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Y2K: A Pothole on the Information Super Highway to Electronic Banking

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Abstract by Michael J. Belgrade

As both banks and non-banks introduce new electronic banking products, the Federal Deposit Insurance Corporation (FDIC) has begun responding to the negative results of this new computer technology. Specifically, the FDIC is concerned with issues such as consumer affairs, deposit insurance inquiries, and questions of safety and soundness vis-à-vis new ways to perform electronic banking. It began by dealing with the Internet and smart cards as sources of new financial services.

The Article then explores the impact of the Y2K computer problem from a regulatory perspective. Unlike other problems involving electronic banking, the Y2K glitch can have devastating effects on the infrastructure of financial services, if not treated. Consequently, the FDIC has instituted a number of measures, including issuing guidance, performing assessments and outreach, creating special examination procedures, and if necessary, taking enforcement actions against banks who consistently did not attempt to fix Y2K glitches.