
**Consumer Protection & Business
Committee**

SJM 8004

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

Sponsors: Senators Hasegawa and Saldaña.

Brief Summary of Joint Memorial

- Requests federal legislation that reduces actions taken by financial institutions to terminate or restrict business relationships with certain customers.

Hearing Date: 3/15/21

Staff: Serena Dolly (786-7150).

Background:

The term "de-risking" refers to actions taken by a financial institution to terminate, fail to initiate, or restrict a business relationship with a customer or a category of customers rather than manage the risk associated with that relationship.

The federal Bank Secrecy Act and related anti-money laundering rules (BSA/AML) require financial institutions to collect and retain various records of customer transactions, verify customers' identities, maintain anti-money laundering programs, and report suspicious transactions.

The federal National Defense Authorization Act (NDAA) for fiscal year 2021 directs the United States Government Accountability Office (GAO) to analyze and report on de-risking, including drivers of de-risking efforts and alternative means for financial institutions to handle transactions

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or accounts for high-risk categories of clients.

The NDAA also directs the United States Department of Treasury (Treasury) to review the reporting requirements in effect for financial institutions, to propose changes to reduce unnecessarily burdensome regulation, and to develop a strategy to reduce de-risking and related adverse consequences.

Summary of Joint Memorial:

The Legislature asks Congress and the President to enact legislation that includes:

- the strategies and recommendations resulting from directives to the GAO and the Treasury under the NDAA;
- provisions that give regulators clarity on how to improve the ability of examiners to evaluate banks' BSA/AML compliance as it is applied to money transmitter accounts;
- a requirement that financial institutions disclose a specific reason when denying or closing an account; 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.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.