

**Summary of Statement of
Julie L. Williams
Acting Comptroller of the Currency**

The Office of the Comptroller of the Currency (OCC) is committed to addressing the challenges posed by the Year 2000 problem. We have been working diligently to ensure that the institutions we supervise are making good progress on their preparations, and that our own internal systems are Year 2000 compliant. We have been aggressive in our examination efforts; enforcement actions; internal examiner training program; and educational outreach programs for bankers and other groups. In addition, we have actively participated in the coordinated efforts of the Federal Financial Institutions Examination Council (FFIEC) member agencies to develop policies, procedures, and guidance for financial institutions.

The overwhelming majority of national banks have shown good faith efforts to address Year 2000 issues, and most are on schedule with their remediation efforts. Most of the service providers and software vendors examined by the OCC are also making good progress in addressing the Year 2000 problem. When necessary, the OCC has taken enforcement action against institutions that had fallen behind. These actions have been effective in improving Year 2000 readiness.

Financial institutions are about to begin the testing phase -- perhaps the most critical phase of their Year 2000 preparation process. Correction of problems that banks identify during the testing phase may be time-consuming and expensive. Additionally, any needed changes will need to be made quickly, just at the time when qualified programming specialists and consultants will be in high demand. As institutions move through the testing phase, we will have a much clearer picture of whether their Year 2000 preparations will be completed in time. As a result, bank ratings may change.

The OCC and the other FFIEC agencies are developing contingency plans that outline the steps to take if problematic Year 2000 situations develop. The OCC also is developing contingency plans to deal with the industry's capacity to absorb non-Year 2000 ready institutions. We are also developing regulatory options for addressing bank-specific and systemic risk concerns. Finally, the OCC's legal staff is finalizing a review of our legal authority to close banks due to Year 2000 failures.

We are concerned about how national banks could be affected by the Year 2000 problems of critical bank customers, such as large corporate borrowers, as well as external entities providing vital infrastructure, such as telecommunications and utility companies. For many larger banks, another critical and complex issue of concern is their exposure to foreign governments and international companies. Banks can address the risk associated with domestic customers by implementing appropriate credit risk management controls. U.S. financial regulators have no direct control, and limited indirect influence, over the corrective action, or inaction, of international parties. Likewise, we can only encourage telecommunications and utility companies to make adequate Year 2000 preparations. To address these concerns, we are doing all that we can to gather information on the Year 2000 progress of these international

parties and external entities.

The OCC has pursued an aggressive strategy for converting its own internal systems and we expect to complete renovation of mission-critical IT systems by the end of this year.

Your invitation letter also asked us to comment on liability issues for banks and legislative remedies that could facilitate our Year 2000 efforts. The OCC supports the Administration's Year 2000 disclosure bill and believes that it will encourage voluntary disclosure and a meaningful exchange of information on Year 2000 remediation activities. We also suggest that the Bank Service Company Act be amended to clarify the banking agencies' authority to take enforcement action against bank service providers.