

Guidance on Year 2000 Customer Awareness Programs

To: The Board of Directors and Chief Executive Officer of all federally supervised financial institutions, senior management of each FFIEC agency, and all examining personnel.

Background

The Federal Financial Institutions Examination Council (FFIEC) has issued several statements on the Year 2000 problem. These interagency statements address project management phases, specific responsibilities of the board of Directors and senior management with respect to business risks, due diligence with respect to service providers and software vendors, risks associated with financial institution customers, and testing for Year 2000 readiness. On December 17, 1997, the FFIEC issued business risk guidelines which required institutions to develop strategies for responding to inquiries from customers and business partners regarding the institution's Year 2000 readiness. Financial institutions have a responsibility to provide forthright and honest responses to questions and concerns that customers and business partners may have concerning their financial institution's Year 2000 readiness. The scope of this guidance is customer awareness (in contrast to business partner) policies. Institutions should consider including the components described below in their customer awareness programs, as appropriate.

Purpose

Customers of financial institutions will look to institutions for assurances that the institution is taking appropriate steps in preparation for the century date change. This statement provides suggestions for developing a customer awareness program and identifies issues that financial institutions should be prepared to discuss with customers.

Awareness Program for Customers

The regulators expect financial institutions to develop a customer awareness program which responds to questions and communicates with customers on Year 2000 matters. During on-site Year 2000 examinations, examiners will be reviewing the adequacy of an institution's customer awareness strategy. Effectively responding to customer inquiries also is in the best interests of the financial institution. It can serve to disclose to customers the institution's Year 2000 efforts and to provide information on how products and services used by those customers may be affected by the institution's readiness efforts. Ultimately, achieving Year 2000 readiness and ensuring that customers and business partners receive adequate information about an institution's efforts is and must be the responsibility of a financial institution's Directors and officers. Management is in the best position to know how the Year 2000 date change will affect an institution's operations, strategies, resources and exposures, and how and when it would be best to respond to the specific concerns of its customers.

The FFIEC agencies are encouraging customers with questions and concerns about Year 2000 readiness to contact their financial institutions directly. Financial institutions are of different sizes, offer different ranges of products, and vary in the complexity of information systems. This guidance recognizes these differences and provides the following suggestions that can be used to develop a program to respond to customer inquiries about the Year 2000 problem.

In developing a customer awareness strategy, financial institutions should identify those customers who should be proactively informed of efforts to address business risks arising from

the Year 2000 problem. Customers may include depositors, borrowers, fiduciary clients, or others who engage in transactions with the institution. Next, financial institutions should consider the most effective ways of communicating with various types of customers about the status of the financial institution's Year 2000 readiness. Depending upon the institution's size and business environment, possible methods include:

- Providing informational brochures or other written disclosures in monthly or quarterly statements;
- Establishing toll-free hotlines for customer inquiries;
- Holding seminars to discuss the Year 2000 problem and efforts the financial institution is taking to prepare for the century date change; and
- Developing Internet sites—or perhaps an exclusive portion of their existing site—to inform customers of their Year 2000 preparedness efforts.

It is recommended that financial institutions consult with legal counsel before issuing information describing the status of Year 2000 readiness efforts.

The customer awareness program should ensure that personnel who regularly interact with customers are trained to respond appropriately to inquiries by referring customers to appropriate explanatory materials or expert financial institution staff. Institutions also may consider including interested external parties (such as the news media and community organizations in the financial institution's service area) in the communication program, as appropriate.

In developing customer awareness programs, financial institutions should consider some of the issues customers may be interested in discussing and effectively communicate with them about what could happen and what they should do if problems do arise. Some potential customer inquiries include concerns about:

- The safety of the money in their accounts.
- Access to their funds, such as access through ATMs, debit cards, telephone lines or the Internet, and the arrangements the financial institution will make to ensure alternative means of access to funds if disruptions occur.
- Whether they should withdraw some cash from their accounts prior to December 31, 1999.
- Availability of information on or summaries of the financial institution's Year 2000 project management and contingency plans.
- Whether direct deposit, direct debit and other automatic electronic payments will be made on a timely basis and credited or debited accurately to the proper accounts, and what arrangements the institution will make to deal with such transactions should disruptions occur.

- How the financial institution will assist any customers who may be affected by incorrect automatic transactions such as direct deposit and direct debit initiated by the institution or by third parties.
- Whether customers might not receive proper credit for loan payments.
- The financial institution's record keeping practices.
- The types of records customers should maintain prior to and after January 1, 2000.

The FFIEC is developing a consumer brochure that provides information to consumers about the Year 2000 challenge. The brochure will explain the steps financial institutions and the federal financial institution regulators are taking to address the century date change and emphasizes that the Year 2000 date change will not affect deposit insurance coverage. Financial institutions may wish to use the brochure as part of their communications with customers. The brochure will be available by June 1998. The federal financial institution regulatory agencies will supply each institution with one copy of the brochure along with instructions for ordering multiple copies, should institutions wish to provide them to their customers.

Depository institutions are reminded that they may not disclose publicly the contents of federal supervisory agency examination reports or reviews of the institution or any service provider or software vendor, including the confidential Year 2000 summary ratings contained therein. Thus, in designing their Year 2000 public awareness plans and efforts, institutions should be careful not to violate this prohibition. Moreover, they should avoid any statements that indicate or imply that the institution's readiness has been approved or certified by a supervising agency with regard to its Year 2000 plan.

Conclusion

Financial institutions should develop a pragmatic strategy for responding to customer inquiries about their institution's Year 2000 readiness. The guidance in this interagency statement is designed to assist financial institutions in developing their programs. Each institution may choose to tailor its customer awareness program based on its own business environment, but ultimately, it is essential that each institution develop a program to address customer questions and concerns about the status of Year 2000 readiness.