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## Consumer Protection & Business Committee

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### SJM 8004

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

**Sponsors:** Senators Hasegawa and Saldaña.

#### Brief Summary of Joint Memorial

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

**Hearing Date:** 2/16/22

**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 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

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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.

**Summary of Bill:**

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

- implementing the strategies and recommendations resulting from directives to the GAO and the Treasury under the NDAA;
- 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.

**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.