

Bank Service Company Act

FIL-49-99
June 3, 1999

TO:
CHIEF EXECUTIVE OFFICER AND COMPLIANCE OFFICER
SUBJECT:
*Required Notification for Compliance with the
Bank Service Company Act*

The Federal Deposit Insurance Corporation (FDIC) would like to remind FDIC-supervised institutions of the reporting requirements contained in Section 7 of the Bank Service Company Act (12 U.S.C. 1867). The Act requires insured financial institutions to notify their appropriate federal banking agency in writing of contracts or relationships with third parties that provide certain services to the institution.

An FDIC review of the notifications currently being FILEd indicates that some institutions are neglecting to FILE the required notifications. An ever-increasing number of institutions are contracting with third parties to offer technology-related services, including electronic banking systems such as Internet banking. Some institutions are also entering into covered service relationships with new entities to provide data-processing services. Depending on the services provided by the third parties, entering into contracts or having the service provided may trigger the notification requirements of the Act.

Section 7(c)(2) of the Bank Service Company Act states that any FDIC-supervised institution that has services performed by a third party "shall notify such agency of the existence of the service relationship within 30 days after the making of such service contract or the performance of the service, whichever occurs first." As defined in Section 3 of the Act, these services include "check and deposit sorting and posting, computation and posting of interest and other credits and charges, preparation and mailing of checks, statements, notices, and similar items, or any other clerical, bookkeeping, accounting, statistical, or similar functions performed for a depository institution."

To help institutions comply with the Act, the FDIC has developed the attached form FDIC 6120/06 (3-97). Use of the form is optional in meeting the Act's notification requirements. The information requested on this form may be submitted to the FDIC in any format that contains the required information. If an institution enters into a covered service relationship with multiple third-party vendors, the notice should include the appropriate information for all parties providing the respective services to the institution. The notification should be sent to your FDIC Division of Supervision (DOS) Regional Office.

For further information, please contact your DOS Regional Office.

James L. Sexton

Director

Attachments: Notification of Performance of Bank Services

NOTE: The expiration date of 7/31/99 on the attached form, OMB 3064-0029, may be disregarded; acceptance of the form has been extended and OMB does not require the expiration date to be on the form anymore.

Distribution: FDIC-Supervised Banks (Commercial and Savings)

NOTE: Paper copies of FDIC financial institutions letters may be obtained through the FDIC's Public Information Center, 801 17th Street, NW, Room100, Washington, DC 20434 (800-276-6003 or 202-416-6940).

