



DCU BULLETIN

Division of Credit Unions

Washington State Department of Financial Institutions

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May 25, 1999

No. B-99-10

Year 2000 Benchmarks and Reporting for June 1999 Y2K Update # 12

June 30, 1999 Benchmarks

As noted in NCUA letters and previous Division Bulletins, credit unions must by June 30, 1999:

1. Successfully complete Y2K testing of their mission-critical systems.
2. Complete their Business Resumption Contingency Plans.

The NCUA will roll up credit unions' Y2K compliance information into a national database for reporting to Congress.

June 1999 Reporting

Credit unions must file certain documents with the Division between now and June 30:

1. By June 8, 1999 - Filing of BRCP Questionnaire. The NCUA has drafted a questionnaire that we must use in evaluating your Business Resumption Contingency Plans (BRCP). Please complete the questionnaire, enclosed as Attachment I, and return it to the Division by June 8, 1999.

2. By June 30, 1999 - Filing of Quarterly Reports, etc. By June 30, 1999, credit unions must submit to the Division:

- a. Their NCUA Year 2000 Quarterly Report for the second quarter.

- b. The information requested in the enclosed Attachment II. If your Business Resumption Contingency Plan has changed since a copy was last submitted to the Division, please include a copy of the current Plan.
- c. The credit union's response to any outstanding Y2K examination recommendations.
- d. If your credit union signed a Supervisory Agreement with the Division regarding completion of testing, submit an updated NCUA Quarterly Report as soon as you have completed testing. Any credit union that signed a Supervisory Agreement that does not report completion of testing **before June 8** will be contacted by the Division to verify the current status of testing. Credit unions that do not anticipate meeting the June 30 benchmark for the completion of testing will be asked to enter into administrative action with the Division and NCUA **before June 30**, as required by NCUA policy.

Summary of Liquidity Plan Information

As you are aware, each credit union was required to submit to the Division a Best, Worst, and Most Likely scenario for Y2K liquidity. The table below summarizes the data provided to date:

	Best Case	Worst Case	Available Assets
Low	.3%	2.8%	3.4%
High	6.0%	39.0%	41.0%
Average	2.3%	12.6%	18.3%

Each credit union must independently evaluate their field of membership and other circumstances to determine adequate liquidity and currency levels for late 1999.

Liquidity Plan Considerations

- Each credit union should arrange for sufficient liquid assets or borrowing capacity to meet its Worst Case possibilities.
- Each credit union should diversify its liquid assets among enough financial institutions to ensure access to at least some of those assets in the event of unforeseen delays in asset liquidation, processing wire transfers, etc.
- In most circumstances, each credit union should arrange a guaranteed or collateralized borrowing line, if they have not already done so. These borrowing lines could provide funds in the event of delays in raising liquidity through other channels. The lines may also help to remove some of the pressure on earnings and liquid assets.
- Each credit union should review its Liquidity Plan periodically to ensure it is adequate - at least monthly during the last four months of 1999.

Business Resumption Contingency Plan

As noted above, credit unions should complete their Business Resumption Contingency Plans by June 30, 1999. Quality contingency planning will help you and your members deal with unanticipated disruptions. The NCUA has provided guidance on business resumption planning in Letters to Credit Unions 98-CU-12 and 99-CU-1. Depending on circumstances at individual credit unions, the following practical suggestions **may** be useful.

- Include a variety of scenarios in your plan – not just a complete power failure. Consider things like intermittent power failures combined with adverse weather conditions, failure of selected components of applications (loss of loan module, inability to open CDs, etc), failure of ACH or ATM networks, slow cash deliveries, loss of one or more liquidity sources.
- Schedule “table top” exercises where the team walks through the various scenarios to ensure all aspects of operations are covered.
- Develop an employee notification system that includes an alternative to phone notification.
- Make sure that copies of the contingency plan are kept in employee homes in case the building cannot be opened.
- Establish minimum service levels. This could include the minimum security required to open the doors, the minimum staff needed to operate, and the minimum members of management needed to stay open.
- Develop a chain of command in the event that some members of management are not able to come to work. Include the Board and other volunteers if appropriate. Designate who can make the decision to execute the contingency plan.
- Develop a staffing plan that includes multiple shifts over an extended period of time. Employees may have to work off-hours to manually update records in time for the next business day.
- Devise methods for offloading critical files from the main system to PCs and laptops that can be used to support manual operations.
- Ensure that employees are personally prepared so their families are safe and they can come to work.
- Prepare a checklist for each location that employees will use when arriving on site during the emergency. It could include a perimeter check before entering the building for evidence of intrusion; checking power, heat and security systems upon entering, checking computer equipment and vaults; making sure elevators and escalators are working.

- Designate the individuals responsible for advising the media, public safety officials and regulatory agencies of the status of your operation throughout the emergency.
- Include a resumption procedure that includes all steps necessary to end the execution of contingency plans and resume normal operations. This could include bringing computer systems up to date, re-setting security systems, canceling extra security guards, stopping extra cash deliveries, etc.
- Review your contingency plan with your critical interface partners to ensure that your contingency plans and their contingency plans are not in conflict.
- Share contingency plans among the financial institutions in your local community to develop ideas and to help develop a common story that will instill public confidence in the soundness of the financial community.

Washington State's Year 2000 Readiness Report

The Governor's office has compiled information on Y2K progress in a variety of industries. It is available to the public as the Washington State Year 2000 Readiness Report. This report is on the internet at <http://access.wa.gov/2000> and may be useful to help inform your members about the Y2K issue. Two additional volumes of the report are anticipated, one in late July and another in October.

There is also an interactive database available at that web site that you may want to tell your members about. It allows the public to indicate the county they live in, choose from a variety of options for services provided (electric, gas, financial, etc.) in that county, and then print out a report of statements from those service providers on their progress on Y2K.

Attachment I

Contingency Plans

Charter #:	
CU Name:	

Section 1 - Contingency Planning

		Y, N, N/A
1-1	Does the credit union have a written BRCP? (If yes, complete Section 2.)	
1-2	Provide the date the credit union completed <u>or</u> expects to complete the BRCP (mm/dd/yy):	
1-3	Does the credit union have a written LCFP? (If yes, complete Section 3)	
1-4	Provide the date the credit union completed <u>or</u> expects to complete the LCFP (mm/dd/yy):	

Section 2 - Business Resumption Contingency Plan

		Y, N, N/A
2-1	Is the BRCP reasonable and acceptable for the credit union's <u>size</u> and complexity?	
2-2	Has the credit union established the BRCP Organizational Planning Guidelines?	
2-3	Are the Organizational Planning Guidelines reasonable and acceptable for the credit union's size and complexity? Evaluation criteria includes the following, as applicable:	
	1. Establish a continuity project work group and assign roles and responsibilities.	
	2. Identify core business processes.	
	3. Establish an event timeline.	
	4. Develop a risk management process and reporting system.	
	5. Review existing business continuity or contingency plans and disaster recovery programs.	
2-4	Has the credit union performed a Business Impact Analysis?	
2-5	Is the Business Impact Analysis reasonable and acceptable for the credit union's size and complexity? Evaluation criteria includes the following, as applicable:	
	1. Perform a risk analysis of each core business process which considers:	

	a) the status of Year 2000 readiness renovation or replacement plans for mission-critical systems, whether administered internally or by service providers;	
	b) the financial and marketing impact of the loss of a core business process, including what impact the loss might have on the viability of the financial institution; and	
	c) the impact of regulatory guidelines.	
	2. Define and document Year 2000 failure scenarios (consider the risk of both internal and infrastructure failures).	
	3. Determine the minimum acceptable level of outputs and services.	
2-6	Has the credit union developed a Core Systems Contingency Plan?	
2-7	Is the Core Systems Contingency Plan reasonable and acceptable for the credit union's size and complexity? Evaluation criteria includes the following, as applicable:	
	1. Evaluate options and select the most reasonable contingency strategy.	
	2. Develop a specific recovery plan for each core business process that considers the minimum level of acceptable output.	
	3. Document the products of the core business processes that may need to be recovered such as:	
	a) machine-readable copies of the institution's master-files and transaction files;	
	a) printed (or other similar medium such as microfiche) trial balances;	
	a) master list of Year 2000 readiness contact points of every client, supplier, bank, and government agency that shares data with the institution;	
	a) electronic text-format copies of all master files and trial balance reports; and	
	a) copy of machine-readable data files for all customers (in those instances where the financial institution's data processing facility is providing services to other financial institutions).	
	2. Other important review processes to consider include:	
	a) legal counsel reviews of data processing and service providers' contracts where necessary to determine the responsibilities of each of the parties;	
	a) comprehensive review of all of data processing insurance coverage;	
	a) public relations responsibilities that are organized and delegated to specific individuals or committees ensuring that appropriate staff make accurate statements;	
	a) review of all Local Area Network (LAN) and Wide Area Network (WAN) access to other systems; and	
	a) review and testing the financial institution's disaster recovery site to ensure that Year 2000 capable hardware is available if needed.	
	2. Establish trigger dates to activate the contingency plans.	
	3. Assign responsibility for business resumption of core business processes.	

	4. Implement an independent review of the feasibility of the contingency plan.	
	5. Develop an implementation strategy for the physical rollover.	
2-8	Has the credit union validated (tested) the BRCP?	
2-9	Is the Validation reasonable and acceptable for the credit union's size and complexity? Evaluation criteria includes the following, as applicable:	
	1. Perform periodic tests of the contingency plan (review, update, and validate on a continual basis).	
	2. Test plans approved by senior management.	
	3. Independent validation of test plans by one or more knowledgeable individuals who were not involved in the development of the plans.	

Section 3 - Liquidity Planning

		Y, N, N/A
3-1	Is the Liquidity Contingency Funding Plan reasonable and acceptable for the credit union's size and complexity? Evaluation criteria includes the following, as applicable:	
	1. Identify key liquidity personnel and resources.	
	2. Identify sources of liquidity.	
	3. Estimate liquidity needs:	
	a) perform a historical cash needs analysis;	
	b) estimate cash demand due to the century date change.	
	4. Obtain backup liquidity sources (if needed);	
	5. Address monitoring liquidity prior to, during, and after the century date change.	
	6. Address security issues such as vault limitations, bond/insurance coverages, armored car or other cash delivery services, etc..	
	7. Address currency delivery and handling.	
	8. Address member communication.	
	9. Provide for employee education.	
3-2	Was the LCFP approved by the board of directors?	
3-3	Has the credit union performed a Cash Needs Analysis?	
3-4	Is the Cash Needs Analysis reasonable and acceptable for the credit union's size and complexity? Evaluation criteria includes the following, as applicable:	
	1. Perform an analysis of cash needs for the periods prior to, during rollover, and immediately after the century date change.	
	2. Review existing lines of credit to ensure they are adequate to meet unanticipated needs.	
	3. Require at least quarterly reviews of the credit union's cash position and future cash needs prior to June 30, 1999, and monthly reviews after June 30, 1999.	
3-5	Has the credit union developed a Member Awareness Campaign?	

3-6	Is the Member Awareness Campaign reasonable and acceptable for the credit union's size and complexity? Evaluation criteria includes the following, as applicable:	
	1. Methodologies for disseminating information (such as statement mailings (such as statement stuffers), news letters, specific Y2K statement issuances, websites, or other means determined acceptable by the credit union)	
	2. Discussing their Y2K statements with their attorneys prior to releasing the information.	
	3. Determining that Y2K statements are made in accordance with the Year 2000 Information and Readiness Disclosure Act (Note: Compliance with this Act is not required, but is recommended).	
3-7	Has the credit union developed a Staff Education Program?	
3-8	Is the Staff Education Program reasonable and acceptable for the credit union's size and complexity? Evaluation criteria includes the following, as applicable:	
	1. Education of key staff members on the credit union's Y2K efforts.	
	2. Assignment of key staff members to handle member inquires.	
	3. Assignment of key staff members to handle media inquires.	

The information provided in this report is certified correct by:

CEO/ Manager

Date

**Attachment II
June 30, 1999 Y2K Report to Division**

Credit Union Name _____ **CU #** _____

Circle the correct response or fill in the blank below.

1) Which Corporate Credit Union(s) does your credit union belong to? What is the size of your guaranteed line of credit through that Corporate?

Wash. Corporate	Yes	No	Size of <u>Guaranteed</u> Line \$	_____
WesCorp	Yes	No	Size of <u>Guaranteed</u> Line \$	_____
_____			Size of <u>Guaranteed</u> Line \$	_____

2) Does your credit union have a borrowing line established through the FHLB? Yes / No

How large is the line? \$ _____ If pending, date to be finalized? _____

3) Does your credit union have a borrowing line established through the Federal Reserve Bank? Yes / No

How large is the line? \$ _____ If pending, date to be finalized? _____

4) Does your credit union have debit or credit cards through Equifax in:

a) the pass-through system	Yes / No
b) the Card-source program	Yes / No
c) the BT2000 CUMA program	Yes / No
d) the TBS system	Yes / No

5) Have the following plans been approved by the Board of Directors for your credit union?

a) Liquidity	Yes / No	Date _____
b) Business Resumption	Yes / No	Date _____
c) Communications	Yes / No	Date _____

If changed since a copy was last submitted to Division, please send copies of the current plans to Division with this report.

6) Does your credit union plan to perform any additional testing over the weekend of December 31, 1999 – January 2, 2000? Yes / No

If yes, attach a brief description of the testing, the date and hours you anticipate being in the CU.

Certified Correct by Manager/CEO:

Signature: _____ Date: _____