

Texas Department of Banking

Press Release

The Year 2000: A Tangled Web We Weave

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A lot has been written about the Year 2000 and its possible effects on computer systems. In particular, attention has been focused on our financial institutions, including the state banks in Texas over which I have regulatory authority.

Eighteen months ago, state and federal banking regulators initiated a program aimed at ensuring that all banks are prepared for the Year 2000. This program has meant special examinations, stringent time-lines, and intensive follow-up. Because of the important public policy issues, we are not giving bankers the choice to just wait and see what happens when the clock strikes midnight on December 31, 1999. They are being compelled to review and test all their systems for Year 2000 compatibility and purchase whatever new equipment and software are necessary to ensure that their systems are immune from glitches caused by the century date change.

However, all this preparation and regulatory scrutiny will mean nothing if bank customers and the general public fail to take similar precautions. A bank is only as strong as its customers. Even if a bank's computer systems roll effortlessly into the Year 2000, the bank could later find that many of its loans have gone bad due to business failures of borrowers who were not as well prepared.

The risk for the banking system is that customers, who don't perceive themselves to have any Year 2000 exposure, will ignore the pending date change. A lumber yard might lose track of its accounts receivable because a PC fails. A restaurant may not be able to serve diners because the automated ordering system is not Year 2000 compatible. A health clinic could lose all of its patient records. An auto repair shop might be sidelined by hydraulic lifts that have a noncompliant computer chip.

Small business owners must begin thinking about the Year 2000 and preparing themselves to ensure that their operations don't experience an unforeseen shutdown due to the date change. Here is a simple plan for addressing the Year 2000:

- Review all computers and automated systems operated by the business. Identify the ones that are most critical to the business, and focus efforts on these. Don't overlook the obvious, such as a security system which locks the building entrance or your phone answering system. Remember, several heads are better than one: enlist all employees in identifying potentially affected systems.
- Contact the manufacturers of the critical computers and systems and ask them if the particular products are Year 2000 compliant. There are also programs which can be run on a PC to test for compliance.
- If a product isn't compliant, upgrade or replace it, or move the data to a new system entirely.
- Once you believe the computers and systems are compliant, test them.

- Contact the largest customers of your business and assess their Year 2000 readiness. This is the stage of Year 2000 readiness that banks are in, so don't be surprised or offended if your loan officer calls you to discuss your own readiness. Your banker can be a good resource in thinking through your own operations and identifying risks and alternatives.

The bottom line is that you don't have to be a bank or big business to worry about the Year 2000. Many important functions within a small or medium-sized business may be rendered useless at the date changes, and the risk is proportionately higher due to the greater incidence of older computer systems in these businesses. If small and medium-sized businesses fail to address their situation well before January 1, 2000, commerce in their local community could be disrupted and adversely affect everyone, including local banks. But, working together, we can ensure that the century date change is a non-event. We'll take care of the banks - you take care of the rest.

Ms. Ghiglieri is the Texas Banking Commissioner and responsible for the \$56 billion state banking system in Texas. More information on the Year 2000 issues can be obtained from the Texas Department of Banking's website.