Circulars

25 Apr 1997

The Year 2000 Problem

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You will recall that in January this year I wrote to you on the Year 2000 problem. While most institutions have confirmed that they were taking action to address the problem, it is still unclear whether the magnitude and urgency of the problem are fully appreciated.

The Year 2000 problem could have more wide ranging implications than one would envisage. This is an issue which will affect institutions irrespective of whether they are already Year 2000 compliant since there may be knock-on consequences from counterparties who fail to address the problem properly. Time is also running out as sufficient time must be allowed for the testing of any system changes. Resources and skilled personnel around the world are being stretched as the problem gains more recognition. It is important that actions are taken immediately if not already started. We are of the view that top management involvement is essential to ensure a timely solution.

To ensure that the problem is properly dealt with, the HKMA will take the following initiatives :

- a seminar on the Year 2000 problem organised jointly with HKAB and DTCA;
- a questionnaire survey on the Year 2000 problem; and
- ongoing monitoring of the implementation of authorised institutions' plan to fix the problem.

The joint seminar is to ensure that the magnitude and urgency of the problem are understood by all authorised institutions. It has been scheduled for 13 May 1997. You should have already received a pamphlet together with the registration form from your industry Association. The HKMA attaches great importance to this issue and your institution should send a representative whether or not it is already Year 2000 compliant. I would highly recommend you attend the seminar personally, failing which attendance should be at Alternate Chief Executives level.

Experience elsewhere suggests that achieving Year 2000 compliance may not be technically difficult but it can be tedious and costly. It is essential that the potential problems are identified and top management's commitment to deal with them is obtained at an early stage. To this end, some of the more common areas where problem may arise are included in the attached questionnaire. You are required to complete and return it by 31 May 1997. This is to ensure that the potential problems have been consciously addressed and that the top management has been involved in the process in every authorised institution.

As mentioned above, time is of the essence. Allowing for testing, the HKMA expects that the Year 2000 compliant systems should be in place before 31 December 1998. We would expect that you should have already formulated a formal plan to this end. To enable the HKMA to monitor progress, you are required to submit your formal plan to us by 30 June 1997.

Such a plan should at least cover the following :

- Impact assessment
- Identification and evaluation of options available
- Resources implications for implementation of the preferred option
- Establishment of a timetable for implementation
- Testing of system changes
- Contingency planning

The HKMA will review the implementation progress against the plan submitted during on-site examinations of individual institutions.

Please direct all enquiries and correspondence on this subject to Mr. Ros Lam, Head of Banking Policy (Special Duties) Division at 2878-8287.

Last revision date : 01 August 2011