FDIC FEDERAL DEPOSIT
INSURANCE CORPORATION
INSURING AMERICA'S FUTURE

PRIVACY IMPACT ASSESSMENT

Dividend Processing System
(DPS)

November 2011

FDIC Internal System

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System Overview

The Federal Deposit Insurance Corporation (FDIC) is an independent agency of the U.S. government that protects the funds depositors place in banks and saving associations.

During the bank closing process, the FDIC's Division of Resolutions and Receiverships (DRR) is responsible for processing insured and uninsured bank depositor claims, as well as other "non-deposit" claims. Non-deposit claims may come from a range of businesses, government agencies, or other entities, and in some cases, individuals such as former bank officers and bank employees, that potentially are entitled to payment from the FDIC Receivership for a service or other obligation incurred by the bank prior to its failure. Non-deposit claims fall into three claim categories: creditor, stockholder, and subordinated debt.[1] Claims may be filed by the individual or entity or by someone on behalf of the claimant.

Once a claim has been processed and approved by DRR-Claims staff, DRR-Accounting is responsible for issuing payments to proven claimants. In accordance with federal law, DRR pays claims in the following order of priority (after the administrative expenses of the receiver are taken care of): depositors, general unsecured creditors, subordinated debt, and stockholders. The purpose of the Dividend Processing System (DPS) is to assist DRR Accounting with calculating and issuing the appropriate payments to proven claimants, as well as reconciling those payments with the FDIC's General Ledger. DPS processes the following types of payments:

- **Payout Checks**: DPS is used to print "**payout checks**" for distribution to insured depositors either onsite during bank closings or by mail, utilizing the DPS-Payout system. "Payout checks" are distributed to **insured depositors** in instances when no acquiring institution is found.
- **Receivership Certificate & Dividend Payments**: DPS generates "Receivership Certificates" (RCs) and distributes several types of "dividend payments" for these RCs to uninsured depositors and non-deposit claimants whose claims have been approved by DRR-Claims. RCs are issued when funds are not immediately available to pay claimants; RCs show that claimants are entitled to receive money from the receiver once cash becomes available. As assets of the failed bank are sold and cash is accumulated, a portion of the cash is used to pay claimants who hold RCs. This distribution of cash to qualified claimants who hold RCs is known as "dividend payments".
- **Unratified Deposits**: DPS is used to log and process "unratified (or unclaimed) deposit payments", which are insured deposit accounts that remain unclaimed eighteen months after a bank closing and are returned to the FDIC by the acquiring institution. DRR-Claims receives a check for the deposits from the acquiring institution and verifies that the check amount matches the unratified total. DPS imports the claimant and claim data from the acquiring institution so that the funds can be sent to the appropriate state treasuries, as required by law and described under Escheated Funds below.

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[1] Within each category, there are several types of creditor claims that determines the payment priority by the FDIC Receivership: **Creditor** types include Vendor (i.e., service, maintenance; data processing, insurance, membership/dues, supplies, utilities, software, real property appraisals); Other Contracts (i.e., letters of credit, lines of credit, dealer reserves, securitizations, unfunded commitments, other real estate); Leases (i.e., bank premises, equipment, warehouses, apartment/home, storage units); Director/Officers/Employees (i.e., employment contracts, vacation, sick, unpaid wages, retirement, healthcare, deferred compensation); Legal (i.e., outside counsel fee bills, litigation); and Government (i.e., the Internal Revenue Service, State unpaid taxes; local unpaid taxes; personal property taxes). **Subordinated Debt** types include subordinated debt and shareholder debt. **Stockholder** types include preferred stock, common stock, and Troubled Asset Relief Program (TARP) funds.

- **Escheated Funds**: DRR uses DPS to escheat (i.e. send) unclaimed deposits, both insured and uninsured, to the appropriate state treasure offices, and track the timing of these funds and when they should be returned to the FDIC; In some instances, deposit funds remain unclaimed by the owners. Following a bank closing, the FDIC or the acquiring institution attempt to locate the owners of insured deposit accounts for 18 months[2], after which any remaining funds are escheated by FDIC to the state treasury offices as required by law. These "escheated" funds are held by the states as a custodian for the depositor for up to ten years. Funds unclaimed after ten years are returned to the FDIC.
- **Federal & State Tax Payments**: DPS is used to send tax payments to the appropriate federal and state tax offices when funds are withheld from wage dividends; and
- **Billings & Borrowings**: DPS helps generate billings and borrowings payments to transfer funds owed to the FDIC from the receivership accounts.

Additionally, DPS performs a number of other functions including creating over 50 journal entries; reconciling receivership accounts between DPS, the Claims Administration System (CAS), and the New Financial Environment (NFE) General Ledger; and maintaining records for a number of receivership-related transactions.

DPS also has added investment and distribution processing capabilities that allow the system to: (a) allocate excess funds from receiverships for investment purposes; (b) maintain investment records as a separate receivership function; (c) print investment reports; and (d) distribute the principal and interest at investment maturity.

Personally Identifiable Information (PII) in DPS

DPS contains PII and non-PII about depositors of failed financial institutions, as well as other non-deposit claimants who are potentially entitled to payment from the FDIC Receivership for a service or other obligation incurred by the bank prior to its failure, such as: Full name, address, Social Security Number (SSN) or Taxpayer Identification Number (TIN), Vendor Identification Number (if applicable), claim details, and claimant financial information.

This information is necessary to calculate and issue accurate payments to proven claimants.

Purpose & Use of Information in DPS

The data maintained in DPS is both relevant and necessary for the purpose for which the system was designed, namely to assist FDIC's DRR with processing and issuing payments for deposit and non-deposit claims of failed institutions as well as reconciling those payments with the FDIC's General Ledger.

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[2] To assist in locating owners of the funds, FDIC maintains an online database called "FUNDS" (http://www2.fdic.gov/funds/index.asp) where individuals can search for unclaimed funds.

Sources of Information in DPS

Personal and non-personal information in DPS comes from other internal FDIC systems (i.e., CAS, NDC, NFE GL AP, and FUNDS), external systems (eComply, DINB), DRR Accounting employees, Acquiring Institutions, and Federal & State Agencies.

- **Claims Administration System (CAS):** DPS automatically and securely imports claimant data for insured and uninsured depositors from Claims Administration System (CAS) used to determine insured and uninsured deposits during a bank closing. This information includes insurance payments; voided Receivership Certificates (RC); pending claims summary; transaction summary; RC claim totals; and RC claim details-information needed to process payments for claimants.

- **Non Deposit Claims (NDC):** DPS receives payout information containing sensitive PII related to bank creditors or non-deposit claimants via secure transfer from Non Deposit Claims (NDC). This information includes pending claims summary; transaction summary; RC claim totals; and RC claim details in order to process payments for claimants.

- **Manual Input by DRR-Accounting Unit:** After the approval RC/dividend cases are passed from CAS and NDC to DPS, authorized DRR-Accounting employees manually input dividend payment instructions for uninsured deposit and non-deposit claims into DPS. Additionally, State treasury offices supply payment information of previously unclaimed funds in which DRR Accounting employees manually input into DPS.

- **New Financial Environment (NFE) General Ledger (GL) and Accounts Payable (AP):** DPS has an automatic reconciliation process with New Financial Environment (NFE). DPS imports non-PII and aggregate data (check number of paid/voided dividend checks) from NFE. Vendor Identification Numbers, Journal Entry error files and invoice error files for payment reconciliation purpose is extracted from NFE Accounts Payable (AP) to DPS. Additionally, DPS imports non-PII accounting data, daily and monthly account balances from NFE General Ledger (GL) for account/payment reconciliation process.

- Federal Home Loan Bank (FHLB) – There is an option to receive Presentment Data for check cashing from FHLB in Chicago. However, this option is current not utilized. Instead, DPS CheckSeal functionality is being used which replaces the need for a positive pay file.

- **Failed financial institutions/DINB:** In some instances when a financial institution fails, the FDIC charters a new national bank, referred to as a Deposit Insurance National Bank (DINB) to assume only the insured deposit liabilities of the failed bank, and no other assets. The DINB then proceeds to self-liquidate by paying off depositors. In a DINB scenario, payouts occur over a 30 to 60 day time period. DINB securely sends insured deposit data to DPS, which includes name, SSN, account number, and account balance.

- **Acquiring Institutions:** Updated data for insured depositors is imported into DPS from the acquiring institution in instances when insured depositors have not claimed their funds from the acquiring institution for 18 months following the bank closing. These unclaimed funds are referred to as unratified deposit payments. DRR-Claims receives the unratified deposit data, including the name and check information, from the acquiring institution and verifies the name and check information, from the acquiring institution and verifies that the check amount matches the unclaimed/unratified total. The unclaimed funds are then escheated to the appropriate state treasuries.

- **Federal & State Agencies:** Under federal law and in compliance with the U.S. Patriot Act, DPS exports claimant names, SSN/TIN, and addresses to the U.S. Treasury Department Office of Foreign Assets Control (OFAC) via an automated feed that screens the list against the OFAC list of terrorists, drug traffickers, and other "specially designated nationals". OFAC sends matched result files back to DPS for hold requirements.

  State treasury offices provide data about payments of previously unclaimed funds; the date and amount are entered into DPS by authorized DRR personnel.

Notice & Consent

Individuals do not have the opportunity to "opt out" of providing their information for inclusion in DPS. The information derived in DPS is obtained from bank records after the financial institution has closed. The information is necessary to ensure FDIC issues accurate payouts to customers and other claimants when a financial institution is closed.

Access to Data in DPS

Users of the DPS system include authorized FDIC Division of Resolution and Receivership (DRR) personnel, supervisory personnel, management officials, system administrators and other employees who have a need to know the information contained in the system in order to carry out their official duties.

In order to access DPS, users must complete an FDIC Access Authorization Security Application (AASA) request and receive approval from the DPS Program Manager. Authorized FDIC employee users and contractors employed by DRR Planning and Resource Management Section must complete the DRR Security and Privacy Awareness Course and the Corporation's mandatory Information Security and Privacy Awareness Training, annually, which includes the Corporate Rules of Behavior. Contractors must sign an annual Contractor Confidentiality Agreement to be granted access to this system for the purpose of design, enhancement and maintenance of the DPS system.

Data Sharing

Other Systems that Share or Have Access to Data in the System:

System Name	System Description	Type of Information Processed
Claims Administration System (CAS)	CAS maintains a dataset of depositor information from failed financial institutions. CAS sends and receives payout information to DPS related to bank account holders	Full name, SSN or TIN, home address, and Financial Information
Non Deposit Claims (NDC)	NDC is a system for processing non-deposit claims. NDC securely sends non-deposit claim information to DPS.	Full name, SSN or TIN, and address (work or non-work)
New Financial Environment (NFE) General Ledger (GL) and Accounts Payable (AP)	DPS has an automatic reconciliation with NFE for purpose of account balance/payment reconciliation. DPS provides dividend checks/wire orders and vendor transactions via secure transmission to NFE for reconciliation and recording in the GL. A list of claimant name and addresses is sent from DPS to NFE's Account Payable system.	Claimant's name, address and payment type
FDIC Unclaimed Funds (FUNDS)	FUNDS is an FDIC external web page made available to the public to search the website to determine whether FDIC is holding money that they should claim. DPS securely sends unclaimed deposit data to FUNDS.	Name and address.
Deposit Insurance National Bank (DINB)	National chartered bank to self-liquidate by paying off depositors.	Name, SSN, Account Number and Account Balance.
OneSource (eComply)	eComply is a financial database that is owned and operated by a third-party vendor that assists the FDIC with processing, mailing, and electronically filing tax reporting data.	Payment information, W-2 Self-Service information
U.S. Treasury Department Office of Foreign Assets Control (OFAC)	A U.S. Treasury database containing a list of suspected terrorists, drug traffickers, and other "specially designated nationals". Sharing of information is required by the U.S. Patriot Act. DPS securely transmits required data to OFAC. OFAC returns matched files to DPS.	Claimant and financial information.

Data Accuracy in DPS

Unclaimed deposit data returned from the acquiring institution is verified by comparing the record count and total claim amount to the values provided by the acquirer. The data is verified by a monthly reconciliation process that compares DPS balances to the Claims Administration System (CAS) and New Financial Environment (NFE) General Ledger (GL) systems.

Data Security for DPS

All authorized FDIC users and contractors must take the mandatory annual FDIC Information Security and Privacy Awareness Training, which includes specific policies and procedures for responsibility and accountability of information regarding compromise and the prevention of misuse of data. All users are responsible for

protecting personal information covered by the Privacy Act and must certify that they agree to abide by the system's Rules of Behavior to retain access to the system. FDIC has controls in place, such as virus scanning software, to ensure any non-FDIC data is free from viruses and malicious code that could introduce harm in the FDIC environment.

System of Records Notice (SORN)

The DPS system operates under the FDIC Privacy Act SORN 30-64-0013, *Insured Bank Liquidation Records.*

Contact Us

To learn more about the FDIC's Privacy Program, please visit: http://www.fdic.gov/about/privacy/.

If you have a privacy-related question or request, email Privacy@fdic.gov or one of the FDIC Privacy Program Contacts.   You may also mail your privacy question or request to the FDIC Privacy Program at the following address: 3501 Fairfax Drive, Arlington, VA 22226.