

Press Releases

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OTS 99-20 - Federal Agencies, First Data Agree on Y2K Readiness Deadlines

Office of Thrift Supervision

News Release

For Immediate Release

For further information

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Federal Agencies, First Data Agree on Y2K Readiness Deadlines

Board of Governors of the Federal Reserve System

Federal Deposit Insurance Corporation

Joint Press Release

National Credit Union Administration

Office of the Comptroller of the Currency

Office of Thrift Supervision

WASHINGTON, D.C., March 30, 1999 - The federal financial institution regulators and First Data Corporation reached agreement today that the provider of data processing services to banks, thrift institutions and credit unions will complete Year 2000 testing of the last of six merchant processing systems that serve banking and credit union clients by June 30, 1999, and fully implement the system in a Y2K production mode by July 11, 1999.

The Agreement covers a single credit card processing platform at the Nashville (Tennessee) Data Center of First Data Merchant Services, a subsidiary of the corporation. Within 15 days, First Data will submit to the agencies and its financial institution clients a written report of how it will fulfill the agreement and then update progress regularly. On this system, which is known as the Envoy processing system, First Data services more than 200 banks, thrifts and credit unions.

First Data committed to the federal agencies that it will have ample time to make the necessary adjustments to the Envoy system and to carry out appropriate testing. The Agreement covers only the Envoy system, which, according to First Data, represents

approximately 2 percent of its entire Y2K remediation effort. An on-site examination by an interagency team of examiners found that the Envoy system was lagging in meeting testing and implementation milestones, which are part of the interagency guidance.

This is the second time regulators have taken action against a service provider. The agencies will continue to monitor financial institutions and service providers for compliance with Year 2000 guidelines. A copy of the Agreement between the agencies and First Data is attached.

**AGREEMENT BETWEEN FIRST DATA CORPORATION
AND THE FEDERAL BANKING AGENCIES**

WHEREAS, First Data Corporation, Paramus, New Jersey ("First Data"), is a multiregional data processing servicer providing services, including mission-critical credit card processing services, to banks, bank holding companies, savings associations, credit unions, and other customers, through the Nashville Data Center ("NDC") of its subsidiary, First Data Merchant Services (all First Data subsidiaries are collectively denoted "FDMS" herein);

WHEREAS, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision (the "federal banking agencies") jointly examine the data processing services provided to financial institutions by First Data under the provisions of the Bank Service Company Act ("BSCA"), 12 U.S.C. § 1867(c) and (d), and the Examination Parity and Year 2000 Readiness for Financial Institutions Act ("Examination Parity Act"), 12 U.S.C. § 1464(d)(7) and § 1786a. The federal banking agencies are authorized to enter into this Agreement with First Data pursuant to the BSCA, the Examination Parity Act, and section 8 of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818;

WHEREAS, based on the results of the most recent examination and reviews of the NDC, the federal banking agencies are of the opinion that this Agreement is necessary to protect the interests of the financial institution customers currently utilizing the front-end merchant processing services provided at the NDC on the Envoy System/Stratus computers, and all related systems, including associated legacy software and hardware (collectively the "Envoy System"), and that the NDC should meet the milestone dates and other provisions set forth in the Year 2000 readiness guidelines issued by the Federal Financial Institutions Examination Council ("FFIEC") for the review, renovation, testing, remediation, management, and contingency planning of mission-critical systems;

WHEREAS, the federal banking agencies are taking this action in order to address First Data's Envoy System Year 2000 readiness, and to ensure that First Data's financial institution customers that are supervised and/or insured by the federal banking agencies, and are serviced by the Envoy System, are promptly notified in the event First Data's mission-critical data processing systems at the NDC are not Year 2000 ready; and

WHEREAS, on March 26, 1999, the board of directors of First Data, at a duly constituted meeting, without admitting or denying the findings or opinions of the federal banking agencies set forth above, adopted a resolution authorizing and directing Chief Operating Officer Charles T. Fote to execute this Agreement on behalf of First Data and to consent to each and every provision of this Agreement.

NOW, THEREFORE, First Data and the federal banking agencies agree as follows:

1. First Data shall take such actions as are necessary to ensure that testing of the Year 2000 readiness, including representative client or proxy testing, is successfully completed, and implementation is substantially completed, for the Envoy System used to service financial institution customers, by June 30, 1999.
2. First Data shall fully implement a Year 2000 ready Envoy System in the production environment by July 11, 1999. In the event that the Envoy System used to service financial institution customers is not Year 2000 ready by July 11, 1999, First Data must, by that date:
 - (a) notify the federal banking agencies and each financial institution customer serviced by the Envoy System, in writing, that the Envoy System is not Year 2000 ready; and
 - (b) therefore provide, at the written request of any financial institution customer serviced by the Envoy System, a release of the customer's contractual obligations to and with First Data, or with FDMS, for Envoy System data processing services, and the waiver of any termination fees, damages, attorneys' fees, indemnity, or any other penalty or legal impediment (but not of any other contractual rights of First Data or FDMS, such as fees for services rendered under such contracts prior to termination); and, to the extent that any financial institution customer serviced by the Envoy System makes the above request, First Data shall fully cooperate with and provide transition assistance to that customer, including transferring customer data records to another data service provider on a prompt and timely basis.
3. Nothing in this Agreement is intended to, nor shall have the effect of, preventing, precluding, or in any way inhibiting any financial institution customer from at any time exercising any rights it may have under the terms of its contract(s) with First Data or FDMS, including, but not limited to, the exercise of any termination or cancellation provisions of such contract(s).
4. Within fifteen (15) calendar days of the effective date of this Agreement, First Data shall prepare and submit to the federal banking agencies, for their review and comment, a Project Plan addressing First Data's proposed actions to make the Envoy System Year 2000 ready. With respect to this Agreement, "Year 2000 ready" means that the Envoy System accurately processes, calculates, compares, sequences date and time data from, into, or between the 20th and 21st centuries and the years 1999 and 2000 and with regard to leap year calculations, and is fully implemented in the production environment. At a minimum, the Project Plan must address renovation, testing, contingency planning, customer awareness, management oversight, and implementation of the remediated Envoy System. The Project Plan must provide for the retention or continued employment of a qualified Year 2000 Project Manager and for the continued commitment of sufficient human and financial resources to implement the plan. The Project Plan must set forth the key dates for commencement and completion of each phase of the plan, and follow and incorporate the criteria contained in the Interagency Guidelines Establishing Year 2000 Standards for Safety and Soundness, published at 63 Federal Register 55480-55489 (October 15, 1998). First Data must promptly implement and adhere to the Project Plan, including key dates.
5. Within fifteen (15) calendar days of the effective date of this Agreement, First Data shall provide to the federal banking agencies and to each Envoy System financial institution customer a written report fully describing its efforts to make the Envoy System Year 2000 ready, along with a copy of this Agreement. Thereafter, on a monthly basis, First Data shall provide a written update to each Envoy System financial institution customer of its efforts to make the Envoy System Year 2000 ready.
6. First Data shall continue to provide biweekly written reports to the federal banking agencies of its efforts to make the Envoy System Year 2000 ready.

7. First Data, directly or indirectly, shall not contract with any new financial institution customer to provide Envoy System data processing services until that system is Year 2000 ready.
8. Communications regarding this Agreement shall be sent to (a) Michael T. Whealy, General Counsel, First Data Corporation, 5660 New Northside Drive, Ste. 1400, Atlanta, GA 30328, on behalf of First Data, and (b) Jennifer Dickerson, Director, Technology Risk Management, Office of Thrift Supervision, 1700 G Street, N.W., Washington, D.C. 20552, on behalf of the federal banking agencies.
9. For the purposes of paragraph 2(b) of this Agreement, the term financial institution customer means any client of First Data or of FDMS that is an entity supervised or insured by the federal banking agencies. For the purposes of all other provisions of this Agreement, the term financial institution customer means any client of First Data, or of FDMS, or of their group service providers that is an entity supervised or insured by the federal banking agencies.
10. Each provision of this Agreement shall continue in full force and effect unless or until amended by mutual consent of the parties to the Agreement, or stayed, modified, terminated, or suspended in writing by joint agreement of the federal banking agencies.
11. This Agreement shall become effective as of the date it is executed by all of the federal banking agencies.
12. This Agreement is a "written agreement" for the purposes of section 8 of the FDIA, 12 U.S.C. § 1818 and § 1786(s)(1)(A), and First Data waives the right to challenge the validity of the Agreement under these statutes or any other provision of law.

[View an executed copy of the signature page.](#)

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS' mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents call PubliFax at 202/906-5660, or visit the OTS web page at www.ots.treas.gov.