

Meeting of the High Level Working Group on Y2K Related Issues

August 31, 1999

The High Level Working Group constituted by the Reserve Bank of India under the Chairmanship of Shri S.P. Talwar, Deputy Governor reviewed the status of Year 2000 readiness and contingency planing of the banking and financial sector in a meeting held on August 31, 1999. The representatives of the Ministry of Finance and Department of Electronics, Government of India were also present during the meeting.

There was also discussion of the criticality of clearing and settlement systems in the context of the policy issues that are relevant for the millenium change. There was a general appreciation of the fact that all commercial banks have reported to the Reserve Bank of their full Y2K compliance. The members of the Group were apprised of the fact that barring two banks all the scheduled commercial banks have already prepared contingency plans. A study of the contingency plan has revealed that each bank should observe a critical minimum of actions in the event of Y2K disruption.

The Group agreed that banks should test the contingency plans frequently and put them into operation from the last week of December. The Group has also urged the banks to have a clear cut "leave policy" for the staff and officers of the banks working in the areas where operations are computerised.

The Group agreed that it is prudent to have a core Y2K Solution Group at the banks and core Y2K staff in all the offices where critical applications are in place. The Group also agreed that event management centres should be established in all RBI offices and in banks as expeditiously as possible for information sharing and communication link up with various sectors of the economy and the rest of the World.

The Group has been informed of the installation of the state of the art of the Y2K compliant IBM S/390 System at the National Clearing Centre Mumbai, Effective August 21, 1999. It was tested and found Y2K ready. As the file structure continues to be the same as in the past, the interface of the clearing system with the commercial banks which is presently off line is also rendered Y2K compliant. The Group has also been informed that the same IBM System would be replicated in the other 3 metropolitan centres and operationalised soon.

On the policy related issues the Group was of the view that it is necessary to build public confidence by having adequate inventory of cash at all Reserve Bank Offices and Currency Chests. The Reserve Bank of India has already issued instructions to its Offices on the matter.

The Group also desired that while the Y2K compliant clearing would reduce the need for liquidity to a considerable extent, the Reserve Bank may extend liquidity support to meet any unanticipated demand for funds during the period of change over to new Millenium. The Chairman of the Group announced that the RBI on its part is willing to provide such support on a collateralised basis in line with best international practices for a temporary period of 2 months from December 1, 1999 at a rate of 250 basis points over the Bank Rate. He also added that the banks which do not have enough government securities for purposes of collateralisation would be encouraged to enter into standby arrangements with other financial entities to meet any eventualities of unexpected demand for funds.

The Group is of the view that while the financial sector year 2000 readiness is widely recognised it is still necessary to have wide disclosures from individual banks. If required, these should be placed on the website and such other public domains. The Reserve Bank would come out with an update on Y2K readiness of the financial sector as of end August 1999 in early September 1999.

Alpana Killawala
General Manager

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