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**ENGROSSED SENATE JOINT MEMORIAL 8005**

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**State of Washington 68th Legislature 2023 Regular Session**

**By** Senators Hasegawa and C. Wilson

TO THE HONORABLE JOSEPH R. BIDEN, JR., PRESIDENT OF THE UNITED STATES, AND TO THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES, AND TO THE SENATE AND HOUSE OF REPRESENTATIVES OF THE UNITED STATES, IN CONGRESS ASSEMBLED:

We, your Memorialists, the Senate and House of Representatives of the State of Washington, in legislative session assembled, respectfully represent and petition as follows:

WHEREAS, The State of Washington welcomes refugees and immigrants who bravely leave behind everything familiar to seek safety, build a better life, and provide resources for loved ones in their country of origin; and

WHEREAS, Approximately one in every seven Washington residents is an immigrant and another one in every seven Washington residents is a native-born United States citizen with at least one immigrant parent; and

WHEREAS, Many immigrants to Washington transfer money to loved ones in their country of origin in the form of remittances, and money remitted by migrants competes with international aid as one of the largest financial inflows to developing countries; and

WHEREAS, Many immigrants have continued to try to send money to their families despite uncertain and changing employment circumstances following the COVID-19 pandemic and recovery; and

WHEREAS, The federal government has national security interests that have resulted in measures by federal agencies to block remittances that present significant security risks, and the federal Bank Secrecy Act and related Anti-Money Laundering rules (BSA/AML) impose due diligence, recordkeeping, reporting, and compliance program requirements on financial institutions with respect to remittances to foreign countries; and

WHEREAS, Some of the countries to which immigrants to Washington want to remit money have little or no central banking infrastructure, which makes compliance with BSA/AML rules difficult or impossible, and prevents immigrants from being able to remit money in a safe, reliable manner; and

WHEREAS, Financial institutions such as banks and credit unions play a pivotal role in facilitating commerce and enabling individuals to build financial prosperity; and

WHEREAS, Many of the local or community-based money transmitters that service underserved diverse communities in Washington have been excluded from obtaining or maintaining accounts from traditional financial institutions and have seen their accounts closed without explanation or justification, leaving underserved communities without banking options; and

WHEREAS, Many financial institutions appear to be engaging in de-risking, whereby they terminate or restrict business relationships with clients or categories of clients in order to avoid, rather than manage, risk; and

WHEREAS, De-risking has detrimentally impacted the ability of smaller, Washington-based money transmitters to serve underserved diverse communities, to the benefit of larger money transmitters that operate on a nationwide basis; and

WHEREAS, De-risking also presents a threat to public safety, as unbanked businesses often must store and transport large sums of cash at great risk to owners and their employees; and

WHEREAS, The state of Washington has an interest in promoting financial inclusion and in ensuring that every individual or business operating in compliance with the law can access regulated financial systems; and

WHEREAS, The federal National Defense Authorization Act (NDAA) for fiscal year 2021 expresses Congress's sense that "anti-money laundering, countering the financing of terrorism, and sanctions policies must ensure that the policies do not unduly hinder or delay legitimate access to the international financial systems for underserved individuals, entities, and geographic areas;" and

WHEREAS, The NDAA directed the United States Government Accountability Office (GAO) to analyze financial services de-risking and report to Congress, and directed the United States Department of Treasury and others to review reporting requirements now in effect and propose changes to reduce unnecessarily burdensome regulation and to develop a strategy to reduce de-risking and related adverse consequences; and

WHEREAS, The United States Department of Treasury issued their report on April 25, 2023, "The Department of the Treasury's De-Risking Strategy" with key findings and recommendations that include promoting consistent supervisory expectations that consider the impacts of de-risking; proposing regulations that require financial institutions to have reasonably designed and risk-based AML/CFT programs supervised on a risk basis, taking into consideration the effects of financial inclusion; and building on Treasury's work to modernize the United States sanctions regime and its recognition of the need to specifically calibrate sanctions to mitigate unintended economic, political, and humanitarian impacts, as outlined in *The Treasury 2021 Sanctions Review*; and

WHEREAS, The Washington state department of financial institutions has worked with representatives of local and community-based money transmitters, banks, and credit unions in Washington to develop enhanced regulatory guidance and a model account agreement to clarify expectations for financial institutions that might offer account services to affected money transmitters; and

WHEREAS, The Washington state department of financial institutions has forwarded that guidance to federal bank and credit union regulators for their review and comment in 2022; and

WHEREAS, Collaboration between federal bank and credit union regulators, the Washington state department of financial institutions, and industry stakeholders could lead to significant progress towards rolling back blanket de-risking by depository institutions with respect to local and community-based money transmitters;

NOW, THEREFORE, Your Memorialists respectfully pray that:

(1) Congress pass and the President sign legislation implementing strategies and recommendations that result from:

(a) Reports by the GAO and the Treasury Department in response to the NDAA; and

(b) Review of the Washington state department of financial institutions' regulatory guidance for depository institutions;

(2) Such legislation also include:

(a) Directives to federal financial regulatory agencies to develop regulations that clearly and specifically require financial institutions to have reasonably designed and risk-based AML programs supervised on a risk basis, taking into consideration the effects of financial inclusion;

(b) Provisions giving federal banking regulators clarity on how to improve examiners' ability to evaluate banks' BSA/AML compliance as applied to money transmitter accounts;

(c) A requirement that financial institutions disclose a specific reason when denying or closing an account; and

(d) Provisions to help financial institutions mitigate the cost of due diligence required to comply with BSA/AML provisions impacting money transmitters; and

(3) The President direct federal bank and credit union regulators to work with the Washington state department of financial institutions and industry stakeholders to support efforts to develop new and creative solutions to improve banking access for local or community-based money transmitters.

BE IT RESOLVED, That copies of this Memorial be immediately transmitted to the Honorable Joseph R. Biden, Jr., President of the United States, the President of the United States Senate, the Speaker of the House of Representatives, and each member of Congress from the State of Washington.