

# SENATE BILL REPORT

## SJM 8004

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As of February 11, 2021

**Brief Description:** Addressing "de-risking" by financial institutions.

**Sponsors:** Senators Hasegawa and Saldaña.

**Brief History:**

**Committee Activity:** Business, Financial Services & Trade: 2/11/21.

**Brief Summary of Joint Memorial**

- Directs Congress to enact legislation that will provide transparency to customers or former customers of financial institutions that need to send remittance to families in other countries through wire transfers.

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### SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

**Staff:** Clinton McCarthy (786-7319)

**Background:** The term "de-risking" refers to the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk. Remittance refers to an amount of money transferred or sent from one party to another, usually overseas. Bank Secrecy Act/Anti-Money Laundering (BSA/AML) regulations imposed through the Patriot Act and other federal legislation imposes strict standards on banks to understand exactly who their customers are and who their funds are coming from. These standards have made it difficult for individuals to send remittances from the United States to other countries. According to the World Bank, there were \$554 billion in remittance flows worldwide in 2019.

**Summary of Joint Memorial:** The Senate Joint Memorial requests that Congress implement strategies and recommendations put forward by the Government Accounting Office and the United States Treasury with legislation that includes:

- provisions that give regulators clarity on how to improve examiners ability to

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- evaluate banks' BSA/AML compliance as it is applied to money transmitter accounts;
- requirements that financial institutions disclose specific reasons for closing accounts; and
- assistance for financial institutions to mitigate the cost of due diligence required to comply with BSA/AML provisions impacting money transmitters.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: This is a formal request to the federal government to take action on this issue. Common practice among immigrants here in Washington State is for them to send money home. A lot of banks do not want to take the risk having customers send money to what are considered to be high risk countries. Immigrant grocery stores have had their banks closed. Community organizations and Mosques have had their accounts closed. You need a bank account just to function in our society. When bank accounts are closed, no explanation is necessary let alone given under current federal statute and rules. Remittance is a lifeline to the families of people back home. Cutting this source of income off is a terrible thing for people struggling in third world countries. There are many jurisdictional challenges. While the Department of Financial Institutions (DFI) has been helpful, most of the rule changes they are providing only apply to state chartered banks. Many of the regulations DFI provides requires voluntary action. Under the inconsistent or non-existent de-risking regulations, many people in the state are suffering as a result. Twenty-five percent of licensed money transmitters are unbanked in the state of Washington. This is causing a public safety crisis for many immigrants in western Washington. Many stakeholders in the state have been working on this issue at the state level for a long time. Remittances serve an important humanitarian purpose. Citizens of this state should be able to send funds to their families. The National Defense Authorization Act has directed stakeholders at the federal level to take a closer look at this program. Access to banking would improve public safety. Many of these money transmitters have not been able to apply for COVID-19 relief due to the lack of a banking account.

OTHER: The financial institutions are subject to many federal regulations, and have no flexibility in how they respond to the regulations. The banking industry acknowledges the concerns and think they are important, but their hands are tied.

**Persons Testifying:** PRO: Senator Bob Hasegawa, Prime Sponsor; Roble Musse, The Right To Be Banked Campaign; Brianna Auffray, CAIR Washington; Alizeh Bhojani, OneAmerica; Drew Bouton, Washington Department of Financial Institutions.

OTHER: Trent House, Washington Bankers Association.

**Persons Signed In To Testify But Not Testifying:** No one.