforts of each institution were assessed to be "satisfactory," "needs improvement," or "unsatisfactory" as of the date it was examined. The FDIC found that 5,296 of the 6,034 institutions it supervises -- or about 88 percent -- were making satisfactory progress. Another 695 institutions -- or about 12 percent -- needed improvement in their efforts. The efforts of 43 institutions -- less than one percent of all FDIC-regulated institutions -- were found to be unsatisfactory.

"We completed these assessments one month ahead of schedule," said Nicholas J. Ketcha Jr., Director of the FDIC's Division of Supervision. "We consider Year 2000-associated risks to be the number one safety-and-soundness concern for the banking industry."

Banks assessed "unsatisfactory" are being reviewed on-site at least once every quarter. In addition, enforcement actions have been -- and will continue to be -- considered in those cases where progress or response is unsatisfactory.

In every case where an institution has been found to be unsatisfactory, either its management committed to address the deficiencies identified in the review or the FDIC served the institution with a supervisory action.

The accompanying Financial Institution Letter -- sent to the Chief Executive Officer of every institution the FDIC regulates -- briefly describes the results of on-site reviews.

It also discusses the steps the FDIC has taken -- and the steps it will take -- where institutions are found to be less than satisfactory. In reporting on its findings and regulatory actions, the FDIC supplements the guidance it and other banking regulators have provided the banking industry on this critical problem.

The letter describes the criteria for the ratings in detail. In short, “satisfactory” institutions must exhibit acceptable performance in all key phases of the Year 2000 project management process as of the date of the review. A “satisfactory” assessment does not certify that an institution is ready for the Year 2000. Rather, the assessment measures the progress of the institution’s management, who are ultimately responsible for ensuring that a financial institution is prepared for the Year 2000 date change. A “needs improvement” assessment indicates that the management of an institution is late in making required progress as of the date of the review, but that the deficiencies could -- for the most part -- be corrected quickly. An “unsatisfactory” assessment reflects a failure on the part of management to take the steps necessary to address the Year 2000 problem as of the date of the examination.

The purpose of the FDIC’s initial assessment process was to identify and rank deficiencies in the efforts of bank management to address Year 2000 problems. Going forward, supervisory assessments will emphasize the efforts of bank management to correct deficiencies in both management and systems. Because of the critical nature of the testing process in achieving Year 2000 readiness, the FDIC will take increasingly stronger action against institutions that remain in -- or migrate to -- the “needs improvement” or “unsatisfactory” categories. In addition, the FDIC has prepared standard language for Year 2000 purposes so that corrective programs and enforcement actions can be quickly processed.

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