

# HOUSE BILL REPORT

## SJM 8004

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**As Reported by House Committee On:**  
Consumer Protection & Business

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

**Sponsors:** Senators Hasegawa and Saldaña.

**Brief History:**

**Committee Activity:**

Consumer Protection & Business: 3/15/21, 3/18/21 [DP], 2/16/22, 2/17/22 [DPA].

**Brief Summary of Joint Memorial  
(As Amended By Committee)**

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

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### HOUSE COMMITTEE ON CONSUMER PROTECTION & BUSINESS

**Majority Report:** Do pass as amended. Signed by 7 members: Representatives Kirby, Chair; Walen, Vice Chair; Vick, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Corry, Ryu and Santos.

**Staff:** Michelle Rusk (786-7153).

**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 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

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financial institutions to collect and retain various records of customer transactions, verify customers' identities, maintain anti-money laundering programs, and report suspicious transactions. Some nonprofit charitable organizations and nonbank financial institutions (sometimes referred to as "money transmitters") transfer funds to persons in need in foreign countries, including areas experiencing humanitarian crises, and need bank accounts and bank services to facilitate these transfers. However, when transfers occur to recipients in countries at high risk for money laundering or terrorist financing, some financial institutions may be reluctant to provide these services.

The federal National Defense Authorization Act (NDAA) 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 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.

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### **Summary of Amended Joint Memorial:**

The Legislature asks Congress and the President to enact legislation implementing the strategies and recommendations resulting from directives to the GAO and the Treasury under the NDAA, and including the following:

- provisions that give federal banking regulators clarity on how to improve the ability of examiners to evaluate banks' BSA/AML compliance as 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.

The Legislature also requests that the President direct federal regulators to work with the Washington Department of Financial Institutions and stakeholders to support efforts to develop new and creative solutions to improve banking access for local and community-based money transmitters.

### **Amended Bill Compared to Original Bill:**

Adds that the Washington Department of Financial Institutions (DFI) has worked with representatives of local and community-based transmitters, banks, and credit unions to develop enhanced regulatory guidance and a model account agreement and provided this guidance to federal regulators for review, which may lead to rolling back de-risking by

depository institutions.

Adds a request for direction from the President to federal regulators to work with the DFI and stakeholders to support efforts to develop new and creative solutions to improve banking access for local and community-based money transmitters.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Staff Summary of Public Testimony:**

(In support) This joint memorial concerns banks deciding not to deal with a relationship involving risk rather than run afoul of bank secrecy and anti-money laundering statutes. To protect themselves, banks are not doing business with entire classes of people. A lot of immigrants and refugees transmit money back to their families and homelands as a matter of survival. Community-based transmitters, including community grocery stores and community-based organizations, have had their bank accounts closed because the banks don't want to do anything that might jeopardize their standing with federal regulators. This joint memorial concerns a matter of fairness for immigrants and refugees, public safety, and it's a matter of racial justice.

(Opposed) None.

(Other) The Department of Financial Institutions (DFI) thinks this initiative is important and generally necessary to advancing the cause of money service businesses serving underserved communities in our state. The DFI has been working with stakeholders on issues regarding access to account services, and has been in discussions with federal regulatory agencies about de-risking issues and also regulatory guidance and clarity that the DFI has developed to promote appropriate and workable risk management for financial depository institutions. The DFI thinks that a solution to de-risking will require federal attention and that this joint memorial is a means of continuing to draw federal attention to this issue.

**Persons Testifying:** (In support) Senator Bob Hasegawa, prime sponsor.

(Other) Drew Bouton, Department of Financial Institutions.

**Persons Signed In To Testify But Not Testifying:** None.