

# Union Calendar No. 238

105<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 3116

[Report No. 105-417]

To address the Year 2000 computer problems with regard to financial institutions, to extend examination parity to the Director of the Office of Thrift Supervision and the National Credit Union Administration, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 28, 1998

Mr. LEACH (for himself, Mr. CASTLE, Mr. BACHUS, Mr. BAKER, and Mrs. ROUKEMA) introduced the following bill; which was referred to the Committee on Banking and Financial Services

FEBRUARY 24, 1998

Additional sponsor: Mr. LAZIO of New York

FEBRUARY 24, 1998

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

[For text of introduced bill, see copy of bill as introduced on January 28, 1998]

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## A BILL

To address the Year 2000 computer problems with regard to financial institutions, to extend examination parity to the Director of the Office of Thrift Supervision and the National Credit Union Administration, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; DEFINITION.**

4 (a) *SHORT TITLE.*—*This Act may be cited as the “Ex-*  
5 *amination Parity and Year 2000 Readiness for Financial*  
6 *Institutions Act”.*

7 (b) *YEAR 2000 COMPUTER PROBLEM DEFINED.*—*For*  
8 *purposes of this Act, the term “Year 2000 computer prob-*  
9 *lem” means, with respect to information technology, any*  
10 *problem which prevents such technology from accurately*  
11 *processing, calculating, comparing, or sequencing date or*  
12 *time data—*

13 (1) *from, into, or between—*

14 (A) *the 20th and 21st centuries; or*

15 (B) *the years 1999 and 2000; or*

16 (2) *with regard to leap year calculations.*

17 **SEC. 2. FINDINGS.**

18 *The Congress finds as follows:*

19 (1) *The Year 2000 computer problem poses a se-*  
20 *rious challenge to the American economy, including*  
21 *the Nation’s banking and financial services indus-*  
22 *tries.*

23 (2) *Thousands of banks, savings associations,*  
24 *and credit unions rely heavily on internal informa-*  
25 *tion technology and computer systems, as well as out-*

1     *side service providers, for mission-critical functions,*  
2     *such as check clearing, direct deposit, accounting,*  
3     *automated teller machine networks, credit card proc-*  
4     *essing, and data exchanges with domestic and inter-*  
5     *national borrowers, customers, and other financial in-*  
6     *stitutions.*

7             (3) *Federal financial regulatory agencies must*  
8     *have sufficient examination authority to ensure that*  
9     *the safety and soundness of the Nation's financial in-*  
10    *stitutions will not be at risk.*

11 **SEC. 3. SEMINARS AND MODEL APPROACHES TO YEAR 2000**

12                     **COMPUTER PROBLEM.**

13     (a) *SEMINARS.*—

14             (1) *IN GENERAL.*—*Each Federal banking agency*  
15     *and the National Credit Union Administration Board*  
16     *shall offer seminars to all depository institutions and*  
17     *credit unions under the jurisdiction of such agency on*  
18     *the implication of the Year 2000 computer problem*  
19     *for—*

20                     (A) *the safe and sound operations of such*  
21     *depository institutions and credit unions; and*

22                     (B) *transactions with other financial insti-*  
23     *tutions, including Federal reserve banks and*  
24     *Federal home loan banks.*

1           (2) *CONTENT AND SCHEDULE.*—*The content and*  
2 *schedule of seminars offered pursuant to paragraph*  
3 *(1) shall be determined by each Federal banking agen-*  
4 *cy and the National Credit Union Administration*  
5 *Board taking into account the resources and exam-*  
6 *ination priorities of such agency.*

7           (b) *MODEL APPROACHES.*—

8           (1) *IN GENERAL.*—*Each Federal banking agency*  
9 *and the National Credit Union Administration Board*  
10 *shall make available to all depository institutions and*  
11 *credit unions under the jurisdiction of such agency*  
12 *model approaches to common Year 2000 computer*  
13 *problems, such as model approaches with regard to*  
14 *project management, vendor contracts, testing re-*  
15 *gimes, and business continuity planning.*

16           (2) *VARIETY OF APPROACHES.*—*In developing*  
17 *model approaches to the Year 2000 computer problem*  
18 *pursuant to paragraph (1), each Federal banking*  
19 *agency and the National Credit Union Administra-*  
20 *tion Board shall take into account the need to develop*  
21 *a variety of approaches to correspond to the variety*  
22 *of depository institutions or credit unions within the*  
23 *jurisdiction of the agency.*

24           (c) *COOPERATION.*—*In carrying out this section, the*  
25 *Federal banking agencies and the National Credit Union*

1 *Administration Board may cooperate and coordinate ac-*  
 2 *tivities with each other, the Financial Institutions Exam-*  
 3 *ination Council, and appropriate organizations represent-*  
 4 *ing depository institutions or credit unions.*

5       *(d) FEDERAL BANKING AGENCY DEFINED.—For pur-*  
 6 *poses of this section, the term “Federal banking agency”*  
 7 *has the meaning given to such term in section 3(z) of the*  
 8 *Federal Deposit Insurance Act.*

9 **SEC. 4. REGULATION AND EXAMINATION OF SERVICE COR-**  
 10 **PORATIONS CONTROLLED BY SAVINGS ASSO-**  
 11 **CIATIONS AND SERVICE PROVIDERS.**

12       *Section 5(d) of the Home Owners’ Loan Act (12 U.S.C.*  
 13 *1464(d)) is amended by adding at the end the following*  
 14 *new paragraph:*

15               *“(7) REGULATION AND EXAMINATION OF SERVICE*  
 16 *CORPORATIONS, SUBSIDIARIES, AND SERVICE PROVID-*  
 17 *ERS.—*

18                       *“(A) GENERAL EXAMINATION AND REGU-*  
 19 *LATORY AUTHORITY.—*

20                               *“(i) IN GENERAL.—A service corpora-*  
 21 *tion or subsidiary that is owned in whole or*  
 22 *in part by a savings association shall be*  
 23 *subject to examination and regulation by*  
 24 *the Director to the same extent as such sav-*  
 25 *ings association.*

1           “(i) *EXAMINATION BY OTHER BANKING*  
2           *AGENCIES.—The Director may authorize*  
3           *any other Federal banking agency that su-*  
4           *pervises any other person who maintains an*  
5           *ownership interest in the service corpora-*  
6           *tion or subsidiary to make an examination*  
7           *of the corporation or subsidiary for pur-*  
8           *poses of clause (i).*

9           “(B) *APPLICABILITY OF SECTION 8 OF THE*  
10          *FEDERAL DEPOSIT INSURANCE ACT.—*

11           “(i) *IN GENERAL.—A service corpora-*  
12           *tion or subsidiary that is owned in whole or*  
13           *in part by a savings association shall be*  
14           *subject to the provisions of section 8 of the*  
15           *Federal Deposit Insurance Act as if the*  
16           *service corporation or subsidiary were an*  
17           *insured depository institution.*

18           “(ii) *APPROPRIATE FEDERAL BANKING*  
19           *AGENCY.—For purposes of clause (i), the*  
20           *Director shall be the appropriate Federal*  
21           *banking agency with regard to a service*  
22           *corporation or subsidiary described in such*  
23           *clause.*

24           “(C) *SERVICE PERFORMED BY CONTRACT*  
25          *OR OTHERWISE.—Notwithstanding subparagraph*

1           (A), if a savings association or subsidiary, or  
2           any savings and loan holding company, affiliate,  
3           or entity referred to in section 8(b)(9) of the Fed-  
4           eral Deposit Insurance Act, that is regularly ex-  
5           amined or subject to examination by the Direc-  
6           tor, causes to be performed for itself, by contract  
7           or otherwise, any services authorized under this  
8           Act or any applicable State law, whether on or  
9           off its premises—

10                   “(i) such performance shall be subject  
11                   to regulation and examination by the Direc-  
12                   tor to the same extent as if such services  
13                   were being performed by the savings asso-  
14                   ciation itself on its own premises; and

15                   “(ii) the savings association, service  
16                   corporation, subsidiary, holding company,  
17                   affiliate, or entity shall notify the Director  
18                   of the existence of the service relationship  
19                   before the end of the 30-day period begin-  
20                   ning on the earlier of—

21                           “(I) the date on which the con-  
22                           tract is entered into; or

23                           “(II) the date on which the per-  
24                           formance of the service is initiated.

1           “(D) *ADMINISTRATION BY THE DIREC-*  
2           *TOR.—The Director may prescribe such regula-*  
3           *tions and issue such orders, including regula-*  
4           *tions prescribed or orders issued pursuant to sec-*  
5           *tion 8 of the Federal Deposit Insurance Act, as*  
6           *may be necessary to enable the Director to ad-*  
7           *minister and carry out the purposes of this*  
8           *paragraph and prevent evasions of this para-*  
9           *graph.*”.

10 **SEC. 5. REGULATION AND EXAMINATION OF CREDIT UNION**  
11                                   **ORGANIZATIONS AND SERVICE PROVIDERS.**

12           *Title II of the Federal Credit Union Act (12 U.S.C.*  
13           *1781 et seq.) is amended by inserting after section 206 the*  
14           *following new section:*

15 **“SEC. 206A. REGULATION AND EXAMINATION OF CREDIT**  
16                                   **UNION ORGANIZATIONS AND SERVICE PRO-**  
17                                   **VIDERS.**

18           “(a) *GENERAL EXAMINATION AND REGULATORY AU-*  
19           *THORITY.—*

20                   “(1) *IN GENERAL.—A credit union organization*  
21           *shall be subject to examination and regulation by the*  
22           *Board to the same extent as an insured credit union.*

23                   “(2) *EXAMINATION BY OTHER FEDERAL AGEN-*  
24           *CIES.—The Board may authorize—*

1           “(A) any Federal regulatory agency that su-  
2           pervises any activity of a credit union organiza-  
3           tion; or

4           “(B) any Federal banking agency (as de-  
5           fined in section 3(z) of the Federal Deposit In-  
6           surance Act) that supervises any other person  
7           who maintains an ownership interest in a credit  
8           union organization,  
9           to make an examination of the credit union organiza-  
10          tion for purposes of paragraph (1).

11          “(3) CREDIT UNION ORGANIZATION DEFINED.—  
12          For purposes of this section, the term ‘credit union  
13          organization’ means any entity that—

14                 “(A) is not a credit union;

15                 “(B) is an entity in which an insured cred-  
16                 it union may lawfully hold an ownership inter-  
17                 est or investment; and

18                 “(C) is owned in whole or in part by an in-  
19                 sured credit union.

20          “(b) APPLICABILITY OF SECTION 206.—A credit union  
21          organization shall be subject to the provisions of section 206  
22          as if the credit union organization were an insured credit  
23          union.

24          “(c) SERVICE PERFORMED BY CONTRACT OR OTHER-  
25          WISE.—Notwithstanding subsection (a), if an insured credit

1 *union or a credit union organization that is regularly ex-*  
2 *amined or subject to examination by the Board, causes to*  
3 *be performed for itself, by contract or otherwise, any services*  
4 *authorized under this Act or any applicable State law,*  
5 *whether on or off its premises—*

6           “(1) *the performance of such services shall be*  
7 *subject to regulation and examination by the Board*  
8 *to the same extent as if such services were being per-*  
9 *formed by the insured credit union itself on its own*  
10 *premises; and*

11           “(2) *the insured credit union or credit union or-*  
12 *ganization shall notify the Board of the existence of*  
13 *the service relationship before the end of the 30-day*  
14 *period beginning on the earlier of—*

15                   “(A) *the date on which the contract is en-*  
16 *tered into; or*

17                   “(B) *the date on which the performance of*  
18 *the service is initiated.*

19           “(d) *ADMINISTRATION BY THE BOARD.—The Board*  
20 *may prescribe such regulations and issue such orders as*  
21 *may be necessary to enable the Board to administer and*  
22 *carry out the purposes of this section and prevent evasions*  
23 *of this section.*

1       “(e) *EXPIRATION OF AUTHORITY.—This section, and*  
2 *all power and authority of the Board under this section,*  
3 *shall cease to be effective as of December 31, 2001.*”.



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