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Federal Financial Institutions Examination Council Press Release

For immediate release

May 5, 1997

**Federal Bank Regulators Outline Year 2000 Project Management Goals**

The Federal Financial Institutions Examination Council's Task Force on Supervision today issued an Interagency Statement for the banking industry and federal examiners, intended to focus their attention on the critical issues financial institutions need to address quickly to resolve Year 2000 computer problems and avoid major service disruptions.

The FFIEC Task Force first alerted the industry to the Year 2000 problem in June 1996, and recommended that institutions perform risk assessments and plan a strategy to address vulnerable systems.

Today's Statement outlines a project management process that strongly encourages federally insured depository institutions to complete an inventory of core computer functions and set priorities for Year 2000 goals by September 30, 1997. Banks are expected to largely complete programming changes, and have testing well underway for mission critical systems by December 31, 1998.

In an appendix to the Statement, the Task Force included an examiner questionnaire to help regulatory agencies conduct assessments of financial institution planning efforts, which are expected to be completed shortly. Based on the results of these assessments, regulators will prioritize supervisory reviews, using examination procedures contained in a second appendix to the Statement. The regulators expect to complete examinations of conversion efforts by mid-1998.

Federal financial regulators are concerned that systemic disruptions and potential failures could result if computers used by financial institutions cannot properly read date-sensitive information when the calendar year changes to 2000. For this reason, an institution's reprogramming planning should include consideration of the vendors whose products and services a financial institution uses; the other banks, clearing houses and customers with whom it exchanges data electronically; and, corporate borrowers, whose creditworthiness might be diminished by significant service disruptions.

In a statement today, the Task Force said, "The Year 2000 presents a number of very difficult challenges for the financial services industry, which relies heavily on effective computer communications between banks, external data networks and data processing centers, and their customers. The Interagency Statement adopted today emphasizes the important issues that banks, thrifts and credit unions need to address right now to meet critical deadlines in preparation for the Year 2000."

The Interagency Statement outlines five management phases necessary to complete a computer conversion program: awareness, assessment, renovation, validation, and implementation. During the final stage, systems should be certified as compliant and accepted by business users. Federal regulators intend to work closely with institutions that face unusual difficulties.

The Interagency Statement is attached.