

NEW BANK CHARTERS AND MERGERS TO GET YEAR 2000 SCRUTINY

Washington, D.C. -- The Office of the Comptroller of the Currency (OCC) has advised national banks that their year 2000 preparations will be a factor in the agency's review of applications for new bank charters, mergers and technology-intensive operating subsidiaries.

The OCC Advisory Letter stressed that banks need to address year 2000 computer conversion issues when they plan their integration of computer systems as part of a merger or other new business combination. Banks need to ensure they have a united, operationally reliable system after the change.

"This Advisory acknowledges that a bank that is not properly preparing its systems for the year 2000 is a significant supervisory concern," said OCC Chief Counsel Julie L. Williams.

The Advisory follows year 2000 guidance issued last year by the OCC with the other banking agencies, through the Federal Financial Institutions Examination Council (FFIEC). In May 1997, the FFIEC issued year 2000 project management guidance that set time frames for identifying mission-critical applications, and for completing and testing software enhancements and hardware upgrades.

In December, the FFIEC issued guidance on year 2000 business risks, which outlined the steps that senior management and boards of directors should take to manage year 2000 risks corporate-wide. The OCC's Advisory Letter further emphasizes the need for bank managers and directors to actively identify and manage their bank's efforts to correct any year 2000 problems.

Corporate applications covered by the Advisory Letter include new charters, mergers, certain new operating subsidiaries, conversions and new federal branches of foreign banks. Examples of affected operating subsidiaries include data processing activities or electronic banking products or services, such as stored value cards, remote banking, or electronic authentication.

The [Advisory Letter](#) also encourages banks preparing to file a corporate application to make sure that any vendors they use are ready for the year 2000. If a bank's vendor has not completed its system conversions, the OCC expects the bank to perform the necessary due diligence to ensure that the vendor has an adequate year 2000 compliance plan and sufficient resources to be ready in accordance with the timetables established by the FFIEC.

The OCC will address any year 2000 deficiencies or system integration questions in making its decision on corporate applications. It may set out specific requirements and deadlines for remedial action. The OCC also may deny a bank's corporate application if the problems are a significant supervisory concern.

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The OCC charters, regulates and supervises more than 2,600 national banks and 66 federal branches and agencies of foreign banks in the United States, accounting for 56 percent of the nation's banking assets. Its mission is to ensure a safe, sound and competitive national banking system that supports the citizens, communities and economy of the United States.