

Remarks by Governor Roger W. Ferguson, Jr.

**Before the Second Global Y2K National Coordinators Conference, United Nations,
New York, New York
June 22, 1999**

Public Information and Public Confidence In Year 2000

Year 2000 is a unique problem that has various dimensions. It started as a technical problem, has progressed to being a senior management business issue and is now becoming a public confidence concern. In addition, it is unique in that we all know that the century date change will occur, but what will occur on that date is still open to differing perspectives. This is certainly a case in which the future is opaque. In this environment, there are, and will increasingly be, a variety of views and analyses. Some of them will be fact-based and responsible; others will perhaps be less analytical and more emotional.

Why is Public Disclosure Important?

Public disclosure of each business's plans, and indeed of country plans, for remediation, testing and renovation of systems, as well as general outlines for contingency plans are all critical. This is axiomatic, but it might be helpful to explain why. In a business context, individual counterparties, that is suppliers, customers, creditors and others, are all working to develop business continuity plans. Full and comprehensive information is essential to that process. The readiness of counterparties is being evaluated based on available information. Inadequate details in a business environment can well lead to negative perceptions in the marketplace, which may have pronounced market and/or economic consequences. Not surprisingly, in a number of instances, earlier pessimistic perceptions have been positively revised with greater disclosure of information.

With respect to public confidence, Year 2000 seems to be an issue in which a better-informed public is a more confident and calm public. For example, in the United States the financial regulators have recently completed a survey of public perceptions on this matter. The results show that those with the greatest exposure to the Year 2000 issue were more likely to believe that any problems that emerge will be short-lived and subject to repair. More broadly in the context of public confidence, we know that the public will become aware of and develop a heightened interest in Year 2000 at differing times. In an environment in which public perceptions emerge slowly, I believe that it is important to maintain a steady flow of accurate information to the public domain. As the public gradually awakens to this topic, a stream of balanced, factually-accurate and timely information can potentially counter the more sensationalist coverage that is surely going to emerge. In addition, it is important for information on Year 2000 to be placed in the proper context and in perspective. Accurate information from reputable sources will be important in providing that context. Finally, public relations experts indicate that public perceptions will firm at some point, and be less subject to revision. Since we do not know when that point will occur, it is important for accurate information to be always available. The frequency and volume of the more balanced messages may have to increase as we all get closer to the date change,

but information sharing should not wait until the last moment.

What Has Been Done?

Fortunately, those who have spent time over the last several years considering the Year 2000 problem are aware of the need for information sharing to maintain business and public confidence. The Joint Year 2000 Council in January 1999 issued a Bulletin to the world's financial regulators entitled "Focus on Information Sharing," which called for enhanced disclosure and information sharing and summarized the work of a guidance paper on the same topic. Earlier this month we reinforced this message with a short advisory to financial regulators worldwide. The Global 2000 Co-ordinating Group, a committee of banks, securities firms, and insurance companies from throughout the world, provides a tool on their web site for financial institutions to disclose their Year 2000 plans and status. Global 2000 is a member of the Joint Council's External Consultative Committee and we endorse their disclosure efforts. In the United States, the financial regulators have issued guidance to all depository institutions that includes a requirement for them to have public awareness efforts underway to inform their customers of the steps being taken to prepare for the century date change. Similarly, regulators have reminded financial institutions that they should understand the degree of preparedness of their major customers. Finally, our Securities and Exchange Commission has mandated disclosure from all companies with public shareholders. It is important for us to understand that the information sharing being called for does not require guarantees of complete preparedness. Rather, honest disclosure of plans and progress toward completion of those plans is what is called for.

What Should You Do?

Given what I have said, it is clear that we each have a role to play in this unfolding event. If you represent a national Year 2000 authority, as most do, your role is twofold. First, I believe that you should encourage honest disclosure from government entities on their degree of preparedness and the general outline of contingency plans that they are making. Also, regulators should use the weight of regulatory control to encourage regulated entities to engage in voluntary self-disclosure. If you represent the media, you have a special obligation to engage in balanced and accurate reportage, not attempting to hide important facts, but not seeking the most sensational coverage. A broad synthesis that captures facts, not drama, is probably most useful. Finally, all of us as members of the public have an obligation to listen to the most responsible voices. We should recall that in times of uncertainty, many views are expressed; only the most factually accurate deserve our attention.

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Last update: June 22, 1999, 4:30 PM