

## Addressing the Year 2000 Computer Problem

### I. Year 2000 Readiness of Financial Institutions

Below is the outline of the overall state of financial institutions' year 2000 readiness at the end of September 1999

#### Financial institutions covered by the survey (1,524):

- ✓ **1,073 deposit-taking financial institutions** (19 major banks, 64 regional banks, 61 regional banks II, 87 branches of foreign banks, 16 trust-bank subsidiaries, 10 foreign-affiliated trust banks, 395 *shinkin banks* and the *Zenshinren Bank*, 42 labor banks and the *Rokinren Bank*, 298 credit cooperatives and the *Shinkumi Federation Bank*, 81 credit federations of agricultural cooperatives, credit federations of fisheries cooperatives, and the *Norinchukin Bank*)
- ✓ **109 insurance companies** (44 life insurance companies, 35 nonlife insurance companies, 3 foreign-affiliated life-insurance companies, 27 foreign-affiliated nonlife insurance companies)
- ✓ **342 securities-related firms** (219 securities companies, 55 foreign securities companies, 68 investment trust companies)

#### 1. State of Progress in Modification and Internal Testing of Systems

##### (1) Important systems\*

##### Report results

- All major banks, regional banks, and regional banks II, and almost all *shinkin banks* and credit cooperatives, etc., had completed modifications and internal tests by the end of September.
- System modifications completed: 1,523 institutions (99% of the total [98% in the previous reports])
- Internal tests completed: 1,516 institutions (99% of the total [96% in the previous

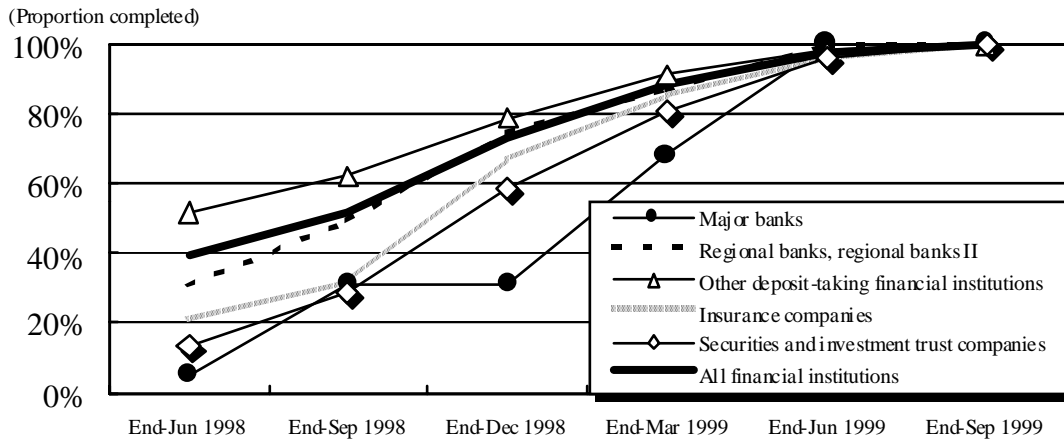
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\* In the reports requested by the Financial Supervisory Agency (FSA), "important systems" were defined as those systems that will directly impede the respondents' business if compliance measures are not completed. It was left up to the judgement of the individual financial institutions to determine the specifics of what is important, but typical examples given included systems for key accounts, external connections, and international systems.

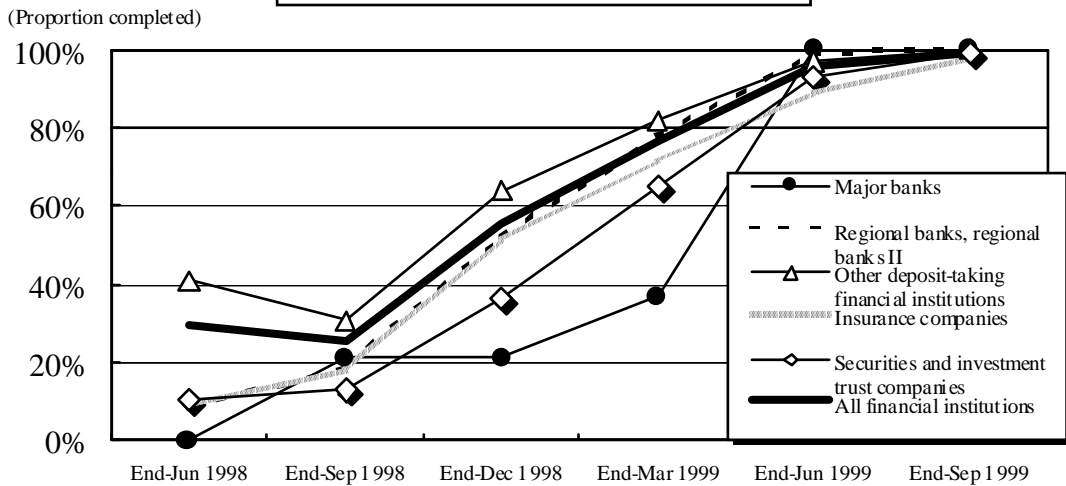
reports])

- The 8 institutions that had not completed internal tests by the end of September (1 foreign bank, 1 *shinkin bank*, etc., 1 life insurance company, 1 foreign-affiliated nonlife insurance company, 2 securities companies, and 2 investment trust companies), all stated that they would complete them by the end of October.

Completion of modification of important systems



Completion of testing of important systems



## (2) Systems other than important systems

### Report results

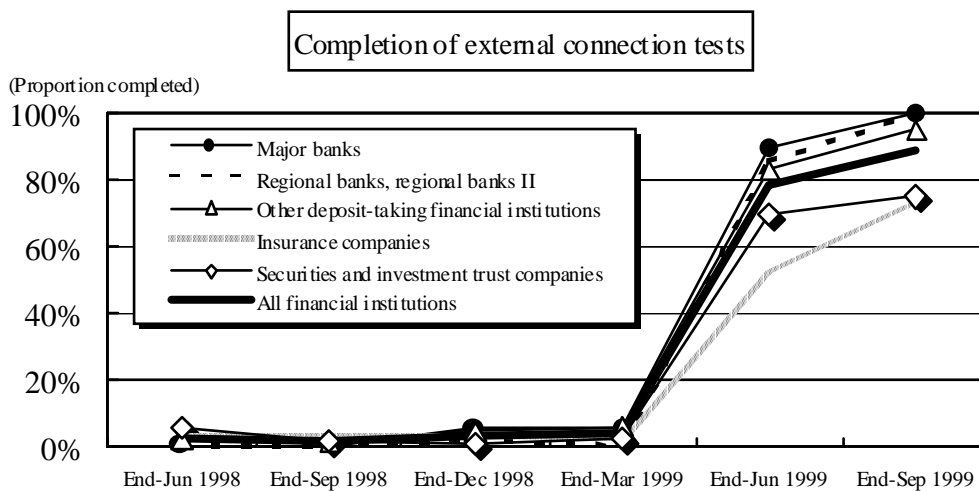
- Almost all financial institutions had completed modifications and internal tests by the end of September.



### (3) External connection tests

#### Report results

- All major banks, regional banks, and regional banks II, and almost all *shinkin banks* and credit cooperatives, etc., had completed external connection tests by the end of September.
- External connection tests with BOJ-NET, the *Zengin System*, exchanges, etc., completed: 1,361 institutions (89% of all institutions [78% in the previous reports]).
- Among the 15 institutions that had not completed external connection tests by the end of September (3 *shinkin banks*, etc., 1 life insurance company, 4 securities companies, 4 foreign securities companies, and 3 investment trust companies), 12 stated that they would complete them by the end of October, but 3 (1 life insurance company, 2 foreign securities companies) stated that they would complete them by November or later. A total of 148 institutions (10% of the total) stated that external connection tests are unnecessary (17% in the previous reports).
- With regard to joint connection tests relating to settlement and transactions systems such as BOJ-NET and the *Zengin System*, confirmation tests are planned to be conducted on January 2, 2000.



## 2. Planned Freezing of Development of New Systems

#### Report results

- Total freezing of development of new systems in 1999: 1,294 institutions (85% of the total). Partial freezing of development of new systems in 1999: 75 institutions (5% of the total).

**Planned to freeze development of new systems**

	Will freeze	Ratio (%)	Will partially freeze	Ratio (%)	Will not freeze	Ratio (%)	Total
Major banks	13	(68.4)	6	(31.6)	0	(0.0)	19
Regional banks, regional banks II	102	(81.6)	23	(18.4)	0	(0.0)	125
Other deposit-taking financial institutions	854	(91.9)	6	(0.6)	69	(7.4)	929
Insurance companies	84	(77.1)	19	(17.4)	6	(5.5)	109
Securities and investment trust companies	241	(70.5)	21	(6.1)	80	(23.4)	342
<b>All financial institutions</b>	<b>1,294</b>	<b>(84.9)</b>	<b>75</b>	<b>(4.9)</b>	<b>155</b>	<b>(10.2)</b>	<b>1,524</b>

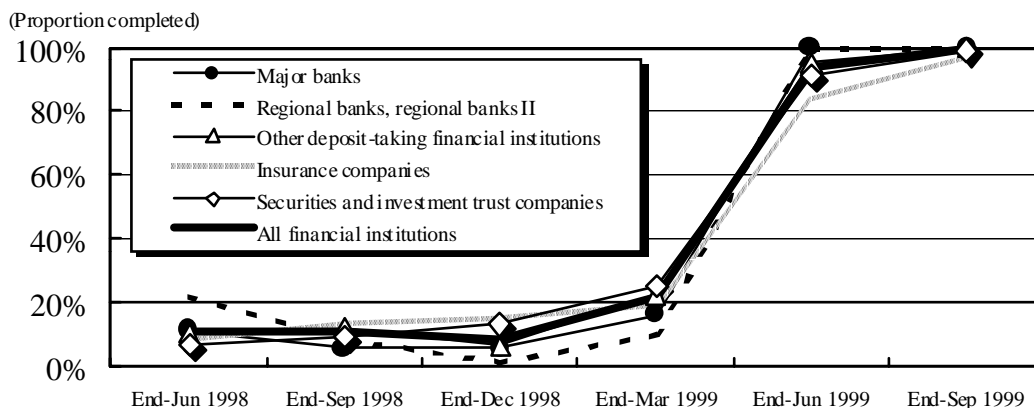
### 3. Contingency Plans

#### (1) State of preparation of contingency plans

##### Report results

- Preparation completed, including manuals for business offices: 998 institutions (65% of the total)
- Preparation of contingency plans finished (The total of institutions that had completed preparation, including manuals for business offices, and institutions that had completed their plans for head offices or finished the first drafts): 1,517 institutions (99% of the total [94% in the previous reports])
- Among the 7 institutions that had not completed contingency plans by the end of September (1 credit cooperative, etc., 3 foreign-affiliated nonlife insurance companies, 2 foreign securities companies, and 1 investment trust company), 5 stated that they would complete them by the end of October, but 2 (2 foreign securities companies) stated that they did not intend to prepare contingency plans.

### State of preparation of contingency plans



## (2) Action taken based on contingency plans

### Report results

- Planned to conduct simulation drills based on contingency plans: 1,467 institutions (96% of the total). Planned to conduct institution-wide drills: 1,376 institutions (90% of the total)

### Planned to conduct simulation drills

	Plan to conduct	Ratio (%)	Do not plan to conduct	Ratio (%)	Total
Major banks	19	(100.0)	0	(0.0)	19
Regional banks, regional banks II	125	(100.0)	0	(0.0)	125
Other deposit-taking financial institutions	906	(97.5)	23	(2.5)	929
Insurance companies	103	(94.5)	6	(5.5)	109
Securities and investment trust companies	314	(91.8)	28	(8.2)	342
<b>All financial institutions</b>	<b>1,467</b>	<b>(96.3)</b>	<b>57</b>	<b>(3.7)</b>	<b>1,524</b>

- Planned to have responsible staff at work to deal with the year 2000 problem over the rollover period: 1,510 institutions (99% of the total). Average number of employees per institution at work: 178

**Planned to have staff working over the rollover period**

	Plan to work	Ratio (%)	Do not plan to work	Ratio (%)	Total	Average no. of staff
Major banks	19	(100.0)	0	(0.0)	19	2,130
Regional banks, regional banks II	125	(100.0)	0	(0.0)	125	676
Other deposit-taking financial institutions	922	(99.2)	7	(0.8)	929	103
Insurance companies	105	(96.3)	4	(3.7)	109	243
Securities and investment trust companies	339	(99.1)	3	(0.9)	342	69
<b>All financial institutions</b>	<b>1,510</b>	<b>(99.1)</b>	<b>14</b>	<b>(0.9)</b>	<b>1,524</b>	<b>178</b>

- Will back up data at the year-end: 1,517 institutions (99% of the total).

**Planned to back up data**

	Will back up	Ratio (%)	Will not back up	Ratio (%)	Total
Major banks	19	(100.0)	0	(0.0)	19
Regional banks, regional banks II	125	(100.0)	0	(0.0)	125
Other deposit-taking financial institutions	926	(99.7)	3	(0.3)	929
Insurance companies	106	(97.2)	3	(2.8)	109
Securities and investment trust companies	341	(99.7)	1	(0.3)	342
<b>All financial institutions</b>	<b>1,517</b>	<b>(99.5)</b>	<b>7</b>	<b>(0.5)</b>	<b>1,524</b>

- Will confirm startup of systems on January 1, 2000 (Total of institutions conducting confirmations at head office and all business offices, those conducting it at head office and main business offices, and those conducting it at head office only): 1,398 institutions (92% of the total)

**Planned to confirm startup on January 1, 2000**

	Plan to confirm	Ratio (%)	Do not plan to confirm	Ratio (%)	Total
Major banks	19	(100.0)	0	(0.0)	19
Regional banks, regional banks II	121	(96.8)	4	(3.2)	125
Other deposit-taking financial institutions	881	(94.8)	48	(5.2)	929
Insurance companies	99	(90.8)	10	(9.2)	109
Securities and investment trust companies	278	(81.3)	64	(18.7)	342
<b>All financial institutions</b>	<b>1,398</b>	<b>(91.7)</b>	<b>126</b>	<b>(8.3)</b>	<b>1,524</b>

#### 4. State of Occurrence of Problems

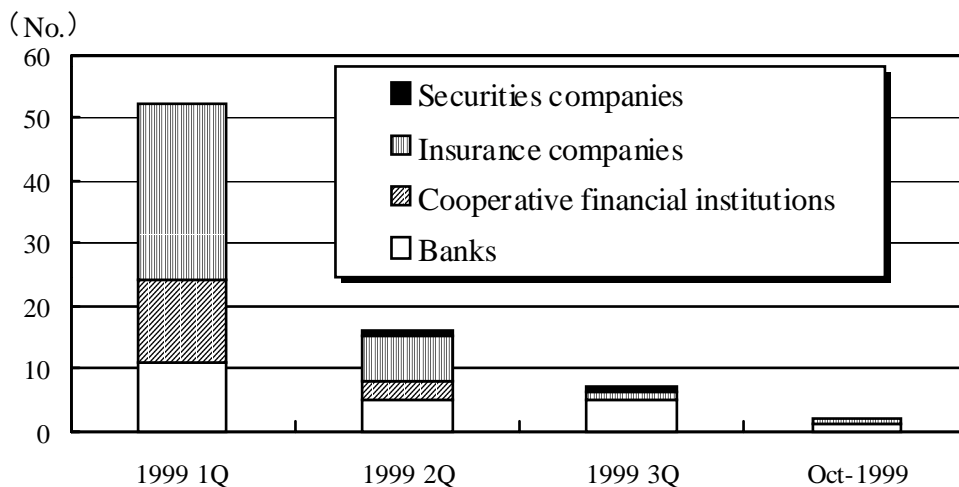
Pursuant to Article 24, Paragraph 1 of the Banking Law, etc., the FSA has required all banks, insurance companies, securities companies, and other financial institutions to submit reports on system problems occurring since January this year that appear to have their origins in the year 2000 problem (including the so-called "year 1999 problem"). This was done by means of a notice entitled "Submission of Materials Regarding System Problems Caused by the Year 2000 Problem" dated March 19, 1999.

#### Report results

- From July this year to the end of September, 7 reports (down by 9 from the April-June quarter) were received from 7 financial institutions. The number of cases occurring during October was 2, at 2 institutions. (The total number of cases since January 1999 was 77.) In every case, rectification or substitution measures were implemented rapidly after the occurrence, and the problems were resolved without disruption being caused.
- The following is a breakdown of the number of reports by category of institution: From July to September, 5 reports were filed by 5 banks, 1 filed by 1 insurance company, and 1 filed by 1 securities company. During October, 1 report was filed by 1 bank, and 1 filed by 1 insurance company.



No. of cases of Y2K-related system problems



## II. Action Taken after Receipt of Reports

These reports above reveal that some financial institutions had not completed compliance measures as of the end of September.

The FSA will rigorously implement all necessary measures under the Banking Law, etc., with regard to any institutions that it deems are having problems in carrying out these compliance measures. In line with this policy, the FSA is currently requiring improvements under the relevant applicable laws, of 4 institutions (2 *shinkin banks*, 2 foreign securities companies) that stated that they would not complete the modification and testing of systems other than important systems until November or later, and had not prepared contingency plans. In addition, 89 institutions had not completed the modification and testing of systems or other steps such as the preparation of contingency plans by the end of September, but completed them or were expected to complete them during October. These are being requested to submit supplementary reports pursuant to Article 24 of the Banking Law, etc. (In the majority of these cases it is a matter of filling in the details of their contingency plans.)\*\*

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\*\* Number of financial institutions required to submit supplementary reports: (on the next page)

### III. Measures Taken by the FSA

#### 1. Development of Structure to Date

The FSA has established the “Y2K Task Force” as an agency-wide organization to address the year 2000 problem in July 1999.

The Task Force has convened meetings of the “Network for the Y2K Problem”, whose participants include the FSA; the Bank of Japan; the industry bodies of institutions under its jurisdiction, such as the Japanese Bankers Association; and network operators, during which exchanges of views concerning the structure for communicating information were held in August and November.

In addition, during the first simulation drill at government level in September it carried out information-communication drills with participating financial institutions and industry bodies (approximately 900 institutions and 5 bodies). In October it greatly expanded the range of financial institutions and industry bodies included (to approximately 1,400 institutions and 11 bodies), and conducted simulation drills for the communication of information by the financial industry independently. More of these drills are planned to be conducted.

#### 2. Structure for the Year-End Period

As indicated in item I. 3. (2) above, almost all financial institutions will be staffed over the rollover period with the year 2000 problem. Similarly, the FSA intends to have the responsible staff in all sections, in particular the Y2K Task Force (the Task Force director [counsellor of the Commissioner's Secretariat], deputy director, and staff members), working from December 29 to January 3, when they will address the matters below. In particular, they will deal with these matters constantly, from the morning of

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		(Foreign-affiliated)
Deposit-taking financial institutions	30	(2)
Insurance companies	32	(15)
Securities companies	20	(7)
Investment trust management companies	7	(6)
Total	89	(30)

December 31 to January 4 they will work around the clock.

- Confirmation of the startup of the FSA's equipment
- Gathering of information from financial institutions (communication when occasion demands, and regular communication)
- Dealing with problems that might occur at financial institutions
- Liaising and coordinating with related ministries, agencies, and other institutions
- Exchanging information and coordinating with supervisory authorities overseas (in the banking, insurance, securities fields)