



Discussion of Year 2000 Issues in Annual Disclosure

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

Issues related to the century date change and the impact on computer systems and business operations are receiving prominent publicity and attention. Depositors, business partners, investors, and the general public are specifically interested in the effect on the financial condition of each depository institution. The FDIC has previously advised state nonmember banks and savings banks that safe and sound banking practices require them to address Year 2000 issues.

In view of the importance of this issue, the Securities and Exchange Commission (SEC) issued a revised Staff Legal Bulletin No. 5 to provide specific guidance on disclosure associated with Year 2000 obligations for companies registered under federal securities laws. Therefore, FDIC-supervised institutions registered under the Securities Exchange Act of 1934, as implemented by 12 CFR Part 335, or institutions selling securities under an offering circular should prepare their disclosure of Year 2000 obligations in public filings so that it is consistent with the SEC's guidance. The disclosure should include:

- The nature and potential impact of Year 2000 issues, as well as any countervailing circumstances;
- The institution's general plans to address Year 2000 issues, including relationships with customers, suppliers, and other constituents;
- The timetable for carrying out the general plans;
- The total dollar amount that the institution estimates it will spend to remediate its Year 2000 issues; and
- Any impact that Year 2000 expenditures are expected to have on the institution's results of operations, liquidity, and capital resources.

The FDIC also strongly encourages other institutions to use the SEC guidance as the basis for appropriate disclosure concerning Year 2000 obligations in publicly available documents reporting on the institution's financial results for its fiscal year, beginning with 1997 reports. It is recommended that disclosure of Year 2000 readiness be included in one or more of the following: (1) the annual disclosure statement prepared by each FDIC-supervised institution under Part 350 of the FDIC's Rules and Regulations; (2) for an insured depository institution with \$500 million or more in total assets, its annual report prepared under Part 363 of the FDIC's Rules and Regulations; or (3) its publicly available annual report to shareholders.

As a reminder, institutions are required to make the annual disclosure statement prepared in accordance with Part 350 available to the public beginning no later than the following March 31

or, if the institution mails an annual report to its shareholders, beginning no later than five days after the mailing of such reports, whichever occurs first. The annual report prepared under Part 363 must be submitted to the FDIC within 90 days after the end of the institution's fiscal year and be available to the public no later than 15 days after it is filed with the FDIC. These documents should then be available continuously until the report or statement for the succeeding year becomes available.

For further information, please contact your Division of Supervision Regional Office.

Additional information on the Year 2000 issue is available from the Internet at:
[file](#) or <http://www.ffiec.gov>

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