

Texas Department of Banking Testimony

Oral Presentation To Brief The Texas Legislature On The Banking Industry's Preparedness For The Year 2000

Date: January 26, 1999

Good morning. Let me answer the question that is probably uppermost on your mind:
-We expect no disruption in the banking system. I will explain why in a moment.

Let me also answer the two most frequently-asked questions of us at the Banking Department:

Is my money going to be safe after the century date change? and
Will I have access to my money after January 1st?

The answer to both questions is YES.

IS MY MONEY GOING TO BE SAFE?

Remember, all the reasons your money is safe today will remain in place after January 1st:

- FDIC insurance will remain in place.
- Our banks are in sound condition in Texas.
- Banks continue to have stringent state and federal regulatory oversight.

WILL I HAVE ACCESS TO MY MONEY?

For the last two years, banks have been under tremendous pressure to make sure their systems are ready and can function after the century date change.

Strict timetables were established for the banks to assess their systems, test the systems, remediate those systems that failed the testing, develop contingency plans, and promote customer awareness.

We examined each bank in Texas to review their assessments, and are in the middle of a second round of examinations to review the results of their testing. Those examinations will be completed by March 31, 1999.

While no banks are rated unsatisfactory, we have taken enforcement actions against the handful of banks that have not responded with the swiftness we expected. We feel we have sufficient enforcement authority to handle any Year 2000 problems in the banking system.

CONTINGENCY PLANNING IS IN PLACE:

Banks are formulating contingency plans that go along several lines:

- They are making backup arrangements to operate in the event of a power outage or other disruption;
- Banks have already converted, or are testing systems to ensure Y2K compatibility;

- Some banks will issue checking account statements just before and just after the date change to reassure their customers of their readiness; and
- Banks are assessing cash needs of their customers who may want extra cash in light of the holiday weekend, and are making sure they have enough cash on hand to meet potential withdrawal requests.

STATE AND FEDERAL REGULATORS HAVE CONTINGENCY PLANS TOO:

State and federal regulators have made contingency plans in the event of a disruption of some kind in the banking system:

The Banking Department has a contingency plan that includes all employees being on call during the entire holiday season in case of a disruption;

State and Federal employees will be in major banks across the country to monitor first-hand the status of the banks' operations;

The Fed has ordered more currency to be printed in the event of higher than normal cash demands and will keep older currency in circulation, such as the old 20 dollar bills to boost currency levels further.

We are advising against pulling large sums of cash out of the banks. The date change will not be a holiday for criminals and we don't want people to be creating security risks for themselves. You will be able to use ATM cards, checks and can get cash the old-fashioned way: from a bank teller.

We have other Frequently-Asked Questions in the packet. If you or your constituents have questions, please call me, or any member of my senior staff, at the Department of Banking.

In addition, we have a wealth of information on our web-site under "What's New-Year 2000," including links to the Fed, FDIC, SBA, and other websites containing Year 2000 information. Thank you.