

# 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].

**Brief Summary of Joint Memorial**

- Requests federal legislation that reduces 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. Signed by 5 members: Representatives Kirby, Chair; Walen, Vice Chair; Vick, Ranking Minority Member; Ryu and Santos.

**Minority Report:** Without recommendation. Signed by 2 members: Representatives Dufault, Assistant Ranking Minority Member; Corry.

**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.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

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 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 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.

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**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.

### **Staff Summary of Public Testimony:**

(In support) Financial infrastructure should be accessible to everyone. Banks are de-risking, or closing bank accounts, for individuals and community groups without explanation. Banks should have to tell customers why their accounts are being closed. The banking laws and rules are being applied in a discriminatory manner against people of certain nationalities, and de-risking is associated with Muslim communities, including mosques,

community groups, and small grocery stores. Many people who want or need to transmit money are unbanked, and their only option is the use of large money transfer companies.

(Opposed) None.

**Persons Testifying:** Senator Hasegawa, prime sponsor; and Roble Musse, The Right To Be Banked Campaign.

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