

**Remarks By
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Chairman
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Before The
Hawaii Bankers Association,
The Hawaii League of Savings Institutions,
And
The Hawaii Financial Services Association
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It is good to see so many familiar faces here today. You all know about my ties to Hawaii. But you may not know about the FDIC's ties to the state. There are 14 FDIC-insured institutions in Hawaii – and the Corporation is the primary Federal regulator for 10 of them. As you may know, Hawaii is home to some of the largest and most complex banks we supervise.

Over the years, we have established a close relationship with the Hawaii financial community and the state regulatory authorities, Commissioner of Financial Institutions Lynn Wakatsuki and Deputy Commissioner Lynne Himeda. I take great pride in the fact that when I was State Commissioner, I hired Lynne Himeda away from the FDIC!

Because of its unique position as the gateway of commerce to the Asian-Pacific region, we will continue to view our supervision of banks in Hawaii as one of our most important jobs.

What is it like to head the FDIC? Challenging, every day. But every day when I go to work, I am mindful that I probably have one of the best public sector jobs this country has to offer. Throughout America, the FDIC is a symbol of confidence for millions of people. We've given three generations of Americans the security to sleep soundly at night, knowing that their savings are safe. In the 1930s, we halted the greatest banking crisis this country has ever known, and in the 1980s and early 1990s, we maintained the public's confidence in a banking system that was under great stress.

But most of all, I'm proud to be able to work with the men and women of the FDIC – people who labored tirelessly to maintain public confidence during the crisis of the 1980s, the men and women who are now working tirelessly to meet the Year 2000 challenge: Maintaining public confidence in banking as concerns rise that computers will fail on January 1.

The concerns are real. Several weeks ago, a Gallup poll reported that 55 percent of Americans expect bank computer systems to fail on January 1.

In light of the unique and potentially serious implications of the Y2K challenge, bankers and the FDIC have a responsibility to go beyond our normal scope of communications to maintain public confidence.

I wish to congratulate – and to applaud – the Hawaii Bankers Association and the Hawaii League of Savings Institutions for your recently announced public awareness campaign on the Year 2000. As I've said often, information and regular updates on the industry's Y2K readiness efforts will add to public confidence as January 1 nears.

Certainly, the FDIC has been vocal in reporting on the progress of the banking industry, and we will continue to be outspoken.

Currently, we are working to determine more precisely the nature and magnitude of public concerns about Y2K and banking. We will target those concerns, and we will use the means that are most effective in talking about the industry's progress.

To that end, we are working with the Conference of State Bank Supervisors to arrange briefings in major media markets where the FDIC, other federal regulators and state regulators will talk to the media about our assessments and our actions. And we have created a speaker's bureau of senior staff in our regional and field offices who are addressing civic and other groups on the Y2K issue.

Our three-part message is a simple one:

One, bankers have been working aggressively to meet the Y2K challenge, and a number of experts say that banking is the industry best prepared for the date change.

Two, regulators are aggressively supervising the banks' preparations to become Year 2000 ready. By the end of March, examiners will have been in every bank and savings association in the country at least twice to make sure that banks are making satisfactory progress. Any problem banks will receive strict supervisory attention.

The overwhelming majority of institutions are preparing thoroughly, and they should be ready well in advance of December 31.

No one can say there won't be glitches, but we have a great deal of confidence that the banking industry will be ready. Again I would like to underscore that we are confident the banking industry will be ready.

And, three, money in an FDIC-insured account is safe – no ifs, ands, or buts. The Year 2000 will not affect our guarantee.

As important as it is to talk about the industry's progress as a whole, however, there is other information that reassures the public, perhaps even more, information the government cannot provide, but information that you – the bankers -- can: Information on your Y2K preparations and readiness.

I recently heard a troubling statistic: Almost three-out-of-four bank customers haven't received any Y2K information from their banks -- almost three-out-of-four.

I'm here today to encourage you to talk with your customers – not as a trade association, not as an industry – but as individual institutions, and I want to make three points.

One, Federal regulators want you to talk with your customers.

Two, your trade associations want you to talk with your customers.

And, three, your customers want you to talk with them, as well.

First, let's look at what the Federal regulators have to say. In May 1998 – almost a year ago -- we advised the chief executive officer and the board of directors of every bank and thrift institution to develop a consumer awareness program. We said that the bank should provide information on its efforts to become Year 2000 ready, and it should ensure complete and accurate responses to customer questions and concerns.

Second, what do the trade associations say? Let me give you one telling example. Testifying on behalf of the American Bankers Association before the Senate earlier this month, John H. McGuckin, Jr., of Union Bank of California said: "Customer communications is a must for every bank in the country. After all, every customer wants to know about their particular bank." It doesn't get any clearer than that.

Third, and finally, what do the customers themselves say?

Research has shown that almost nine-out-of-ten bank customers say that the information they rely on when thinking about banking and Y2K comes from the mass media. At the same time, about two out of three customers in a recent poll said that more information would increase their confidence, and more than three out of four said that they would rely on information from their bank. Other research indicates that customers would like to see a letter from an executive at their institution telling them what the bank has done to prepare.

You know what you cannot say – you cannot reveal your Y2K ratings, which can change over time. But you also know what you can say: You can describe what you have done – such as meeting Federal Financial Institutions Examination Council milestones, and you can say that the safest place for money is in an FDIC-insured account.

Frankly, most people are not expecting everything to be perfect come January 1. After all, everything is not perfect now. So don't overpromise, but do provide information -- complete, accurate, and reliable information. This information will help people keep the

Y2K rollover in perspective. It will help people realize that Y2K is just one more challenge that we, as a nation, will meet.

Tell consumers exactly what you're doing.

They need to know:

What does the Y2K issue mean to your bank?

Has your bank reviewed all of its systems to determine which ones need to be fixed?

Have your systems been tested to insure they will work?

When do you expect to complete your preparations?

Are you meeting milestones set by the Federal Financial Institutions Examination Council?

For example, by June 30, will you have finished all your testing?

And, by June 30, will you have a contingency plan in place?

What if a system fails?

Do you have back-up tapes?

Will you have competent staff on hand to correct the problem?

Can you operate without electricity?

Without telephone service?

How have you dealt with problems like a failure of electricity before?

Consumers want to know how you will serve them if there is an unanticipated problem from Y2K.

In short, consumers deserve to know – specifically – what you are doing to ensure that they will have access to their money.

And – specifically – what you are doing to ensure that your customers continue to receive accurate information on their accounts.

Specific information lends credibility to your message.

In your interest, you need to weigh in with your positive message. If you don't tell your story, no one else will. And let me tell you, if there is a negative story out there and your customers haven't yet heard your story, it will be difficult for you to reassure them.

I urge you to use every opportunity to get your message out, to make the facts known. Your institution is the best source of information on its Year 2000 readiness.

Think creatively.

Do you advertise? Put your message there.

You have signs. Put your message on them, and put a taped message about your preparations on your telephone system so that callers can listen to it while they're on hold.

Make it easy for customers to get the information they need: establish a Y2K hotline, and include Y2K information in your monthly and quarterly statements.

Train all your employees about Y2K – and give them incentives to learn. People receive a great deal of their financial information from their family and friends. The more knowledgeable people you have out there, the more your message will spread.

Consider displays in your lobby and outside your bank and on your ATMs.

Take your show on the road: Give presentations to civic organizations, church groups, and retirement communities. And open the bank after hours to customers to talk about your readiness. Make sure you invite opinion leaders, including the clergy. They have a pulpit week after week.

One banker told us that his institution held a breakfast on the Year 2000 issue. Seventy-five people attended.

Another banker told us how her institution sponsored a seminar with a local newspaper and university. A month before the seminar, they worked together to launch a publicity campaign that included newspaper advertisements and articles and letters to all business customers and members of the local chamber of commerce.

It pays to be creative.

The FDIC can tell our story, but only you can tell yours. Our messages reinforce each other, and provide reassurance.

You have a good story to tell as an industry – most experts say that banking is the industry best prepared for Y2K.

We certainly will continue to get that message out, along with your national and state trade associations.

But the most effective story is the one that only your institution can tell individually.

The regulators and the trade associations are reporting on your progress as an industry, but you, individually, hold a trump card in your hands.

In the interest of maintaining public confidence, I urge you to play it.

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