Appendix C

Millennium Risk Evaluation

I. Awareness

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A. Is the customer realistically aware of and does the customer understand the Year 2000 or Millennium problem and the potential business and financial risks to which he or she is exposed?

A. Does the customer fully understand how their industry, business, customers and key partners can be affected? Different industries are impacted in very different ways. A casual explanation is probably a warning that the issue has not been explored in depth. A quick glance at the millennium matrix can guide you to complexity levels.

B. Has the customer identified an individual and/or a working group responsible for all functions impacted by Year 2000?

Name: _____

B. If an individual has not been selected to lead the program, then a program does not exist. Identify the person. Is this a full time job? Are their skill sets consistent with the task?

C. Is the customer relying on:

☐ internal ☐ external resources?

☐ ☐

C. Reliance on third parties is not uncommon, but heavy use of external resources can increase the risk by not having full control at all times.

II. Vulnerability and Dependency

☐ ☐

A. Are mainframe or minicomputer applications critical to core business operation, whether in-house or outsourced?

A.B.C. It is hard to imagine industries where computers are not critical, functions/operation are not automated, or where critical dependencies do not exist; we are seeking high levels of criticality where alternatives are few and the business functionality is at risk. These questions could be answered through a relationship manager's own knowledge of the business/industry.

☐ ☐

B Does the core business operation depend on automated processes, whether delivered on desktop computers or mainframes, whether in-house or outsourced?

C. Do critical dependencies exist (suppliers, customers) that are vulnerable to Year 2000 disruptions?

☐ ☐

III. Assessment

☐ ☐

A. Has the customer performed an assessment of the Year 2000 impact on its system and business operations?

A. An assessment is the foundation of serious planning and budgeting. The discussion should cover major business segments; for example, inquiring how major balance sheet categories could be negatively impacted by incorrect date calculations could form the basis of determining how deeply the customer has analyzed its condition. Lack of an assessment is a red flag.

B. Has the customer developed a complete inventory of all hardware (including mainframes, minicomputers, local and wide area networks and personal computers), firmware, and software (including systems and applications) components for all EDP systems?

☐ ☐

C. Has the customer had to provide certifications or disclose millennium status to third parties?

B. The inventory of hardware, firmware, and software falls out of the assessment and vice versa. If the inventory has not been taken, than a plan and budget cannot be completed. The entire program is suspect.

C. Ask about the nature and frequency of inquiries being directed at the borrower, which will mirror the nature of their issues and industry challenges. Can you see a few? Do they keep a log?

Yes No

Millennium Risk Evaluation

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IV. Current Status

A. At what stage is the customer in his or her Year 2000 project:

☐ Has not started

☐ Up to 1/4 complete

☐ Up to ½ complete

☐ Up to 3/4 complete

☐ More than 3/4 complete

B. Does the customer report that he or she is on schedule?　　　☐　☐

C. Does the customer report that the project will be completed
before Year 2000?　　　☐　☐

D. Will there be time for testing?　　　☐　☐

Keep in mind that there is a date certain by which this work must be done; it cannot be moved. In discussing the date of completion and the status thereof, determine how much reliance has been placed on third party delivery dates, which are outside of company control.

D. Testing is critical to ensure trouble-free operations.

V. Budget, Planning and Impact

A. Has the customer developed a credible plan and budget
for the Year 2000 project that is properly funded?

1. What is the estimated cost?　　$ _____

2. Millennium cost as a % of　　　$ _____
Technology budget?

3. Expended to date?　　　$ _____

4. Over how many years spent?　$ _____

B. What is the impact to the customer if Year 2000 issues and
programs are not successfully completed?

No downgrade, or downgrade within pass　　Green　☐
categories

Downgrade to problem loan status　Yellow ☐

Risk of loss　　　　　Red　☐

C. In your opinion, will this customer meet significant Year　2000
timetables?

Highly likely　　　　　Green　☐

Tight schedule - not sure　　Yellow ☐

Unlikely　　　　　Red　☐

A. After some discussion on resources, inventory, pervasiveness of technology; etc., you should be developing an opinion on whether the plan and budget, if they exist, are indeed appropriate and credible. We do not expect you to be technology experts, but reasonably informed on your customers' efforts to remediate their systems.

B. We are asking you to consider the impact of failure to remediate systems. Is capacity to pay impacted in a way that will affect a risk rating?

C. Consider this question in the light of the specificity of the plan, the complexity of the operations, the resources and funds dedicated to the project, and the track record of management in overcoming similar challenges. In situations where risk of loss or downgrade to problem loan status is the outcome of failure, we need to be very certain of the answer.

Yes   No

A. B. C.