



BULLETIN

B-97-6

TO: ALL TENNESSEE STATE CHARTERED BANKS

SUBJECT: YEAR 2000 CONVERSION

DATE: JULY 30, 1997

The Year 2000 problem is pervasive and complex. Many computer systems may not recognize or process information with dates beyond December 31, 1999. Unless corrected, beginning January 1, 2000 computer systems will begin to fail and/or produce incorrect information. Unless corrected, the Year 2000 problem could have a substantially negative effect on the banking industry. Time is critical. Correction of the Year 2000 problems will, in many cases, require a file conversion. Some institutions and data centers will not have available sufficient disk space or time to perform the conversion and run parallel to the old system for a period of time to ensure that all problems have been resolved.

If banks do not have their converted systems in place by December 31, 1998, they may not have enough time to fully test and debug those systems by December 31, 1999. Also, as time passes valuable Year 2000 resources may become more scarce and costly.

These Year 2000 issues will absorb resources. Solving the problem will generally not add value to the bank nor will it likely improve other performance indicators such as capital and earnings. It will require management attention. Every state chartered bank, whether serviced or in house, needs to address the risks associated with the coming millennium. A tremendous interrelationship exists between payment systems. These systems must be able to handle Year 2000 processing and communicate with other institutions to ensure normal commerce.

Therefore, all state chartered banks will, no later than December 31, 1997, have read into and documented in their Board Minutes the following or substantially similar statement:

"As the Board of Directors of (bank) , we understand and acknowledge that it is our fiduciary responsibility to ensure that proper validation, changes, assessments, and testing of all computer systems and applications have been done. We also understand that the above should be completed by December 31, 1998. At that time we will notify the Commissioner, Department of Financial Institutions, of any areas of non-compliance with a plan and a timetable for completing such."

If you have any questions regarding this Bulletin, please contact either Assistant Commissioner Derek Carrier or Chief Administrator Jim Douthit at (615) 741-6013.

Bill C. Houston, Commissioner