

The Chairman/ Chief Executive  
All Indian Commercial Banks

Dear Sir,

**Year 2000 (Y2K) Problem – Standards of Compliance and Testing**

Please refer to the circular DBS.CO.ITC.BC.No 4 /31.26.00/97-98 dated September 22, 1997 apprising you of the critical operating risks associated with the year 2000 (Y2K) problem. Banks were advised to put in place appropriate time bound strategies to assess, convert and validate all systems and applications so as to achieve fully compliant systems well before September 30, 1998. Banks were also required to keep their Board of Directors suitably apprised of the matter. You were also required to report to Reserve Bank of India the progress made in this regard.

2. While we appreciate that your bank is addressing the problem, it is observed from the feedback received that some of the banks will be failing to comply with our stipulated deadline. We would like to emphasize that the Y2K problem is a serious one. Year 2000 is a finite date and consequently time over-runs could have serious operating repercussions. You may, therefore, have to gear up your bank's efforts to assess, convert and thoroughly validate all systems and applications by the stipulated deadline. In this connection we are enclosing herewith certain relevant excerpts of the September 1997 release of the Basle Committee on Banking Supervision in Appendix A, Appendix B and Appendix C titled 'The Year 2000 Challenge in more Detail', 'Action Plans for Managing the Year 2000 Process in More Detail' and 'Checklist for a Successful Year 2000 Programme' which you may find useful.

3. We expect all banks to send us a certificate as on September 30, 1998 that all primary measures envisaged by us in our above circular (dated September 22, 1997) are fully complied with. These measures are as follows:

- ✓ Developing a strategic approach
- ✓ Creating organisational awareness
- ✓ Assessing actions and developing detailed plans
- ✓ Renovating/ replacing systems, applications and equipment

4. Banks are currently implementing their Y2K programmes according to varying standards of Y2K compliance. While banks may adopt their own norms for Y2K compliance, certain minimum qualitative and technical standards for Y2K compliant systems are expected. In this connection the definition prepared by the British Standards Institute Technical Committee and reproduced below could serve as a benchmark for Y2K compliant systems. According to this definition " Year 2000 conformity shall mean that neither performance nor functionality is affected by dates prior to, during and after the year 2000. In particular:

Rule 1 No value for current date will cause any interruption in operations.

Rule 2 Date-based functionality must behave consistently for dates prior to, during and after year 2000.

Rule 3 In all interfaces and data storage, the century in any date must be specified either explicitly or by unambiguous algorithms or inferencing rules.

Rule 4 Year 2000 must be recognized as a leap year."

5. The remaining components of any credible action plan for managing Year 2000 process also includes (i) Validating the renovated systems through testing (ii) Implementing compliant, tested systems and (iii) Developing appropriate contingency plans. Commencing from October 1, 1998 Banks are expected to continuously validate their renovated systems through testing and identifying alternate approaches if the renovations are not successful. Detailed test schedules may have to be developed and coordinated with customers and correspondents for validating external linkages/ interfaces. In this connection we draw your focused attention that the testing may be done with reference to the following minimum mandatory and operational dates:

01-01-1999, 01-12-1999  
09-09-1999 to 10-09-1999  
29-12-1999 to 06-01-2000  
14-01-2000, 28-01-2000  
28-02-2000 to 01-03 2000  
31-03-2000, 10-10-2000  
27-02-2004 to 01-03-2004

You are also advised to maintain proper records of your Y2K Compliance efforts including test documentation for post facto verification/ audits. In the meanwhile you may continue to keep us posted on the progress made in this regard at quarterly intervals.

6. We would like to emphasize that the problem is more than a technical issue and needs the attention and commitment of the top Management. We would therefore, expect the top Management to closely monitor the progress made by their respective institutions. It is needless to emphasize that the responsibility to appropriately address the problem within each institution, its subsidiaries and external linkages/ interfaces would solely rest with its top Management and the Board of Directors.

Yours faithfully,  
sd/-

(A.Q.Siddiqi)

**Chief General Manager**