



## ***DCU BULLETIN***

*Division of Credit Unions*

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### **YEAR 2000 (Y2K) UPDATE # 8\***

#### **Reminder of December 31, 1998 Benchmark for Completion of Renovation and Testing of Mission-Critical Systems**

As noted in previous DCU Bulletins, the DCU has established Y2K compliance benchmarks for Washington state credit unions. See Bulletin No. B-98-14. One of the most important benchmarks is that credit unions should have substantially completed testing of their mission-critical systems by December 31, 1998. By the end of 1998, credit unions should have:

- **Completed renovation of their mission-critical systems, and**
- **Completed testing of their share and loans systems, and**
- **Completed testing of at least three-fourths of their remaining mission-critical systems.**

Credit unions not meeting this deadline may be subject to a Y2K Mutual Action Plan or other regulatory action.

#### **DCU's Remaining Y2K Enforcement Benchmarks**

Enclosed is an attachment outlining DCU's remaining Y2K benchmarks and enforcement actions for failure to meet the Y2K benchmarks.

\* This Bulletin is the 8<sup>th</sup> DCU Bulletin relating to Y2K.

## **Exceptions to Mission-Critical Definition**

We have confirmed with NCUA that credit unions should not report systems provided by the following organizations as mission-critical systems on their NCUA quarterly reports:

- Power companies
- Telephone companies
- Federal Reserve Bank

Clearly, these systems meet the definition of “mission-critical” and are necessary for the operation of your credit union. However, in recognition of the limited testing capability and limited pressure an individual credit union can bring to bear on these organizations to achieve compliance, please do not include these systems on the NCUA quarterly report as mission-critical.

Nonetheless, credit unions should continue to make appropriate contingency plans relating to these systems. Such plans may well include purchase or rental of power generators, etc.

## **Contents of December 31, 1998 DCU Y2K Report**

In order to gather sufficient information, we are requesting that the following information or materials be included in the state Y2K quarterly report for December 31, 1998. The information and materials should be current.

1. Names, phone numbers, and titles of key staff charged with Y2K responsibility and Y2K reporting responsibility to the board of directors; frequency of Y2K reports to the board
2. Y2K action plan
3. Y2K testing plan
4. Testing scripts for mission-critical systems for the January 1, 2000 test date
5. Results summary pages from tests of all mission-critical systems for each date tested
6. Status reports and timetable for any mission-critical system not fully tested
7. Contingency plan (includes alternative service providers, trigger dates, business resumption plans and liquidity plans). We understand that this document is a living document and expect that it will change throughout 1999 as new information becomes available.
8. Communications plan with samples used to date
9. Copies of Y2K reports that were provided to the board of directors since July 1998; board minutes reflecting review of the reports
10. Final resolution of any remaining outstanding Y2K examination recommendations
11. Audits or internal audit reports (do not include DCU exams) that focus on Y2K.

## **Phase II Workprogram**

The NCUA has adopted the FFIEC's Phase II examination workprogram for on-site Y2K examinations of all federal credit unions. The DCU will be going on-site in only 25-30 credit unions for a Phase II Y2K examination. Our purpose will be to complete the appropriate portions of the Phase II workprogram and to evaluate the results of testing efforts of mission-critical systems. We expect to complete the Phase II exams by the end of February 1999.

## **Certification and Retest of New Systems or Releases**

If a credit union intends to upgrade or replace a mission-critical, Y2K-compliant system in 1999, the credit union should require the following as conditions to the lease or purchase:

- The vendor will provide written assurance of Y2K compliance of the system
  - The vendor will demonstrate Y2K compliance of the system.
- In addition, the credit union may need to complete tests of the system after it is installed.

## **Y2K Benchmarks**

### **Division of Credit Unions (DCU)**

As noted in previous DCU Bulletins, the DCU has established Y2K compliance benchmarks for Washington state credit unions. The purpose of this memo is to reiterate the remaining DCU benchmarks for mission-critical systems and the enforcement efforts that the DCU may undertake against deficient credit unions. Failure to satisfy a benchmark may be considered an unsafe or unsound practice, and may in certain cases place the credit union in an unsafe or unsound condition.

#### **1. December 31, 1998**

Credit unions should have:

- Completed renovation of their mission-critical systems, and
- Completed testing of their share and loans systems, and
- Completed testing of at least three-fourths of their remaining mission-critical systems.

The DCU may ask credit unions which have not satisfied this benchmark to enter into Mutual Action Plans.

#### **2. March 31, 1999**

Credit unions should have completed the renovation and testing of all of their mission-critical systems for Y2K compliance. The DCU may issue cease and desist orders against credit unions which have not satisfied this benchmark.

#### **3. June 30, 1999**

Credit unions should have completed the renovation, testing and implementation of all of their mission-critical systems for Y2K compliance. The DCU may ask credit unions which have not satisfied this benchmark to pursue mergers with Y2K-compliant credit unions. In appropriate cases, the DCU may appoint a conservator or receiver for a credit union.

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Of course, as circumstances warrant, the DCU may pursue more severe enforcement action.

The DCU will rely on all available information in determining whether to take enforcement action. Each credit union should be certain that any Y2K reports to the NCUA and DCU accurately reflect the credit union's Y2K status.