

Remarks by
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Before the
Urban Bankers Coalition
New York City
April 15, 1999

It is a great honor to be here this evening with all of you. Your theme tonight - "The New Face of Financial Services" -- hits home for me.

Tonight, I'd like to focus on the Year 2000 challenge-Y2K. We have a job ahead of us - bankers and regulators alike: Maintaining public confidence in banking as concerns rise that computers will fail on January 1.

The concerns are real. Several weeks ago, a Gallup poll reported that 55 percent of adult Americans expect banking and accounting systems to fail on January 1, possibly causing errors in employee paychecks, government payments, and other automated financial transactions. Another Gallup poll has reported that 74 percent of the public - almost 3-out-of-4 bank customers - have not heard or received anything from their banks on Y2K.

In light of the unique and potentially serious implications of the Y2K challenge, both bankers and the FDIC have a responsibility to go beyond our normal scope of communications to maintain public confidence. Certainly, the FDIC has been vocal in reporting on the progress of the banking industry, and we will continue to be outspoken.

Currently, we are working to determine more precisely the nature and magnitude of public concerns about Y2K and banking. We will target those concerns, and we will use the means that are most effective in talking about the industry's progress and our supervisory program.

Our three-part message is a simple one: One, bankers have been working aggressively to meet the Y2K challenge, and a number of experts say that banking is the industry best prepared for the date change. Two, regulators are aggressively supervising the banks' preparations to become Year 2000 ready. By the end of last month, examiners had been in every bank and savings association in the country at least twice to make sure that banks are making satisfactory progress. Any problem banks will receive strict supervisory attention. No one can say there won't be glitches, but - if you do all that you can -- we have a great deal of confidence that the banking industry will be ready. And, three, money in an FDIC-insured account is safe - no ifs, ands, or buts. The Year 2000 will not affect our guarantee.

As important as it is to talk about the industry's progress as a whole, however, there is other information that reassures the public, perhaps even more, information the government cannot provide, but information that only you - the bankers -- can: Information on your Y2K preparations and readiness. Let me repeat the troubling statistic I mentioned earlier: Almost three-out-of-four Americans haven't received any Y2K information from their banks -- almost three-out-of-four.

I'm here today to encourage you to talk with your customers - not as a trade association, not as an industry - but as individual institutions, and I want to make three points. One, Federal regulators want you to talk with your customers. Two, your trade associations want you to talk with your customers. And, three, your customers want you to talk with them, as well.

First, let's look at what the Federal regulators have to say. In May 1998 - almost a year ago -- we advised the chief executive officer and the board of directors of every bank and thrift institution to develop a consumer awareness program. We said that the bank should provide information on its efforts to become Year 2000 ready, and it should ensure complete and accurate responses to customer questions and concerns.

Second, what do the trade associations say? Let me give you one telling example. Testifying on behalf of the American Bankers Association before the Senate earlier this month, John H. McGuckin, Jr., of Union Bank of California said: "Customer communications is a must for every bank in the country. After all, every customer wants to know about their particular bank." It doesn't get any clearer than that.

Third, and finally, what do the customers themselves say? Research has shown that almost nine-out-of-ten Americans say that the information they have received about banking and Y2K comes from the mass media. At the same time, about two-out-of-three customers in a recent poll said that more information would increase their confidence, and more than three-out-of-four said that they would rely on information from their bank.

You know what you cannot say - you cannot reveal your Y2K ratings, which can change over time. But you also know what you can say: You can describe what you have done - such as meeting Federal Financial Institutions Examination Council milestones, and you can say that FDIC-insured funds are absolutely safe -- no ifs, ands or buts. Tell consumers exactly what you're doing. They need to know:

You have tested your systems and they are ready for Y2K.

You have met all of the Y2K milestones set by federal regulators.

You have contingency plans to make sure that customers will have access to their money.

You are taking steps to ensure that customer financial records will be preserved.

Consumers want to know how you will serve them if there is an unanticipated problem from Y2K. In short, consumers deserve to know - specifically - what you are doing to ensure that they will have access to their money, and - specifically - what you are doing

to ensure that your customers continue to receive accurate information on their accounts. Specific information lends credibility to your message.

In your interest, you need to weigh in with your positive message. If you don't tell your story, no one else will. And let me tell you, if there is a negative story out there and your customers haven't yet heard your story, it will be difficult for you to reassure them then.

I urge you to use every opportunity to get your message out, to make the facts known. Your institution is the best source of information on its Year 2000 readiness. Think creatively. Do you advertise? Put your message there. You have signs. Put your message on them, and put a taped message about your preparations on your telephone system so that callers can listen to it while they're on hold.

Make it easy for customers to get the information they need: establish a Y2K hotline, and include Y2K information in your monthly and quarterly statements. Train all your employees about Y2K - and give them incentives to learn. People receive a great deal of their financial information from their family and friends. The more knowledgeable people you have out there, the more your message will spread. Consider displays in your lobby and outside your bank and on your ATMs.

Take your show on the road: Give presentations to civic organizations, church groups, and retirement communities. Make sure you invite opinion leaders. One banker told us that his institution held a breakfast on the Year 2000 issue. Another banker told us how her institution sponsored a seminar with a local newspaper and university. A month before the seminar, they worked together to launch a publicity campaign that included newspaper advertisements and articles and letters to all business customers and members of the local chamber of commerce.

It pays to be creative, and it pays to be proactive. Most people are not expecting everything to be perfect come January 1. After all, everything is not perfect now. So don't overpromise, but do provide information -- complete, accurate, and reliable information. This information will help people keep the Y2K rollover in perspective. It will help people realize that Y2K is just one more challenge that we, as a nation, will meet.

The FDIC can tell our story, but only you can tell yours. Our messages reinforce each other, and provide reassurance. You have a good story to tell as an industry - most experts say that banking is the industry best prepared for Y2K. We certainly will continue to get our message out. But the most effective story is the one that only your institution can tell individually.

The regulators and the trade associations are reporting on your progress as an industry, but you, individually, hold a trump card in your hands. In the interest of maintaining public confidence, I urge you to play it.

Finally, let me close by going back to tonight's theme: The New Face of Financial Services. I want to share with you what the FDIC is doing to encourage, promote, and

support the new face of financial services. In a recent speech to the Corporation staff, I stated that diversity was one of my top three priorities, along with Y2K and emerging risks in a changing financial marketplace.

Going forward, I made clear that the officers, managers, and supervisors of the FDIC will adhere to and will advocate diversity in all corporate business dealings - public and private. Promoting diversity in our own workplace is critical to the continued success of our Corporation. We have to attract the most qualified, the most talented, and the most motivated employees the country has to offer. We want to attract the very people whose studies you support with your scholarships and mentoring. To attract them, we must become an employer of choice. To attract them, we have to promote and support an inclusive environment that provides to all employees - and potential employees - the opportunity to work to their full potential in the pursuit of the Corporation's mission. Simply put, diversity is good business.

To reach our goal, I appointed a Diversity Steering Committee and charged them to develop our first corporate Diversity Strategic Plan. It will cover Leadership Behaviors, Recruitment and Selection, Career Development, and Education and Communication. In the coming weeks, we will unveil our plan. It will be comprehensive. It will be fair. It will be real.

There are many ways to open the doors of opportunity wider - to give financial services a new face - a more diverse face. I commend you for all your efforts. And I want you to know that the FDIC and I share your commitment. I believe that, together, we can and will have a real impact on the new face of financial services.

Thank you.

Last Updated 06/25/1999