

**Remarks by
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Today, nearly all federally insured financial institutions are prepared for the Year 2000. As of September 15, only 27 FDIC-insured financial institutions had Y2K supervisory rating of less than satisfactory. That is twenty seven out of the 10,273 banking and savings institutions that we insure. That is to say, about one quarter of one percent. Banks and savings institutions have overhauled their systems. They have tested their critical systems. And, in fact, they are already using Year 2000 ready systems daily- without problems.

These include the systems that record deposit account and loan information. Systems used to handle electronic payments-such as direct deposits. And systems used to run automatic teller machines (ATMs). The banking industry is widely perceived to be among the industries best prepared for Y2K.

To assure that financial institutions maintain their status as a leader in Y2K preparedness, federal and state regulatory agencies have taken - and will continue to take-a very aggressive, proactive approach. An approach that has been unprecedented.

How did the industry get to where it is today?

Since mid-1997, thousands of examiners with special training in Year 2000 issues have been conducting assessments at all federally insured banks, thrifts and credit unions to assess progress in Y2K preparations. Examiners have inspected each financial institution's program. They have reviewed documentation, such as testing results and contingency plans, to ensure they are appropriate and complete.

Every insured financial institution has had at least two thorough on-site Year 2000 readiness reviews. And some institutions have required increased supervision and more frequent on-site reviews to bring about needed change.

Institutions are also contacted frequently between the on-site reviews. We will continue to monitor financial institutions closely through the century date change. Based on the results of our supervisory programs, I am confident that customers will be able to conduct business as usual in the Year 2000. We have heightened scrutiny of the few institutions that are lagging in their Year 2000 preparations. When necessary, we are taking enforcement actions against institutions that are behind.

FDIC-supervised banks that are rated less than satisfactory are subject to an enforcement order or are under a compliance plan that requires them to address Year 2000 issues within a specific time frame. If institutions fail to meet the targets of the compliance plan, we will impose enforcement orders on them. We make all of our enforcement orders - whether or not they are related to Y2K - public and will place them on our Website - fdic.gov.

Where do we go from here?

The remaining three months represent the final phase of our Year 2000 supervisory program. Examiners will focus on three important areas - which we call the three "C"s. Communications. Clean management. And contingency planning.

Communicating about the Year 2000 readiness of financial institutions is all-important. Financial institutions need to communicate with their customers and business partners about their Year 2000 readiness efforts. In addition, the federal financial institution regulatory agencies are communicating with consumers to help ensure their confidence in the nation's banking system.

We have formed an interagency team of senior level public relations staff to coordinate communications efforts on an interagency basis. We have developed printed educational materials and announcements, such as "The Year 2000 Date Change" brochure, a financial institution Year 2000 "Statement Stuffer," and a "Year 2000 Customer Checklist" for consumers.

These materials are made available to the public at no charge by the regulatory agencies and are provided to financial institutions for further distribution to their customers. Millions of copies have been distributed. And senior officials - Comptroller of the Currency Jerry Hawke, Office of Thrift Supervision Director Ellen Seidman, Credit Union National Administration Chairman Norman D'Amours, Federal Reserve Board Governor Mike Kelly, and myself - are meeting with the media and the public across the country to make sure that people get the information they need on the preparedness of the institutions we regulate . . . Information they need to make rational decisions.

Additionally, financial institution trade associations have been instrumental in Year 2000 communications efforts. Reprinting our documents and preparing their own educational materials for financial institutions for use in their Year 2000 customer communications efforts.

The second area that examiners will be focusing on is 'clean management.' That is to say, making sure that nothing compromises the Y2K readiness of systems by re-introducing problems. This usually involves a regimen of testing and re-testing systems when changes are made.

Finally, we will be focusing on "contingency planning" efforts. Financial institutions have developed detailed contingency plans to make sure consumers will have access to their

money and other vital banking services if a Year 2000 related disruption occurs. Financial institutions have a strong track record of dealing with contingencies, such as computer problems and power outages, and I am confident that they will be ready to handle unexpected Y2K complications, should they arise.

As regulators, we also must be ready for any possible contingency, no matter how remote.

Federal and state financial institution regulators have been working together to develop contingency plans to deal swiftly and effectively with problems in any financial institution with minimal disruption to insured depositors.

Finally, as we get closer to the century date change, scams, rumors, and advertising with a negative Y2K theme are likely to increase. It will be important to determine their accuracy. The Internet will provide a fertile ground for spreading unfounded rumors. Some people will try to profit from Y2K by preying on people's fears and uncertainties. We're telling the public to check out rumors before taking them seriously. And to contact a trusted source, such as their financial institution or a financial industry regulator, to help sort fact from fiction.

In conclusion, the financial services industry is regarded as one of the best-prepared industries for the Year 2000 date change. The financial industry will be prepared for Y2K. And I am completely confident that bank, thrift and credit union customers will be able to conduct business as usual before, on, and after January 1, 2000.

In short, if you have your money in a federally-insured bank, thrift, or credit union account, keep it there - where it is secure.

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