



Year 2000 Disclosure Obligations

FIL-111-98  
October 8, 1998

TO: CHIEF EXECUTIVE OFFICER  
SUBJECT: *Disclosures Involving Year 2000 Issues*

The Securities and Exchange Commission (SEC) on July 29, 1998, issued the attached "Statement of the Commission Regarding Disclosure of Year 2000 Issues and Consequences by Public Companies, Investment Advisers, Investment Companies, and Municipal Securities Issuers." The statement, which took effect August 4, 1998, supersedes disclosure guidance provided in SEC Staff Legal Bulletin No. 5 (see FIL-24-98: Inactive Financial Institution Letters: issued February 27, 1998).

The statement requires a public company to make Year 2000 disclosures in "Management's Discussion and Analysis of Financial Condition and Results of Operations" when:

- its assessment of its Year 2000 issues is not complete, or
- management determines that the consequences of the company's Year 2000 issues would have a material effect on the company's business, results of operations or financial condition (assuming the company performs no remediation).

If disclosure is required, it must include, at a minimum:

- the company's current state of Year 2000 readiness and expected completion dates of each remediation phase;
- material historical and estimated costs of remediation;
- risks of the company's Year 2000 issues, i.e., a description of its most likely worst-case Year 2000 scenarios and the effect on operations, liquidity and financial condition; and
- the company's contingency plans for the most likely worst-case scenarios if it is not Year 2000-ready. If the company does not have a contingency plan, it should disclose if and when it will create one.

Among other things, in assessing its own readiness, a public company should determine the Year 2000-readiness of third parties with whom it has material relationships. A company should assume that material third parties will not be Year 2000-ready unless it receives written assurances from the third parties that they expect to be Year 2000-ready.

This summary of the attached statement is not intended to be comprehensive or a definitive statement of the Year 2000 disclosure obligations of public companies. Detailed guidelines and recommendations are contained in the statement.

A public company must make Year 2000 disclosures in its Forms 10-K and 10-Q (disclosures in Form 10-Q must be made beginning no later than the quarter ending after August 4, 1998). FDIC-supervised institutions registered under the Securities Exchange Act of 1934, as implemented by 12 C.F.R. Part 335, or institutions selling securities under an offering circular should prepare their disclosures of Year 2000 obligations in public filings so that such disclosures are consistent with the attached statement.

The FDIC strongly encourages other insured depository institutions to use the statement as the basis for appropriate disclosure concerning Year 2000 issues in publicly available documents that report on the institution's financial results. The FDIC recommends that disclosure of Year 2000 readiness be included in one or more of the following:

- the annual disclosure statement prepared by each FDIC-supervised institution under 12 C.F.R. Part 350;
- for an insured depository institution with \$500 million or more in total assets, its annual report prepared under 12 C.F.R. Part 363; or
- its publicly available annual report to shareholders.

For further information, please contact your Division of Supervision regional office. Additional information on the Year 2000 issue is available from the Internet at: /about/y2k/, <http://www.ffiec.gov> or <http://www.sec.gov/news/home2000.htm>.

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[Attachment:](#) August 4, 1998, Federal Register, pages 41394-41404.

Distribution: FDIC-Supervised Banks (Commercial and Savings)

NOTE: Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 801 17th Street, NW, Room 100, Washington, DC 20434 (800-276-6003 or (703) 562-2200).