

Press Releases

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OTS 98-20 - OTS Director Seidman Says Thrifts, Agency on Track for Year 2000

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OTS Director Seidman Says Thrifts, Agency on Track for Year 2000

WASHINGTON, D.C., March 18, 1998 -- On-site examinations, a battery of agency and inter-agency guidance, web page checklists and a newsletter to the thrift industry are among the supervisory tools employed by the Office of Thrift Supervision (OTS) to help the industry address the Year 2000 rollover.

"We believe the combination of our examination efforts; our active outreach to, supervision and monitoring of the industry; and our own compliance efforts should minimize and contain problems involving either thrifts or the OTS when the calendar rolls over to the Year 2000," OTS Director Ellen Seidman stated Wednesday. "We are committed to making the Year 2000 conversion process as manageable as we can for our regulated institutions."

At the same time, the agency is moving to have its own mission critical systems in compliance by November 1998, she said in testimony before a Senate Banking subcommittee examining OTS and thrift industry preparedness. Ms. Seidman's testimony followed a General Accounting Office (GAO) review of OTS and its Year 2000 programs.

Both Ms. Seidman and the GAO noted that the agency is devoting considerable effort and resources to the Year 2000 effort. The GAO said all banking regulators have a monumental

task in making sure financial institutions have adequate guidance in preparing for the Year 2000 and in providing a level of assurance that such guidance is being followed.

Ms. Seidman pointed out that OTS examiners are currently conducting on-site examination of all 1,200 thrifts regulated by OTS, a process due to finish by June 30, 1998. This is a follow-up exam to the off-site exams done by the agency last year, which were an assessment of thrift awareness and planning for the Year 2000 conversion. The current examinations have initially focused primarily on institutions that were found in the previous exams to be behind schedule in preparation. Second-round results will help the agency better assess each institution's actual renovation track record and prospects for timely completion of their efforts, she said.

Last week, the agency sent additional guidance to its regional offices to assist them in the second round of examinations. Included were a rating system for evaluating thrifts' Year 2000 progress and details on data collections, supervisory follow-up and enforcement actions.

This week, OTS and the other banking agencies are releasing guidance to regulated institutions covering risks posed by service providers and software vendors and risks from customers of financial institutions, including funds providers. The guidance was developed through the Federal Financial Institutions Examination Council (FFIEC).

The material on vendors encourages institutions to develop a due diligence process to determine if the vendors are taking appropriate Year 2000 actions and to establish precise criteria for achieving compliance. The customer risk guidance is designed to help identify material customers, evaluate their Year 2000 preparedness and credit risks and to implement controls to manage risk.

Additional guidance is being drafted on testing and contingency planning. The testing guidance is expected to be released by the end of March and the contingency planning guidance by the end of April.

In January, OTS began a monthly newsletter to expand communications with thrifts and with OTS examiners. It is called MMillennium. The agency also posts substantial Year 2000 information on its Internet site, including MMillennium, FFIEC guidance and a recently updated checklist on organizing, planning and implementing a conversion program.