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SAFE AND FAIR SUPERVISION OF MONEY SERVICES BUSINESSES

HEARING

BEFORE THE

SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND CONSUMER CREDIT

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

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SAFE AND FAIR SUPERVISION OF MONEY SERVICES BUSINESSES

Thursday, June 21, 2012

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
AND CONSUMER CREDIT,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:32 a.m., in room 2128, Rayburn House Office Building, Hon. James Renacci presiding.

Members present: Representatives Renacci, Pearce, Luetkemeyer, Huizenga, Canseco, Grimm, Fincher; Maloney, Watt, Baca, and Scott.

Also present: Representatives Ellison, Perlmutter, and Green.

Mr. RENACCI [presiding]. This hearing will come to order. Chairwoman Capito is running a little late, so we are going to go ahead and get started.

I would first like to start with opening statements. And the first opening statement will be from Ranking Member Maloney.

Mrs. MALONEY. First of all, I want to thank Chairwoman Capito and the Republican Majority for scheduling this hearing on a very important issue that affects the community that I represent and, literally, communities across the country. And I would like to welcome all of the panelists, particularly Mr. Daly, who has appeared before this panel several times on this issue and played a constructive role in trying to find a solution.

And I would like unanimous consent for the gentleman from Minnesota, Mr. Ellison, to participate in this hearing, as it is an area of grave concern to him and his constituents.

Mr. RENACCI. Without objection, it is so ordered.

Mrs. MALONEY. Okay. Great. Thank you.

I have been working to find a solution to a very real problem for several Congresses now, which concerns money services businesses (MSBs) being denied access to banking services. We want to be expanding banking services, not contracting them.

Without a banking relationship, MSBs are unable to provide financial services to communities, making it difficult for millions of Americans to pay their bills, send money or remittances or cash checks. The fact is that banks believe that it is simply too burdensome to keep track of the customers of the money services businesses they serve. And the concern about liability in the case of a money services business failing to comply with Anti-Money Laun-

dering and Bank Secrecy Act statutory requirements has led to a termination of these accounts.

We know that many accounting and tracking bills were put in place—and laws in place after the 9/11 terrorist attack to track terrorist money after the financial crisis. And many banks or financial institutions are saying they do not want to comply. It has gotten so challenging in the great City of New York that literally only one bank is now supplying this service that is needed for the money services businesses. So this is really, I would think, almost a crisis for this industry.

I would like to point out that my colleague, Keith Ellison, has highlighted a very real problem that he hears about from his Somali constituents who rely on remittances to send money back to Somalia. So I am pleased we have a witness here today who can speak to this and possible, potential solutions.

I do understand that Federal regulatory agencies recognizing the problem facing MSBs have sought to address the issue through agency guidance and regulatory changes and they say they support them. But it has had very little effect. My concern has been that if this issue is left unaddressed, the viability of money services businesses will be compromised, potentially pushing many of the transactions underground and untraceable to law enforcement.

There have been a few legislative proposals over the years that have sought to address the concerns that both the banks and the MSBs have. I sponsored a bill in the last Congress and it literally passed in that Congress, in the Congress before, that would have enabled money services businesses to self-certify that they are in compliance with the Bank Secrecy Act and the Anti-Money Laundering Act and that they had the Ant-Money Laundering regime in place. This was a bipartisan bill that I would like to work on again with my colleagues.

But there are also proposals that would delegate the registration process to the States using a model that has worked for mortgage lenders, as well as proposals that create a self-regulatory organization for MSBs. So I will be interested to hear from the witnesses today as to whether they believe the denial of access to bank services is something that can be fixed through legislation or whether it really is something that can be fixed through additional regulatory guidance.

I think we would like to see a solution to this problem. And I hope we can work together to find it. I look forward to the witnesses' testimony today, and I really feel that this is an important challenge, so I thank everyone who is working on it.

I yield back.

Mr. RENACCI. Thank you, Mrs. Maloney.

I now want to recognize Mr. Scott for 3 minutes for his opening statement.

Mr. SCOTT. Thank you very much, Mr. Chairman. And thank you for this very, very important hearing.

Money services businesses play an important role for many Americans. Check-cashing services, money orders, and traveler's checks all play vital roles within the jurisdiction of what we know as MSBs. And their services are utilized by different areas of the population in different ways.

Many individuals who are underbanked or completely unbanked utilize MSBs. MSBs are their lifeline for critical and crucial financial transactions, many of which are time-sensitive and are emergency situations. And they permit convenient access to cash.

This is very, very important for millions and millions of Americans. So we have to ensure that these consumers are provided the proper and adequate protection and give appropriate financial education to them before transactions are completed. And this is especially true as the money services business industry continues to grow and its services become more accessible to potential customers.

MSBs are regulated at both the Federal and the State levels by means of a complex structure of varying spans of reach, and therein lies a part of perhaps the challenge.

Some of these agencies, namely the IRS, ensures that the money services businesses comply with the Bank Secrecy Act. And MSBs are required to register with the Financial Crimes Enforcement Network (FinCEN) within the Treasury Department.

And so with this comes a key question that we might want to examine today and that is, how successful is the coordination between all of these regulatory systems. And what is the prospect for improvement and moving ahead?

And then a specific question: Are money services businesses, such as money transmitters, categorically determined to be too high a risk?

So as our economy continues to move towards recovery, Americans need reassurances that the financial services they choose to utilize are stable and are operating in a sound manner. And this holds especially true for many of my constituents and the constituents of members of this committee who rely on the services of money services businesses to pay monthly bills and even to help family members in need of immediate financial support, especially in these tough economic times.

So it is an important hearing. Thank you, Mr. Chairman. I look forward to the panel.

Mr. RENACCI. Thank you, Mr. Scott. And I recognize Mr. Ellison for 3 minutes for an opening statement.

Mr. ELLISON. Thank you, Mr. Chairman, and thank you Ranking Member Maloney.

In Minneapolis, MSBs are not a foreign policy issue. They are a local issue. In Minneapolis, what happens in Somalia is not a foreign policy issue for me as a Representative, it is a domestic policy—it is a domestic issue—it affects my constituents directly. My district is home to over 30,000 Somali-Americans, but also many people from the Horn and all over the world who have immigrated to our great country and our great State.

And we are very proud of this community. There are four Somali-American police officers, one popularly elected school board member, several people who have run for office, not necessarily successfully, but have run well, and there are a number of businesses that have opened up, and a number of nonprofits. We are very proud of our Somali community.

In fact, the Somali community is probably largely responsible for the over $400 million that was sent to Somalia and the Horn to

sustain their families. And global remittances are one-third of the Gross Domestic Product of Somalia today. But remittances to Somalia are, unfortunately, very complex. The bottom third of Somalia is a failed nation—the bottom third. And there is no functional government, no functional financial system.

And Al-Shabaab, a terrorist organization, controls large pieces of the country. It is important that the United States have anti-terrorism financing controls in place to protect the United States and the rest of the world from the dangers of these people. But having had many years of experience now with the Bank Secrecy Act and anti-terrorism financing laws, I think it may be time to review which of these laws really protects us and which of them we passed with good intentions but not understanding the impact that these may cause.

It is important to understand, Mr. Chairman, as I wrap up, that no government, to my knowledge, has ordered any bank to cease and desist. There has been no government action stopping the financial services sector from doing these MSB transactions. What has happened is, because of the regulatory burden and the fear of exposure to risk of regulatory or even prosecutorial action, the financial services institutions, including Wells Fargo Bank, Sunrise Bank, and others, have just come to a hard-nosed business decision that they would terminate the facilitation of these transactions, although they readily admit that 99 percent of the people who do the transactions are good, decent Americans who are simply trying to help their family members. But the risk—the regulatory burden is maybe too high.

Now, I know my friends on the Republican side say—Ellison, you are talking about too high of a regulatory burden? Let me assure you, I am still a very proud bleeding heart liberal. But I do think it is important for us to recognize that perhaps we don't need more regulation. But maybe we need to review the regulations that we have in place and take a hard-nosed look at whether they are really protecting us from the harm we are trying to stop, and whether we really need those regulations into the future. I think what we really need is to look at taking away some things, as opposed to adding more.

Thank you.

Mr. RENACCI. Thank you, Mr. Ellison. And you notice I let you go on a little bit because you were talking about overregulation, so—

[laughter]

I now recognize Mr. Baca for 1 minute for an opening statement.

Mr. BACA. Thank you very much, Mr. Chairman, and Ranking Member Maloney, for calling this hearing.

I also want to thank the witnesses for being here this morning and offering their insight.

Over the years, this committee has examined the issue of regulation of money services businesses and remittances. Recent studies have shown that remittances have grown constantly, even in spite of the recession of 2008.

So that tells us that our President is doing a good thing, because he is still allowing us to do a lot of remittance. And people make money because they are sending money somewhere, so the trans-

action is happening. So I thank the President for his initiatives and what he has done.

In fact, last year, $351 billion globally was sent through remittance and $62 billion to Latin America and the Caribbean, and that was last year. As the minority population continues to grow in our country, more and more Americans may need to send money internationally to support their families. And that is critical, because they rely on these funds, not only to take care of their families, but their businesses, to create hope, to create dignity, and to create an opportunity for them. That plays an important part in allowing this to happen.

The MSB industry is very complicated and there are many moving parts that cross over into many different levels of the State and Federal jurisdiction. However, as we examine this industry and the products, this committee has been constantly struggling with the need to provide—and I say, to provide—a safe and sound regulation with a need to ensure these services are allowed. It is clear that there is still work to be done.

The unfortunate recent trend of the banks discontinuing services by MSBs rather than dealing with the tight security regulation is troubling because it only seems to make the problem worse. In the past, this committee has worked on legislation that has received bipartisan support—and I say, in the past—bipartisan support. And I hope we are able to do that again. And we come together because that is what the American people want to see us doing, working on a bipartisan solution.

Again, I want to thank the Chair and the Ranking Member for calling this hearing and the witnesses for being here. I yield back the balance of my time.

Mr. RENACCI. Thank you. Before we welcome the witnesses, I would like to ask unanimous consent to insert the following statements in the record: a letter from the Clearing House Association; and the opening statement of Mrs. Capito.

I will now move on to welcoming our witnesses. And I believe Mr. Perlmutter would like to introduce our first witness.

Mr. PERLMUTTER. Yes. And I thank Chairwoman Capito and Ranking Member Maloney for allowing me to sit in on the hearing today.

I want to welcome Western Union. It is a Colorado company with a worldwide reach. And my friend, Tim Daly, with whom I have practiced law—against, mostly, but somebody whom I have known for at least a couple of decades—is a good friend of mine. And we are glad to have you here in Washington and look forward to your testimony. So, good to have you, Tim.

Mr. DALY. Thanks.

Mr. RENACCI. Thank you. And I will recognize Mr. Daly for 5 minutes.

STATEMENT OF TIMOTHY P. DALY, SENIOR VICE PRESIDENT, GLOBAL PUBLIC POLICY, THE WESTERN UNION COMPANY

Mr. DALY. Thank you, Congressman Perlmutter, for the kind words. I appreciate it. And you are right, it was against, and I won't disclose that I was usually the loser. So, thank you. Congressman Perlmutter is a very accomplished attorney.

Good morning, Mr. Chairman, Ranking Member Maloney, and members of the subcommittee. I am Tim Daly, senior vice president for global public policy for Western Union. I am pleased to be here today to discuss the regulatory environment for money services businesses.

Western Union is a leader in global payment services. Western Union provides consumers and businesses with fast, reliable, and convenient ways to send and receive money around the world.

Today, Western Union operates from approximately 500,000 locations in 200 countries and territories across the globe. As a large, geographically diverse business, Western Union operates in a complex and sometimes cumbersome regulatory environment that involves multiple State and Federal agencies. Western Union and other money transmitters are licensed by the individual States in which we do business. States are responsible for the day-to-day regulatory supervision and oversight of money transmitters.

States conduct regular on-site examinations of money transmitters. These examinations review financial condition, check for regulatory compliance, and monitor the maintenance of financial reserves.

Western Union is subject to examination by each State in which it is licensed. In 2011, Western Union was examined by 11 State banking departments. Money transmitters like Western Union must also register every 2 years with the Financial Crimes Enforcement Network (FinCEN). Both FinCEN and the IRS have enforcement authority over Western Union's compliance with BSA requirements.

A welcome development over the past several years has been the enactment of memoranda of understanding (MOUs) among the IRS, FinCEN and the State banking departments to share information and resources in the examinations of money transmitters whose operations cross State lines. State examiners can monitor and enforce compliance with the Bank Secrecy Act and other Federal anti-money laundering laws, as well as examining for safety and soundness.

FinCEN retains its authority over the legal and practical interpretation of the Bank Secrecy Act. The IRS, FinCEN, and State regulators have agreed on a joint examination manual for money transmitters that focuses on BSA compliance issues.

The States have also entered into agreements with each other to coordinate and consolidate examinations of money transmitters on an interstate basis. Under these agreements, teams of examiners from several States participate in a coordinated examination, with one State agency serving as the lead. Western Union's experience with these multi-State examination teams has been positive, and we support the continuation of this effort to coordinate and consolidate supervision across State lines. We appreciate the efforts of the Money Transmitter Regulators Association to develop and deploy joint examination protocols for consolidated multi-State examinations, in which a lead State would have the authority to act on behalf of up to 10 other States.

We are also encouraged by the development of a pilot program that would adopt the National Mortgage Licensing System (NMLS) to cover State licensing of money transmitters. States would still

make their own decisions about whether to award a license, but this system would eliminate duplication of effort and opportunities for error.

As the committee considers further modernization of the regulatory structure for money transmitters, we encourage the advancement of coordinated, consolidated supervision between and among the relevant State and Federal agencies, together with certainty and consistency within the examination process.

Thank you again for inviting Western Union to testify today. I look forward to answering any questions you may have.

[The prepared statement of Mr. Daly can be found on page 45 of the appendix.]

Mr. RENACCI. Thank you, Mr. Daly.

I now want to recognize Ms. Deborah Bortner, director of consumer services, Washington State Department of Financial Institutions, on behalf of the Conference of State Bank Supervisors, for 5 minutes.

STATEMENT OF DEBORAH BORTNER, DIRECTOR OF CONSUMER SERVICES, WASHINGTON STATE DEPARTMENT OF FINANCIAL INSTITUTIONS, ON BEHALF OF THE CONFERENCE OF STATE BANK SUPERVISORS

Ms. BORTNER. Good morning, Mr. Chairman, Ranking Member Maloney, and distinguished members of the subcommittee. My name is Deborah Bortner, and I am the director of non-depositories at the Washington State Department of Financial Institutions. I am pleased to testify today on behalf of the Conference of State Bank Supervisors.

I want to thank you and the members of the subcommittee for holding this hearing on money services businesses. I appreciate the opportunity to discuss the regulation of MSBs by State regulators.

State and Federal regulators and policymakers have worked together to make non-depository supervision more comprehensive, more consistent, and more efficient. Specific initiatives under way include the expansion of the Nationwide Mortgage Licensing System and registry, the NMLS, for the licensing of other financial services, enhanced multi-State exams and enforcement actions, and ongoing efforts to improve State-Federal coordination.

Before I discuss the State supervision of MSBs, I would like to provide a little background on what we have done in the mortgage area, because it may provide a roadmap for what we hope to achieve in MSB supervision.

Well over a decade ago, State mortgage regulators recognized the need to work together to enhance supervision of the mortgage industry. One of the cornerstones of State mortgage supervision is the NMLS. State mortgage regulators began the development of the NMLS in 2004.

In 2008, Congress, through the leadership of Representative Bachus, embraced and codified NMLS into Federal law through the SAFE Act. The SAFE Act created a comprehensive, State-Federal approach to licensing and registration of mortgage loan originators. There are certain elements of the mortgage supervisory framework that could improve supervision of non-depositories, including MSBs.

Recently, State regulators have begun to use the NMLS for other non-depository providers besides mortgage lenders. In several States, including my own, these expanded license types will include MSBs. By the end of 2013, we anticipate that at least 16 States will be using the NMLS to manage their MSB licenses.

State regulators have been overseeing MSBs through licensing and by conducting on-site exams for a number of years. Generally, the State licensing process requires background checks on directors and officers, financial statements, surety bonds, BSA policies, and proof of registration with FinCEN, if appropriate.

Examiners in the fields review compliance with BSA, reporting and recordkeeping, capital and permissible investments. Through CSBS and the Money Transmitter Regulators Association (MTRA), State regulators have also been working together to increase regulatory efficiency in supervising MSBs that operate in multiple States.

In 2002, the MTRA formed a foundation for multi-State exams by establishing the groundwork for States to coordinate MSB examinations and information-sharing. We currently are building upon those agreements to further promote coordination, consistency, and efficiency, while ensuring safety and soundness in consumer protection.

States are also working closely with our Federal counterparts to coordinate supervision of MSBs. Coordinated State-Federal efforts include jointly developed exam procedures and quarterly calls between the IRS and State regulators to discuss current initiatives and supervisory issues.

MSBs are local in touch and national in scale, so State and Federal regulators must work together to ensure effective and consistent supervision, which benefits regulators, licensees, and consumers. The evolution of State mortgage regulation demonstrates that uniform infrastructure and Federal policy should support, not supplant, State regulation. As the SAFE Act has shown, combined State-Federal regulatory regimes can promote consistent and comprehensive regulation without losing the benefit of having States serve as the cops on the beat.

Thank you for the opportunity to testify before you today. I look forward to answering any questions you may have.

[The prepared statement of Ms. Bortner can be found on page 30 of the appendix.]

Mr. RENACCI. Thank you, Ms. Bortner.

I now want to recognize Mr. Ezra Levine, counsel, the Money Services Round Table, for 5 minutes.

STATEMENT OF EZRA C. LEVINE, COUNSEL, THE MONEY SERVICES ROUND TABLE

Mr. LEVINE. Thank you. And good morning, Mr. Chairman, Ranking Member Maloney, and members of the subcommittee.

I am Ezra Levine, with the law firm of Morrison and Foerster, here in D.C., and I am also counsel to the Money Services Round Table.

The Money Services Round Table was founded in 1988 as an information-sharing and advocacy group for the Nation's leading non-bank money transmitters. Our members provide electronic money

transmission, payment instruments like money orders and traveler's checks, and stored value services. Our members are State-licensed and are treated as financial institutions under the BSA.

Money transmitters operate in a complex regulatory environment, as you have already heard. While States are the prudential regulator, both the IRS and the States examine money transmitters for BSA compliance. We have been working towards a more coordinated, consistent regulatory structure for money transmitters, and we are pleased with the progress State regulators have made under the leadership of the Money Transmitter Regulators Association, known as the MTRA. We support continued efforts to streamline this process and improve the consistency of application and enforcement of laws governing money transmitters.

The regulatory process has been evolving. In the early 1990s, State supervision of money transmitters took its first steps toward coordination and uniformity with the development by the MTRA of its "model legislation outline," which served as the basis for new, more uniform, and updated safety and soundness licensing laws in about 30 States. However, also during this period, States began to include BSA compliance as part of the on-site exam protocols and, increasingly, our members were subject to multiple duplicative and uncoordinated on-site exams. You heard Mr. Daly talk about 11 exams.

In part as a response to this proliferation of State exams having a BSA component, about 10 years ago, the IRS, FinCEN, and the State banking departments entered into MOUs to promote more effective BSA exams by the States. In short, States now monitor and enforce BSA compliance, as an adjunct to examining for safety and soundness exams. But FinCEN retains the authority, the overall authority, to interpret the BSA. In addition, in recent years, to provide substantive BSA guidance, the IRS, FinCEN, and the State regulators, working together through the MTRA, adopted an MSB exam manual.

Finally, the States, through the MTRA, have begun to coordinate multi-State exams of money transmitters. In this useful program, teams of examiners from several States participate in the exam, with one State agency as lead. Now, the ultimate goal of this initiative is a system in which a lead State regulator performs one exam for each licensee, each year, and then that exam is shared with all the other States.

In sum, State exams probably will continue to be the most effective means of monitoring BSA compliance by money transmitters. However, without coordination, inconsistency and duplication are sure to occur. Therefore, we urge continued work toward uniform application of the BSA and more coordination of State exams and enforcement activities.

The Money Services Round Table looks forward to further discussions as we all work together towards a more effective and efficient regulatory structure that protects our entire financial system. Thank you again for inviting us to testify today. I look forward to answering any questions you have. Thank you, again.

[The prepared statement of Mr. Levine can be found on page 51 of the appendix.]

Mr. RENACCI. Thank you, Mr. Levine. I want to now recognize our last witness, Mr. Hersi Suleiman, general manager, Amal USA, Inc., for 5 minutes.

STATEMENT OF HERSI SULEIMAN, GENERAL MANAGER, AMAL USA, INC., ON BEHALF OF THE SOMALI-AMERICAN MONEY TRANSMITTERS ASSOCIATION (SAMSA)

Mr. SULEIMAN. Thank you, Mr. Chairman, and Ranking Member Maloney. I greatly appreciate the opportunity to testify here today.

I am here on behalf of the Somali-American Money Transmitters Association. I also would like to thank Congressman Ellison for his leadership with this issue and also in the Minnesota delegation.

I am here today because it is our firm conviction that the solutions to our problems lie in amicable discussions and sharing of information. We Somali-Americans own business transmissions across the country. We are regulated by both Federal and State. We register a license in multiple States. We also register with FINCA.

We also have independent CPAs who audit us on a yearly basis, on top of both Federal and State regulations. We have independent compliance auditor reviewers who also audit our books on a yearly basis.

I am very, very excited that Ms. Deborah Bortner from Washington State is here today. We have been dealing with Washington for a long, long, long time, and they have been helpful to us.

The issue in front of us today has been going on for a long, long, long time. National banks, State banks assisted us in doing business a long, long, long time ago. We have been using the small community banks, credit unions, helping us to continue banking with our banking relationships. However, that became dead-ended recently, and we can no longer continue with our banking relationships.

We are here to ask you—to bring your attention that this issue is a humanitarian issue. We are all aware of the situation in Somalia. We are all well aware this is beyond financial support. It is a humanitarian issue that is affecting us here in the United States.

We follow all the rules, all the compliance imposed on us, both at the Federal and the State level. And we do conduct thorough customer service in terms of knowing our customer. We follow, again, all the rules and regulations. We know our customers.

A personal story that I would like to share with you. I, myself, being here in the United States for nearly 30 years, have a family back home. My sister and her children and my nephews, whom she takes care on a daily basis, I send money every month. They use that money for shelter, for food, and for medicine. It is extremely important that they receive that money. The only way they can receive that money is through a money transmitter.

As you all aware, there is no banking system in Somalia—no financial institutions in Somalia. This is the only way. I greatly appreciate you taking a hard look at this issue and helping us to somehow, somewhere solve this banking crisis we are facing.

I now I look forward your questions and thank you for your time.

[The prepared statement of Mr. Suleiman can be found on page 57 of the appendix.]

Mr. RENACCI. Thank you, Mr. Suleiman.

We now move on to questions from Members. I will first recognize myself for 5 minutes. I do want to thank all of the witnesses for being here today.

Ms. Bortner, I believe having a single point of contact for money transmitter license applicants is a reasonable idea and will allow for an efficient sharing of information. You mention in your written testimony that the NMLS is a natural possibility for collecting and sharing this information. Could you go over again what current efforts are in place to expand NMLS to also manage money services businesses, and also describe why the NMLS would be a good fit for this industry?

Ms. BORTNER. Mr. Chairman, for many years, we have been licensing in each State—49 States currently license MSBs. And it is kind of like looking through a peephole—we know what that industry is in our State, and we share information amongst States.

But I think having the NMLS, which is currently adding those types of licenses to the NMLS—having them have a single portal for all States to be able to license their MSBs—it is just a portal. We make all the licensing decisions at the State level, but there is this portal, just like mortgage lenders and securities brokers have the very same national portal to license.

And before we can really effectively regulate this industry, I think we need to know who they are in one place, where it can be shared by Federal and State regulators. And I think that would really increase the efficiency. For one thing, if you need fingerprints in one State, you can share those fingerprints. If you need some sort of credit reporting or anything like that, it is shared in one place and everybody sees the same document.

So that is really what is really going on right now—States are beginning to transition onto the NMLS. But the SAFE Act required us all to get on it. It made us all get on within a very short period of time. And I think that is a very efficient way to deal with this issue.

Mr. RENACCI. Thank you. What specific changes in Federal law are necessary to ensure that NMLS remains effective and will allow it to expand into other industries? Do you have any suggestions?

Ms. BORTNER. We have—the NMLS is available for licensing and the SAFE Act required all States to provide that mechanism. And it was a very easy way of providing a Federal law that created minimum standards for licensing of mortgage loan originators. And we all had to get on it, either that or HUD was going to take over the regulatory process for loan originators.

So amazingly, in 1 year, 49 of the States adopted laws consistent with the SAFE Act, and that created the efficiency by getting all the loan originators onto the NMLS over a short period of time.

Mr. RENACCI. I am sorry. I was referring to the privilege and the CFPB. I am sorry.

Ms. BORTNER. Oh, okay. I am sorry. One of the benefits of having the SAFE Act was to create the confidentiality amongst the States and with the Federal regulators. That means that if Ohio shares information with me, then I have to protect that information as if

I am Ohio. And that is the confidentiality provision that was in the SAFE Act.

It also provided an opportunity for us to share our exams and make us more efficient because we could work together as a result of that.

Mr. RENACCI. And I have been working with your organization on the legislation to go along in that fashion. I would hope to introduce a bill in the next couple of days.

I yield back the remainder of my time. And I recognize Mrs. Maloney for 5 minutes.

Mrs. MALONEY. Thank you very much. And I welcome all the panelists. Many of you talked about the regulatory burden, and what I am hearing from my constituents is not so much the regulatory burden, but the absolute lack of access to banking services to be able to process and run their business. That is the absolute crucial problem.

I did want to share, in response to Mr. Daly's and Ms. Bortner's and Mr. Levine's testimony about the regulatory burden, that some areas or the category of businesses are working with their regulators to come up with one form that solves all of their problems and answers. Some are working to computerize it. It is not so much providing the information. It is the paperwork and time of employees to put it together. They are putting computer systems together that will then shoot that information out every month, so that the burden is not so much, and compiling it so that it all comes together. The technology is there. It is a matter of working to make it happen.

But I would like my question to go to the central point of getting to banking services. If you can't process your money, you are out of business. Don't worry about the regulation. You are out of business.

MSBs are an important part of the financial services in the community I represent and in many communities, because many people do not want to pay the bank fees or they feel uncomfortable or they don't speak English or for whatever reason, they want to go to an MSB. And it is a huge source of banking in New York City. But all of the banks, save one, have said they will not process their business. Now, that is a huge problem. We live in America. Businesses can make decisions. And they are basically saying that the compliance laws and the oversight laws are too onerous. They don't want to take the risk in any way, shape, or form.

So in the bill I offered in the last Congress, it tried to take the risk away from financial institutions, so that—and by—and incidentally, the banking industry supported the bill, because they are concerned about being sued or violating any Federal law. So it is just easier for them to just say, no, I don't even want any of your business. And so, if you could get a self-regulatory system going, where the liability is not on the bank, maybe some of the banks would provide this service.

I would just like to ask all the panelists how you really handle the central issue, which is lack of access to the banks. Now, the bank supervisors say, oh, we are not doing anything to encourage any financial institution not to provide financial services or to service MSBs. We are not in any way, shape or form; yet, the financial

institutions are making this decision on their own. So, it is really at a crisis point.

I think, Ms. Bortner, you told me that no bank now in Washington State will process MSBs. Is that correct?

Ms. BORTNER. Congresswoman Maloney, we lost the largest bank that was supporting the Somali community just recently, as a result of a Federal investigation on a compliance officer that was a part of a very small MSB.

So I think what one of the issues is, is the reputational risk. And I think the banking institutions just aren't willing to take that reputational risk when they see—one issue happens, and they say, I have to get out of this business because we don't want people thinking that we support terrorism or money laundering.

The interesting part of that investigation is that none of the transmissions occurred at that money transmitter. It occurred all outside that money transmitter. So it would be impossible to detect that as a regulator, but it is also—I don't think, as a regulator, I don't blame a banking institution for that either.

Mrs. MALONEY. I agree with you. And I would like the chairman, if he would, to yield time for the panelists to respond to my question, which I think is a central issue. How do you get access to banking services? What if—okay, just—if Mr. Daly and Mr. Levine and Mr. Suleiman, if you have any answer to that? That is the central issue. And in many States, it is totally drying up, so that there is no place to go.

Mr. DALY. Thank you, Congresswoman Maloney. As you can imagine, Western Union, as a global company with a robust and complex compliance department, doesn't face the same issues as the smaller providers do, because banks have comfort in our services.

But as Ms. Bortner said, banks can be risk-averse when dealing with smaller providers. And some of these smaller providers, by the way, are our agents. We operate through different agents around the country. In the United States, we have 60,000 agent locations. So, it is an issue that we are concerned about.

We did support the bill last session, which as you said, would have addressed this issue. And it was a bipartisan bill that passed the House. It did not pass the Senate. And I think that bill would have been a good approach, because it would have given banks some comfort. Because I think, as Ms. Bortner said, their issue is they are worried about the risk. And it would have allowed banks to rely upon the certification of companies that they were compliant and that certification would be under oath. So, that is our perspective.

Mr. RENACCI. Before the rest of the witnesses go, can we please try and hold it to 20 seconds only, because we are trying to keep the meeting going because of votes.

Mr. LEVINE. Thank you, Mr. Chairman. In response, the Money Services Round Table, as Mr. Daly indicated, actively supported your bill, Mrs. Maloney. We thought it was terrific. We thought it would fix the problem. And it didn't go anywhere in the Senate. It would have given a safe harbor to banks. The real problem is that banks are risk-averse.

As Ms. Bortner said, the Federal Financial Institutions Examination Council (FFIEC) examination manual since the year 2002 has indicated that MSBs are "risky businesses." Now, while the OCC and others say it is an urban myth, that in fact, banking examiners are winking an eye, telling local banks, "Hey, listen. Stay away from MSBs." In fact, that is the evidence. And that is what is happening nationwide. And it is happened now for 10 years.

Mr. SULEIMAN. I would like to add that I agree with Mr. Levine 100 percent. FFIEC—any time they go and visit a bank, the first question they ask you would be, do you have MSB account. And if the bank says, yes, they take that account and spend a great deal of time simply looking at all the transactions for that particular MSB account. It happened to us recently. And as a result, a small community bank, which we had a relationship with for a long period of time, called us and said, I can't take this—simply can't take this.

So there is pressure coming from the top to the banks, even though we are providing all the necessary documentation showing that we are in compliance at both the Federal level and the State level.

Mrs. MALONEY. Okay. Thank you.

Mr. RENACCI. Thank you, Mrs. Maloney. I just want to make note that we have votes schedule for approximately 10:45. So as we ask questions, as you get to your last question, I would allow that—when you get to 5 minutes, that the question just be answered and we move to the next Member, so everybody has a chance to ask questions.

I now recognize Mr. Luetkemeyer for 5 minutes.

Mr. LUETKEMEYER. Thank you, Mr. Chairman. I thank all of you for being here today. And certainly—a comment on Mr. Ellison's testimony today as well. I have outside my district and within the district as well, a large eastern European group, which has the same problem his folks have, so I am very interested in this issue.

I want to approach it a little bit differently. I know that the Consumer Financial Protection Bureau recently published a rule back in February that seems to have a very negative effect on the institutions in my area, with regards to being able to continue to provide services. Would you like to comment on that or are you aware of the rule? I am sure you probably are.

Mr. Daly?

Mr. DALY. Thank you, Congressman. That is a question every money transmitter is dealing with today. The general premise of the rule, as you know, is that consumers should have adequate information to make a purchase decision. They should know what the fees are and what the exchange rates are. And we agree with that premise. We believe an informed consumer is a good consumer.

As you can imagine, though, in the implementation of a rule like this, there are some complexities. And there are a couple of issues that companies like Western Union and banks and credit unions are struggling with in the rule. One issue is, in addition to fees disclosed by companies, which I think was Congress' intent that we disclose the fees we charge, the rule also requires us to disclose lifting fees—so fees that are charged by banks on international bank transactions. For Western Union, the vast majority of our trans-

actions are cash-to-cash transactions. But we do have some transactions that involve bank accounts. And in those transactions, we incur these lifting fees.

The challenge we face and that banks face on that issue is these lifting fees are not known at the time the transaction is sent. And the path these transactions take often changes. So, there is literally no way for us to know those fees to disclose them. On that issue, compliance isn't difficult; it is impossible.

We have raised this issue with the Bureau and we have met with them multiple times. We are working with them on the issue. But that—

Mr. LUETKEMEYER. During the course of the rulemaking process, were you a part of the rulemaking process? Do they contact you and you give your views, the unintended consequences of what would happen if they went forward with this proposal?

Mr. DALY. Yes, Congressman, on this and other issues, we filed extensive comments with both the Federal Reserve, who the rulemaking started with, and then with the Bureau. And we have met with and continued to meet with the Bureau, as they address this particular issue.

Mr. LUETKEMEYER. Are you aware—did they do a cost-benefit analysis of this rule to see, one, if it is practical; is this going to be cost-effective for the people who are going to have to implement it, such as yourself? Are you aware of that?

Mr. DALY. As far as a specific cost-benefit analysis, I am not, sir.

Mr. LUETKEMEYER. Okay.

To follow up, Mr. Levine, I am just kind of curious. I know you represent a whole group of folks who provide these services. If we wind up, as we continue to go down this road of not allowing our—or not permitting or continuing to dwindle with the number of folks who can provide these services, what happens then? Is there a black market that occurs? And if so, how does that work? Can you just briefly give me some ideas of the seriousness of this and how we can be driving people in the wrong direction for our services that they really need?

Mr. LEVINE. Congressman, thank you. That is a great point. One of the points we always argue is that when you foreclose services from honest vendors—so you foreclose the opportunity for decent citizens to transmit money—likely, what happens is the money is going to move anyway. It is just going to move underground.

And from a law enforcement and public policy standpoint, the last thing you want is to encourage with economic incentives, in effect, the growth of underground money transmitters—hawalas and others. Hawalas has become a pejorative term—

Mr. LUETKEMEYER. Basically, what you are doing is probably chasing the good money underground—

Mr. LEVINE. Exactly.

Mr. LUETKEMEYER. —with the bad money.

Mr. LEVINE. Right.

Mr. LUETKEMEYER. Is that a fair statement?

Mr. LEVINE. Yes. Yes. Absolutely. And then, there is no transparency.

Mr. LUETKEMEYER. Right. Okay. Fantastic. I appreciate your comments today.

And I will yield back the balance of my time. Thank you, Mr. Chairman.

Mr. RENACCI. Thank you, Mr. Luetkemeyer.

I recognize Mr. Watt for 5 minutes.

Mr. WATT. Thank you, Mr. Chairman. If Mr. Scott wants to go first, that is fine with me. Do you want me to go? Okay. Thank you, Mr. Chairman. And thank you for convening the hearing.

Like most members of this committee, I have a number of MSBs in my congressional district, and certainly a lot of them operating in the State of North Carolina. And we have had a number of opportunities just to hear from them about the regulatory burdens and costs that they face. They, of course, are regulated by the IRS, FinCEN, the State of North Carolina, and now, the CFPB. And they clearly have a case for asserting that the regulations are burdensome. I don't reach, necessarily, the same conclusion that some of my colleagues on the committee might reach that is an argument for no regulation, but I do think we have an obligation to regulate in as efficient and as good a way as we can without being burdensome.

Mr. Daly, Ms. Bortner, and Mr. Levine, in particular, in light of the memorandum of understanding between the IRS, FinCEN, and the States, do you see opportunities for the consolidation of the supervisory functions, first? And in light of the CFPB's involvement in the issue now, would it be necessary for the IRS to continue to have the role that they have traditionally had or might some of that role be logically transferred to the CFPB?

Mr. DALY. Thank you, Congressman. That is a good question. I would say this—first of all, I think on the question of consolidation, we have made a lot of progress.

Mr. WATT. Is that through the MOU?

Mr. DALY. Through the MOU and increased coordination between and among the States and the Federal Government. Yes, sir. It is a result of that and we are making progress on that front.

To your question of on the Federal side, I think it is important to remember that we are dealing with AML regulation, safety and soundness regulation, which has traditionally been in the province of the States. And then the CFPB, really their function is consumer protection. So I think we need to continue to recognize the separate focuses of each of those agencies.

Mr. LEVINE. And Congressman, one reason for the MOUs—and this was about 10 years ago—was the fact that the IRS with scarce resources was really spread very thin, particularly after the USA Patriot Act, when insurance companies and others were brought into the ambit by the Congress of the Bank Secrecy Act. The IRS is the regulator.

Therefore, since the States were already on scene, it made sense for FinCEN and the IRS to really say to the States—look, you are already doing on-site exams. Some of the States were already doing BSA as an adjunct to the safety and soundness exam, so why not do that officially. They are doing it officially and the trend—I think Ms. Bortner will testify to this—is for the States, on their own, to get together, because in fact, it is far more efficient. We want to encourage that. We like that. It is a good thing.

Mr. WATT. Maybe I should ask the question—are there additional things that can be done to either streamline or consolidate the regulation here that you all would suggest?

Ms. BORTNER. Congressman, I think that this is a work in progress. And I think Mr. Daly—

Mr. WATT. I am trying to figure out where we ought to be trying to progress to, I guess, is—

Ms. BORTNER. Yes. The progress is to eventually—and I don't speak for any of my other State colleagues—we would have one exam and yearly, and then some of us who couldn't be on that exam or didn't feel the necessity to be on that exam, would accept that exam.

I think we are headed in that direction. And I think that would make it much more efficient and—

Mr. WATT. Would that exam be headed by a State or would it be headed by a Federal agency?

Ms. BORTNER. Yes, it would be headed by the State, because the State exams are much broader than the Federal exams. When Congress passes an act, we enforce it. So, we have been enforcing BSA. And that is part of our exam process. We also have consumer protection and we also have financial stability. And so we enforce that across-the-board. So that is what makes our exams, I think, broader, and I would like to think it is very important to make sure the industry is stable and that consumers are protected.

Mr. WATT. Thank you, Mr. Chairman. I yield back.

Mr. RENACCI. Thank you, Mr. Watt.

I now recognize Mr. Canseco for 5 minutes.

Mr. CANSECO. Thank you, Mr. Chairman.

Ms. Bortner, a number of banks are leaving the money services business and discontinuing their partnerships with MSBs. Can you give us some idea as to the characteristics of banks that are leaving the businesses, versus the ones that are staying in it, as far as size, location, category, that sort of thing?

Ms. BORTNER. Congressman, it has been my experience that starting a number of years ago, the larger institutions started dropping the MSBs. The regional banking institutions took them up, and now some of those regional banking institutions have dropped them. And now, some of the very smallest institutions are trying to bank MSBs, but it isn't quite as efficient as having some of the larger financial institutions, which have better systems to get money places. It isn't as efficient as having the bigger institutions.

Mr. CANSECO. Mr. Levine, do you have anything to add to that?

Mr. LEVINE. No, I think that is exactly right. The larger institutions generally backed out first—again, about 10 years ago. But there were one or two of them—Wells Fargo in particular, which has a very, very active—and I don't do any work for Wells Fargo—but Wells Fargo has a very, very active MSB program, where they spend a lot of money vetting all MSB accounts. So it is possible, I suppose, but in fact, it is trickling down now even to the community banks. It is a bad trend.

Mr. CANSECO. Thank you.

Ms. Bortner, with more banks leaving the business, how does this affect the monitoring of the MSBs?

Ms. BORTNER. Congressman, I agree with Mr. Levine. Our ability to monitor is consistent with our ability to have a license. If they don't have a legitimate way to get money, where it is being transferred, then that money is going to go underground. And we are not going to be aware of how they get it there, how much, to whom it is given. And I think having that capability is very, very important for us to make sure that there is no money laundering and money is not going to terrorists.

Mr. CANSECO. Let me ask you another question, Ms. Bortner. As costs increase for MSBs, there runs the risk that more of these transactions could be pushed underground and that more fraudulent transactions could take place. So how best can policymakers strike a balance between the continuation of these services and the protection of Americans from criminals or terrorists?

Ms. BORTNER. Congressman, as far as the cost goes, I think the States are very sensitive about the cost of examination and regulation. We actually changed our systems so that we don't charge for exams and we charge other ways. And some of the cost has been shifted to the bigger money transmitters to pay for the cost of that regulation, which I think is to their benefit, too. So I think we are sensitive to it and we are trying to deal with it.

Mr. CANSECO. Do you see in the MSB industry some of the same things that we see in the banking industry—that costly regulation or confusing regulation can drive businesses to less regulated operators?

Ms. BORTNER. Congressman, I think that, as we try to regulate them in the most efficient way, we are trying to deal with some of those issues. And I don't think that—obviously, the less legitimate folks who are in this industry who aren't licensed—if you have to get your money somewhere and there is no legitimate banking industry that is going to help you, help the Somali community, for instance, then that is problematic.

Mr. CANSECO. Mr. Levine, do you have anything to add to that?

Mr. LEVINE. No, I don't. I agree with what Ms. Bortner said. I think it is really a problem. It does—in fact, the entire bank closure problem, the regulatory burden problem, cost, in fact, often—maybe not often, but at least sometimes—drives money underground—just a bad thing. It strengthens underground transmitters and then you worry about who is using—what are the vehicles Al Qaeda and others are going to use?

Mr. CANSECO. So how do we reverse that?

Mr. LEVINE. One thing is—we come back to almost how we started with Mrs. Maloney's bill. Mrs. Maloney's bill which passed the House would have given banks, frankly, the cover—the safe harbor they need to be able to back off the Federal regulators—the banking regulators. I think that is a safe statement from looking at my regulator colleague here. And that would have worked, but short of something like that, I don't see how you push the banks into accepting MSBs. And in fact, without a bank, you can't do MSB business. I think we all agree on that.

Mr. CANSECO. Thank you, very much. My time has expired—

Mr. LEVINE. Thank you.

Mr. CANSECO. —and I appreciate your candor.

Mr. RENACCI. Thank you, Mr. Canseco.

I now recognize Mr. Scott for 5 minutes.

Mr. SCOTT. Thank you very much, Mr. Chairman.

Let me ask—on the issue of anti-money laundering, terrorists are financing—in my capacity as vice chairman of the Foreign Affairs Subcommittee on Nuclear Non-Proliferation and Terrorism, I went over into—with the Special Ops—into Somalia and into Kenya and Yemen—very hot spots. And one of the issues that came up is the use of monies coming in to finance terrorism, particularly with Al-Shabaab, that you may be familiar with in Somalia.

We have Somalia citizens here who have challenges and others. I would like for you to address how serious this is, because those concerns were raised. And what kinds of difficulties are placed upon legitimate citizens in the United States who have the desire to send money transmitters into these regions, and especially with the requirement as some banks are having. The banks are saying it is important for us not just to know our customers, but to know the customers of our customers. And so, we on this committee would be interested to know what we can do to address this issue. Is this a challenge? How serious is this, and particularly, in that hot spot region?

Mr. Suleiman, perhaps you could—yes, sir?

Mr. SULEIMAN. Congressman, thank you. That is a legitimate question and it is a concern we as Somali-Americans also have.

Al-Shabaab, as we all know, is a terrorist organization. We are fighting as a Somali, in a way, and as Somali-Americans. They are an enemy to all of us. And somehow, somewhere, we need to defeat them. However, it is true that Somalia, Kenya, and Yemen are very hot spots, as the Congressman suggested.

First of all, we are knowing our customer, identifying our customer. We also have agents where the recipient, anywhere that money is sent, we have an agent also follow the due diligence of customer acknowledgement and customer identification to make sure the person—the beneficiary of that particular money receives that amount of money.

As I said earlier, I send money to my sister, and she is the one who gets that money. The Somali-American Money Transmitters Association (SAMSA) consists of 14 companies. Those 14 companies—we are taking steps to, number one, improve our system. We are in the process of making our system work. It cannot be somewhere interrupted or hacked—or make it efficient to track or conduct it—the sender and the receiver.

In addition to that, most of our customers are repeat customers. I would say about 80 to 85 percent of customers are repeat customers—sending money to the same person every month. And we track that way and that person is the one who is receiving the money.

Mr. SCOTT. So you believe then that there is enough certainty for the banks, in terms of serving MSBs, that we can provide them, while being careful not to undermine the effectiveness of the Bank Secrecy Act in stopping any money laundering or terrorism.

What I am trying to get at here is that—is this something this committee needs to look into? Is there something more we can do to make sure that all of this is a tight network that is put in, so that our constituents who may be Somalians or may be Kenyans

or people from this—who are citizens—are not held to a different standard simply because their homeland is in these hot spots? I just want to know, is there anything more you think that we on the committee can do to give this certainty to banks?

And also to any of you, particularly Western Union, and any of you—do you feel that we are in good enough shape in securing the necessary pieces to make sure that our citizens are not held to a different standard that—in terms of—in their efforts of trying to get money to their relatives in these hot spots?

Mr. SULEIMAN. Congressman, I think what the committee can do is, number one, to pass Ranking Member Maloney's legislation. And also, there is uncertainty out there that the banks are afraid of. So if we—if the Congress can ease that uncertainty.

Mr. RENACCI. Mr. Suleiman, we really have to move on—

Mr. SCOTT. Thank you.

Mr. RENACCI. —only because of votes.

Mr. SCOTT. Sorry, Mr. Chairman. Thank you so much.

Mr. SULEIMAN. Okay.

Mr. RENACCI. I want to recognize Mr. Grimm for 5 minutes.

Mr. GRIMM. Thank you, Mr. Chairman. And I would like to thank the panel for testifying today.

I am very interested in following up on what my colleague was just talking about. So if the gentleman would like to complete his answer, that would be fine with me.

Mr. SULEIMAN. Thank you, Congressman. What I was going to say was there is uncertainty out there that the banks are afraid of. And that is what all the witnesses alluded to earlier, that there are some regulations out there that really—if the banks can get uncertainty—and look at the situation a little more—I think the banks will be a little more reluctant to work with us. But it is the uncertainty in regulations that they are afraid in terms of their risk assessment, and that risk assessment can be regulations imposed on the banks.

Mr. GRIMM. Just to follow up on that—very perfunctory, do you think, in your view, that most MSBs are aware of the U.S. anti-money laundering statutes? Do you think that they are up-to-speed at the level they should be?

Mr. SULEIMAN. Absolutely. Yes.

Mr. GRIMM. Okay. This is open to the panel. What questions have we not asked today that you think we need to know? Is there something that we haven't discussed that you feel is relevant that you would like this committee to know about? And I open that up to the panel.

No? Wow, we must have hit on everything.

[laughter]

Ms. BORTNER. Congressman, I think that we have covered most of the issues that we wanted to cover. But, I think that Congress could create some sort of uniformity by setting minimum standards and protecting the confidentiality of information.

I think that Congressman Renacci—sorry—I really want to compliment you on focusing in on that issue, because I think that is a very, very important issue to allow us to really work together and be as effective and efficient as we can.

Mr. RENACCI. Point well taken.

Mr. LEVINE. All I would say, Congressman—and we really have talked about it—but in the whole construct of the Bank Secrecy Act, there is a balance between—because it is risk-based, and that is all post-USA Patriot Act. There was a shift—oh, I am sorry. Yes, I am sorry. There was a shift to risk-based. Everything is now subjective. And so what banks are looking at, if you look at it from the standpoint of the bank, and I am not here to support banks or represent banks; what they are told is, you not only look at your customer, but you also look at where the money is going—to geography.

So as your colleague indicated before, if you look at hot spots, as he mentioned, banks are going to say, wait, there is more risk, not only because it is a hot spot, but there are customers who—many customers who may be semi-anonymous or sending money to a hot spot. Therefore, the regulators are going to say, what enhanced due diligence are you doing, bank? And the bank is going to say, well, what can we do? It is going to a hot spot, of which there are many.

And I am not sure how you solve that dilemma, except if you go back to—how do you give the bank some sort of protection? And that is what this all comes back to, I think, which is why, again, Mrs. Maloney has not pushed me to say this, but it is really true. Her bill was the perfect response to this.

Mr. SULEIMAN. I would like to add that we at the Somali-American Money Transmitters Association—this affected us more than any other money transmitter companies out there. And we are right now in a dead-end where all the banks have ceased to do business with us—all over. We are using only very, very few of the smallest small banks and credit unions right now in all States. And I ask you to take a hard look at this issue, particularly with Somali-Americans.

Mr. GRIMM. My time has expired. I yield back.

Mr. RENACCI. Thank you, Mr. Grimm.

I recognize Mr. Ellison for 5 minutes.

Mr. ELLISON. Thank you, Mr. Chairman.

First, I would like to ask for unanimous consent to insert into the record letters from Oxfam and Adeso.

Mr. RENACCI. Without objection, it is so ordered.

Mr. ELLISON. My question is simply this: have there been any government enforcement actions against a financial institution, like a bank, that caused them to get out of the MSB business? My understanding is that there haven't been. Am I right?

Mr. SULEIMAN. I think so, yes.

Mr. ELLISON. It is not a trick question. The reason I ask the question that way is because I think that this situation that we are in as a system is to try to find ways to coax banks to do the MSB work. No one has told them not to do it. Nobody has been prosecuted. We haven't seen the big punch from the government. What we have seen is banks making an assessment of risk and coming to the conclusion it is too much; we have to back out. Am I right about that?

Ms. BORTNER. Congressman, I think that banks have a variety of ways that they interpret what their regulators are saying and it doesn't really take, on the bank side, an enforcement action, but

those conversations go on in a confidential manner in the exchange of information during the exams.

Mr. ELLISON. Right.

Ms. BORTNER. So I think that is—just because we have not seen—

Mr. ELLISON. Right. And I can see how you could think that I am trying to catch somebody. I am not trying to cross-examine you. I am just trying to ascertain that this is a bank assessment of its risk and a decision it has made. So therefore, if government can affect the situation, it is going to have to do something to create greater comfort. Can you agree with that?

Ms. BORTNER. That is fair.

Mr. ELLISON. So if that is true—let me just share a quick anecdote with my limited time. A banker whom I cannot name contacted me and told me confidentially—they didn't tell me this confidentially, they wanted their identity to be confidential, they said—look, I am a big banker in town. I have 60 people working on the Bank Secrecy Act and the Patriot Act compliance. They are not making minimum wage, okay? We are talking about accountants, compliance personnel, lawyers.

I guess my question is—complying—the regulations might be perfectly legitimate. I am not questioning the value of the regulations, but they are expensive. Is this a fair statement? Yes or no.

Mr. DALY. Congressman, yes. We—Western Union—spend about $40 million a year and have about 400 people dedicated to our AML compliance function, which we consider one of the most critical functions that we provide.

Mr. ELLISON. Is one of the reasons you expend that kind of money because of the risk of civil and even maybe criminal penalties if the regulations are not fully complied with? Do you expend that kind of money because you are trying to prevent an even greater harm, which could be civil penalties or maybe even criminal penalties if you don't have full compliance?

Mr. DALY. Actually, Congressman, it is a good question. But from Western Union's perspective, we spend the money to try and make sure bad people—whether or not they are terrorists—don't use our services. It is a challenging—

Mr. ELLISON. Mr. Daly, thank you for responding. And forgive my jumping in here, because they only give us 5 minutes, and I want to make sure that my colleagues get a chance.

So you are doing it to protect the American public. But I guess here is my root question: We have had the Bank Secrecy Act and the Patriot Act in place for a while. Are there ways to consolidate or maybe even repeal without risking any of the protections that are in place right now? I guess I am asking, can we do what we need to do, which is to protect the American public, less expensively by consolidating regulation; maybe even by eliminating some that we thought would be helpful, but maybe experience has shown aren't necessary, but still cost money?

Mr. DALY. Congressman, that is a very good question. And we have thought about it. On the AML front, I don't know that there is anything I would change.

I think the greatest potential for savings from our perspective is the kind of thing we have talked about, which is the increased con-

solidation of the exam process and other regulatory structures. In fact, in the past, we have testified in support of a Federal license for money transmitters. So uniformity at some level is what I think would lead to the greater cost savings.

Mr. ELLISON. I am out of time. Let me thank all the panelists, particularly Mr. Suleiman. I appreciate all your work.

Mr. RENACCI. Thank you, Mr. Ellison. I want to recognize Mr. Fincher for 5 minutes.

Mr. FINCHER. Thank you, Mr. Chairman.

Ms. Bortner, I have a question for you. I thank the panel, also, for being with us today.

The manufactured housing industry is big in our State. And in your testimony, you talked about the SAFE Act a lot. There seems to be some confusion about some of the language in the SAFE Act. And in the manufactured housing industry at home, some of the customers are having some issues getting capital. Can you comment on maybe some of the confusion or clarification in the SAFE Act in moving forward on the State level or back to what I am alluding to?

Ms. BORTNER. Congressman, I think we have tried to work with our manufactured housing folks in our State, in the State of Washington, to clarify when we expect licensing and when we don't expect licensing. And we work with them on seller financing and whether or not they would be required to license.

I think you would find that if you talk to the manufactured housing folks in Washington, they would be pleased as to how we have enforced the SAFE Act when necessary, and backed off away from the SAFE Act when we haven't thought it was necessary—and still enforcing the SAFE Act, but interpreting it in a way that is consistent with protection of consumers in that arena.

Mr. FINCHER. I guess what I am getting at is that maybe the interpretation or maybe misinterpretation from different States to others. Do you think there is something that needs to be done at the Federal level to make sure that we are all following the same statute?

Ms. BORTNER. Congressman, since I haven't heard any of the complaints from any of our manufactured home providers, I don't really know how to answer that question.

Mr. FINCHER. Okay. Thank you. I yield back.

Mr. RENACCI. Thank you, Mr. Fincher.

I recognize Mr. Green for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman. I thank the ranking member as well. Thank you for allowing me to be a part of the hearing. I serve on the full committee, but I am not a part of this subcommittee, so thank you.

Let me start with my friend from Somalia. Thank you for appearing. I appreciate some of the great difficulties your country is contending with. These are difficult times. And my hope is that we will be able to do as much as we can to assist you, not only with this issue but many other issues.

And I am a believer in the notion that when you cannot do enough, and we may not be able to do enough, you should do all that you can. And I think this government has demonstrated a

willingness to do all that it can and I hope that we will continue to do this.

Now, with reference to this specific issue, it appears to me that some of the concern emanates from the notion that, candidly, banks don't want to do a lot of policing. They don't get in the business of banking to do policing. So they just really—they understand the necessity. They understand that we don't want to in any way promote, promulgate money laundering, but banks don't want to be in the business of policing if they can avoid it, just as doctors, by the way, don't want to get in the business of policing certain things that we assign them to police.

Given that this is something that they don't find a great comfort zone with, they do it because it is patriotic to do so. The law requires it, so they want to be patriotic and they want to follow the law. My suspicion is that your business—you didn't get into the business of transference of money remittances to try to police some other things, but you understand it is something you have to do.

So now, with this degree of reluctance, the question for me becomes, first of all, how do we establish a greater comfort zone for the industry, so that they understand that this is really not about overregulation? Because I know that there is this belief that we push too hard; we impose too many regulations. We are trying as best we can to protect the country so that we can continue to engage in the business that makes the country as vibrant as it is.

Is just saying to you, that we want to help you, enough? What do we have to do to help businesses understand that we are not really antithetical to business? And I say this as it relates to both sides of the aisle, because my suspicion is that when we produce things that business doesn't see as exactly beneficial, they don't just look at one side of the aisle. They say that the Congress is doing this.

Is the bill that Mrs. Maloney has going to give you the comfort that you are looking for? I have heard one person comment, I believe—Mr. Levine, did you comment on it? Does that bill give you the comfort zone that you are looking for? Maybe it is not perfect. But does it help you to the extent that you will feel comfortable moving forward?

Mr. Levine?

Mr. SULEIMAN. Thank you, Congressman. We as Somali-Americans are well aware of the generosity of the American government and the American people towards Somalia, which is unwavering. We do appreciate that. I am here as a Somali-American to appreciate it—the American government and the American people to help—the support in Somalia.

To go back to your question—yes, I do believe that Ranking Member Maloney's bill is a good start.

Mr. GREEN. Let me just intercede, because I have 31 seconds left.

Mr. Levine would you kindly give a yea or a nay, as to the Maloney bill?

Mr. LEVINE. Yea.

Mr. GREEN. Let me just go right on down the line.

Madam, I am sorry, I can't read your name from here. Ms. Bortner—is that correct?

Ms. BORTNER. Yes. I don't think the organization has taken a position on the bill, but from what I read of it, personally, it looks like it is a good step.

Mr. GREEN. Thank you. I appreciate your answer.

Yes, sir. If you would—Mr. Daly?

Mr. DALY. Yes, Congressman. As I indicated earlier, Western Union is not directly impacted by the bank account closure issue, but many of our agents are, so we have supported the Maloney bill in the past.

Mr. GREEN. Thank you very much. I yield back any time that I have left. And I thank you, Mrs. Maloney, as well.

Mr. RENACCI. Thank you, Mr. Green.

And I want to thank the panel and all the witnesses for their testimony today. The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for Members to submit written questions to these witnesses and to place their responses in the record.

This hearing is adjourned.

[Whereupon, at 11:02 a.m., the hearing was adjourned.]

A P P E N D I X

June 21, 2012

Representative Keith Ellison (MN-05)

Opening Statement

Thank you, Chairman Bachus, Chairman Capito, Vice Chairman Renacci and Ranking Member Maloney, for holding this hearing. I appreciate your long-standing and continued commitment to allow American citizens to send remittances to their loved ones abroad. I ask unanimous consent to include a statement by Oxfam America and African Development Solutions into the record.

The issue of Somali remittances is particularly important to my constituents. In Minneapolis, Somalia is not a foreign policy issue. It is a local issue. My district includes more Somali-Americans than any other. What happens in Somalia affects my constituents directly. Nearly all of them came to Minnesota as refugees. They regularly send home money to their loved ones, who depend on it for their survival. Yes, their survival! Americans sent almost $400 million to Somalia last year. Global remittances account for one-third of the GDP of Somalia.

While this would seem to be a simple issue – sending money somewhere else – it is complicated by the fact that Somalia is a failed nation. It has no functional government, it has no functional financial system, and Al-Shabaab, a terrorist organization, controls large swaths of the country. This is the environment that regular Somali people live in.

Remittances to Somalia are also complicated on the U.S. side. Banks that host accounts for MSBs must comply with both the Bank Secrecy Act and sanctions overseen by the Office of Foreign Assets Control. Many banks have terminated their accounts with Somali MSBs in recent years because they consider them too costly (given the regulatory compliance they require) or too risky. The Department of Justice has successfully prosecuted almost two dozen individuals in the U.S. who nefariously sent money to Al Shabbab. I am interested in learning whether all elements of the Bank Secrecy Act are necessary or if there are some that might be changed to ease remittances without sacrificing the ability to prosecute terrorism financiers.

The fear of criminal prosecution has led Sunrise Bank, Wells Fargo and other banks to terminate their accounts with Somali MSBs. Fewer than 20 banks in the United States now host these accounts. Thankfully, other sources of partners appeared since their announcement at the end of 2011, but the situation remains precarious.

My staff and I have talked to nearly every relevant industry group and regulator to learn how we can strike the right balance between the safe flow of humanitarian remittances and the need to combat terrorism financing. I refuse to believe we can't do both. We do not want to see bank officials prosecuted for processing humanitarian remittances in good faith. Nor do we want to enable a few bad actors to abuse the system.

I'm grateful to the Chairman and his staff for working to ameliorate the disruption of MSBs nationwide.

I look forward to today's hearing to enlighten us about how to improve the balance between assisting desperate people and avoiding financing people intent on destruction.

TESTIMONY OF

DEBORAH BORTNER

DIRECTOR OF CONSUMER SERVICES

WASHINGTON STATE DEPARTMENT OF FINANCIAL INSTITUTIONS

On behalf of the

CONFERENCE OF STATE BANK SUPERVISORS

On

SAFE AND FAIR SUPERVISION OF MONEY SERVICES BUSINESSES

Before the

FINANCIAL INSTITUTIONS AND CONSUMER CREDIT SUBCOMMITTEE

COMMITTEE ON FINANCIAL SERVICES

UNITED STATES HOUSE OF REPRESENTATIVES

Thursday, June 21, 2012, 9:30 a.m.

Room 2128 Rayburn House Office Building

INTRODUCTION

Good morning, Chairman Capito, Ranking Member Maloney, and distinguished Members of the Subcommittee. My name is Deborah Bortner, and I serve as the Director of Consumer Services at the Washington State Department of Financial Institutions. The Washington State Department of Financial Institutions (DFI) regulates a variety of bank and non-bank financial institutions licensed or chartered in Washington State. As Director of Consumer Services, I lead the Division within DFI responsible for the regulation of money transmitters, check cashers and sellers (including payday lenders), mortgage brokers, mortgage bankers, loan servicers, consumer loan companies, and independent escrow companies. In addition to serving the State of Washington, I serve on the Board of Directors for the Money Transmitter Regulators Association (MTRA), the State Regulatory Registry (SRR) Board of Managers, and recently completed a term as Ombudsman of the Nationwide Mortgage Licensing System and Registry (NMLS or System).

It is my pleasure to testify before you today on behalf of the Conference of State Bank Supervisors (CSBS). CSBS is the nationwide organization of banking regulators from all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. State banking regulators supervise over 5,400 state-chartered banks. Further, most state banking departments also regulate a variety of non-bank financial services providers, including mortgage lenders and money services businesses (MSBs). For more than a century, CSBS has given state supervisors a national forum to coordinate supervision of their regulated entities and to develop regulatory policy. CSBS also provides training to state banking and financial regulators and represents its members before Congress and the federal financial regulatory agencies.

I thank you, Chairman Capito, and the Members of the Subcommittee, for holding this hearing on money services businesses. The states are no strangers to policy structures that balance federal standards and state flexibility to achieve broad yet responsive regulation and supervision. This paradigm has existed in various areas of financial regulation, including banking and mortgage, for many years. I appreciate the opportunity to discuss the applicability of these models to regulation of money services businesses and to provide an overview of state MSB regulation.

STATE REGULATION AND SUPERVISION OF MONEY SERVICES BUSINESSES

States have long recognized the importance of ensuring the transfer of money occurs in a safe and transparent manner. Money transfers involve an intricate system of business-to-consumer and business-to-business relationships, both of which are overseen by state regulators to ensure there is accountability at each stage of a money transfer. The distribution of money is a highly personal transaction for consumers, and the contractual relationships between businesses must not interfere with basic consumer protections, while still ensuring appropriate recourse between parties. These relationships are perfect examples of the nexus of the states' interest: consumers must be protected, businesses must operate in a safe and sound manner, and those who commit crimes must be brought to justice.

State MSB Regulation

The federal term "MSB" encompasses several financial services and products including money orders, travelers checks, check cashing, currency exchange, currency dealing, prepaid access cards and most notably, money transmission. States have regulated MSBs for decades and virtually all states require licensing of MSBs. The licensing of an MSB typically requires

the submission of personal background information on directors and officers, financial statements, surety bonds, company policies, Bank Secrecy Act (BSA) policies, as well as proof of registration as an MSB with the Financial Crimes Enforcement Network (FinCEN), if appropriate.

The majority of states who license MSBs also conduct periodic on-site examinations of MSBs. These exams are generally on an 18- to 24-month cycle and are based on risk assessments performed by regulators. These exams cover several areas, including BSA and Anti-Money Laundering (AML) compliance, adherence to reporting and recordkeeping requirements, compliance with FinCEN registration requirements, principal oversight of agents, and compliance with capital, surety bond and permissible investment requirements.

In addition to regulation and supervision of business practices, requirements on the front-end of MSB transactions are used to increase transparency for consumers. Through disclosure requirements like refund notices and mandated receipts, consumers are made aware of the money transmission process and their recourse in the event of a failed transmission before and after the money transfer occurs.

Multi-State Supervision

As in other regulated financial industries, state regulators actively work together to reduce regulatory burden and increase regulatory efficiency through coordinated MSB examinations.

Multi-state exams have a "lead state," which serves as a central point of contact. The lead state coordinates document and information requests and acts as a repository for documentation to help minimize duplicative document requests. As in the case of an exam conducted by a single state, multi-state exams include analysis of the money transmitter's

financial condition, adherence to state regulatory requirements, and compliance with the Bank Secrecy Act. MSB examination standards and objectives share certain similarities with depository institutions examinations, including a review of financial strength, operational effectiveness, asset quality, as well as transmission volume.

Both CSBS and MTRA play an active role in facilitating this multi-state process. A sister organization of CSBS, MTRA is a membership organization consisting of state regulatory authorities in charge of regulating money transmitters and sellers of travelers checks, money orders, and prepaid access cards. MTRA formed the foundation for multi-state MSB efforts by executing the Money Transmitter Regulators Cooperative Agreement in 2002[1] and the MTRA Examination Protocol in 2010, which 46 states have signed. These documents set up the framework the states use to coordinate MSB examinations and share information, minimizing regulatory burden on supervised entities and conserving regulatory resources. The MTRA Agreement developed the beginning steps in coordinated regulatory oversight by promoting concurrent and joint examinations between states. The Protocol provides a process for examinations, including examination schedules, work programs and reports designed to increase effectiveness and reduce regulatory burden.

To continue to improve multi-state supervision, the states are enhancing the scope and expanding the scale of the 2002 MTRA Cooperative Agreement and the 2010 MTRA Examination Protocol through the CSBS-MTRA Nationwide Cooperative Agreement for MSB Supervision and the Protocol for Performing Multi-State Examinations (Agreement and Protocol).[2] The enhanced Agreement and Protocol are designed to promote a framework of

[1] The MTRA Cooperative Agreement can be found at http://www.mtraweb.org/coop_agr.shtm.
[2] The Agreement can be found at http://www.csbs.org/regulatory/Cooperative-Agreements/Documents/MSB/MSB-CooperativeAgreement010512clean.pdf; the Protocol can be found at http://www.csbs.org/regulatory/Cooperative-Agreements/Documents/MSB/MSB-Protocol010512.pdf.

coordination and consistency while ensuring regulatory requirements are met and burden is reduced for industry. To do so, the Agreement and Protocol outline how states will work together to examine for consumer protection and safety and soundness requirements in an efficient manner for both the states and supervised entities. The Agreement also establishes the Multi-State MSB Examination Taskforce (MMET) to enhance supervision of multi-state MSBs. The Protocol also provides guidelines on joint examination schedules and reports, as well as the development of a supervisory program that is tailored to the MSB's risk profile. As discussed below, the Agreement and Protocol, including the creation of the MMET, have been informed by the state mortgage regulators' efforts to improve supervision of multi-state mortgage companies. Although CSBS only began seeking state signatures for the enhanced Agreement and Protocol in March, 34 states have already signed, providing a significant start to this important effort in supervisory coordination.

State-Federal Coordination

The states, FinCEN, and the Internal Revenue Service (IRS) work together to ensure that the requirements of the Bank Secrecy Act are met. This includes concurrent examination responsibilities and efforts by the IRS and MTRA to coordinate examination schedules to reduce duplication and redundancy. Additionally, state-federal coordination on MSB regulation has included efforts such as:

- The issuance of the 2008 Bank Secrecy Act/Anti-Money Laundering Examination Manual for MSBs that was a collaborative effort of FinCEN, IRS, state agencies, CSBS and MTRA;
- Nationwide training jointly provided by state and IRS examiners on the BSA/AML Examination Manual for MSBs;

- Jointly developed exam procedures and processes that are utilized by state and IRS examiners during concurrent examinations; and
- Quarterly calls between the IRS and state regulators to discuss current initiatives, supervisory issues, and training needs.

This collaborative framework has worked well, though going forward, decisions made at the federal level could strain states' ability to implement crucial federal policies. In the past, the Administration has proposed de-funding state access to WebCBRS, a system that provides federal and state regulators with access to crucial BSA data. The states and CSBS expressed concern about this proposal and we were pleased when Congress rejected the idea during last year's appropriations process.

More recently, the Administration has proposed that FinCEN rely more on state MSB examinations with no corresponding proposal for federal enhancement to the state supervisory process. While the states are committed to a robust system of supervision and active coordination with our federal counterparts, Congress must thoroughly assess where expectations exceed the consensus of established programs and reassess the means by which agreed expectations are to be achieved.

STATE MORTGAGE REGULATION

Based on state regulators' experience in mortgage regulation and supervision, we have seen the benefits of coordination, common standards, and a nationwide regulatory infrastructure. While state mortgage and MSB supervision have each evolved over the past several years, the mortgage arena has seen a new federal presence that has helped bring greater focus to certain components of the mortgage regulatory structure.

Well over a decade ago, state mortgage regulators recognized the need to work together to enhance supervision of the non-depository residential mortgage industry. State regulators, individually and through CSBS and the American Association of Residential Mortgage Regulators (AARMR), have worked diligently and in an unprecedented manner to create a regulatory framework that can support a diverse system of mortgage origination, while still ensuring safety and soundness and consumer protection.

Development and Launch of NMLS

The NMLS is a web-based application that enables state-licensed mortgage lenders, mortgage brokers, and loan originators to apply for, amend, update or renew licenses online using a single set of uniform applications. State mortgage regulators began development of NMLS in 2005 with the goal of unifying state mortgage supervision in a single system that allows regulators to better coordinate regulation and provide the industry a more uniform licensing process. Further, subsequent to passage of the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act), NMLS is the system through which federally regulated depository institutions and subsidiaries register their mortgage loan originators (MLOs). NMLS benefits industry and regulatory users by providing efficiency, uniformity, transparency, and enhanced supervision across state lines and organizational charter types. As of April 2012, NMLS has been enhanced to accommodate the licensing of non-mortgage, state-regulated financial industries, including consumer lending, debt collection, and money services businesses.

The Secure and Fair Enforcement for Mortgage Licensing Act of 2008

At its launch, NMLS was a voluntary state initiative. Subsequently, Congress, through the leadership of Chairman Bachus, embraced and codified the system into federal law through

the Secure and Fair Enforcement for Mortgage Licensing Act of 2008, creating an integrated and comprehensive state-federal approach to licensing and registering mortgage lending professionals. By calling on all states to adopt robust and largely uniform licensing standards for state-licensed MLOs, the SAFE Act created a coordinated system of state-federal mortgage supervision that combines the strength of local regulation with nationally uniform minimum professional standards. The SAFE Act's additional requirement of registration of federally regulated MLOs further strengthens the overall mortgage regulatory structure.

After the SAFE Act's enactment, state regulators quickly went to work to implement the law, including development of a model state law to execute the mandates of the SAFE Act in a uniform manner. Within 18 months of the passage of the SAFE Act, 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands had all passed legislation to bring their laws into compliance with the SAFE Act. By the end of 2011, all states had transitioned their licensed MLOs onto NMLS. This rapid and uniform implementation of a law by so many states was significant and demonstrates the commitment and dedication of state officials and state legislatures to enhance supervision of the mortgage industry.

One of the main objectives of the SAFE Act was to expand a then state-only initiative into a comprehensive regime covering all MLOs. To that end, federally regulated MLOs began registering with NMLS on January 31, 2011. This event was the culmination of well over a year's worth of close cooperation between CSBS and the federal banking agencies to modify NMLS in order to provide a system that allows both depositories and MLOs to efficiently meet the SAFE Act requirements for registration. All individuals who act as MLOs and are employed by depositories were required to be registered on NMLS by July 29, 2011 in order to conduct those activities.

NMLS Unique Identifier Number

A significant element introduced by NMLS is the NMLS Unique Identifier. As a single system of record shared by separate and sovereign state regulators, NMLS assigns each mortgage company, each branch, and each MLO a unique identification number that can be used to track that company, branch, and individual across states and over time. The NMLS Unique Identifier is also assigned to federally regulated depository institutions and mortgage loan originators, thus allowing each loan originator to have a single, seamless record, regardless of where he or she works or how he or she is regulated. The NMLS Unique Identifier assists in coordination of state oversight and provides the opportunity for investors and the secondary market to develop better metrics of loan originations and loan performance.

The Federal Housing Finance Agency requires Fannie Mae and Freddie Mac to collect the NMLS Unique Identifier for each loan they purchase. Similarly, the Federal Housing Administration requires the NMLS Unique Identifier for all mortgage loans submitted for insurance. This relatively quick adoption of the NMLS Unique ID by mortgage investors and insurers is a testament to the rapid and uniform adoption of NMLS by state agencies.

Mortgage Call Report

State regulators and Congress also recognized the value of uniform financial and activity data across state lines. As a result, the Mortgage Call Report now collects quarterly mortgage activity and financial data from all state-licensed companies. Launched in May 2011, the Mortgage Call Report provides a blueprint of the non-depository mortgage industry while simultaneously reducing burden on the industry. As a result of this initiative, some states have reduced regulatory burden by eliminating their unique annual state reports because the Mortgage Call Report collects sufficient information to satisfy their reporting needs. This information is

also a crucial tool for risk-scoping individual institutions and understanding broader industry trends.

NMLS Expansion

In developing the System, state regulators contemplated using NMLS to license and regulate mortgage providers as well as other non-depository financial services industries. Once the mortgage entities were in the final stages of transitioning onto NMLS, state regulators began the process of expanding System functionality to license other non-mortgage financial services industry entities through NMLS. In fact, due to the broad definition of some state license types, some non-mortgage financial service providers were already using NMLS to become licensed with a state.

The goal of expansion is to bring regulatory efficiencies and improved oversight to other financial service industries regulated by the states, including money transmitters, check cashers, payday lenders, debt collectors, debt management companies, small loan lenders, and auto finance lenders. During 2012, 12 state agencies are transitioning onto NMLS with 40 non-mortgage license types. An additional nine state agencies are planning to transition 17 license types onto NMLS in 2013.

In several states, these expanded license types include MSBs. As of today, 16 states have committed to using the NMLS to manage their MSB licenses by the end of 2013. Improvements to NMLS to accommodate the management of a broad range of licensees will continue to be made over the coming years as additional state agencies transition new types of licensees onto the System. For example, state regulators are currently working on functionality that will allow money transmitters to submit information regarding authorized delegates to the appropriate state regulators through NMLS.

State participation in NMLS for the expansion industries is voluntary. NMLS participation by most states will require law or regulation changes, but through the work of several state working groups and collaborative efforts with regulated industries, expansion industry participants will be able to satisfy their licensing requirements through NMLS. The transition process has included – and will continue to include – extensive industry outreach aimed at ensuring that the System and licensing structure meet policy goals while minimizing regulatory burden.

Facilitating Information Sharing

NMLS serves as a common system of record for state regulators and as a platform for regulatory coordination and collaboration. The SAFE Act helped facilitate this by providing that information entered into the System – and subsequently shared among mortgage regulators – retains any privilege and/or confidentiality otherwise conferred by state or federal law.[3] With the expansion of the NMLS beyond the mortgage arena, CSBS believes it is important that regulated entities beyond the mortgage industry continue to have the confidence that information protected under state or federal laws as confidential and/or privileged retain those protections when shared with and among state and federal regulators.

This Committee's work on H.R. 4014 is one step in that direction. Designed to amend the Federal Deposit Insurance Act with respect to information provided to the Consumer Financial Protection Bureau (CFPB), H.R. 4014 provides that any information given to the CFPB retains privilege in the same manner as information provided to banking regulators. However, more needs to be done. CSBS supports efforts to ensure that the protections in H.R. 4014 encompass information provided to any state regulator who may be sharing information about any regulated entity that falls within the purview of the CFPB. States will continue to expand the

[3] See 12 U.S.C. § 5111.

use of the NMLS through state law and regulation, and appropriate assurances in federal law regarding the protection of privileged and/or confidential information would cement this policy decision.

SUPERVISION OF MULTI-STATE MORTGAGE COMPANIES

State mortgage regulators have used NMLS and the SAFE Act as parts of a larger effort to create a framework for comprehensive and consistent mortgage supervision. However, this framework still relies on regulators to utilize this regulatory apparatus to supervise and regulate the industry effectively. States have long utilized our proximity to the entities we supervise to identify emerging trends and take actions when necessary.

As in the MSB arena, state mortgage regulators have recognized a need to create more coordinated supervision. While regulatory coordination on multi-state entities was not new to either MSB or mortgage regulators, the housing crisis accelerated aspects of this coordination in the mortgage world. To that end, in 2008 CSBS and AARMR established the Multi-State Mortgage Committee (MMC) to serve as the coordinating body for examination and supervision of multi-state mortgage entities by state mortgage regulators.

The MMC is tasked with developing examination processes that will assist in protecting consumers from mortgage fraud; ensuring the safety and soundness of multi-state mortgage entities; supervising and examining in an integrated, flexible and risk-focused manner; minimizing regulatory burden and expense; and fostering consistency, coordination and communication among state regulators. The MMC is made up of mortgage regulators from 10 states and represents all states' mortgage supervision interests under the CSBS-AARMR Nationwide Cooperative Agreement for Mortgage Supervision. In a similar manner, the CSBS-

MTRA Agreement and Protocol establishes the MMET as the oversight body for multi-state supervision of the MSBs.

The ability to pool resources and the resulting increase in consistency and coordination benefits both the state banking departments and the regulated entities. States have recognized this through the work of the MMC and multi-state efforts in the MSB arena, and we are confident this approach has the proper balance of efficiency and local regulation. These efficiencies also carry through to coordination with federal regulators. The newly created CFPB has a mandate to coordinate with state regulators in carrying out its responsibilities. Existing infrastructures such as the MMC and MMET help states engage and coordinate efficiently in supervisory efforts with the CFPB.

ENHANCING MSB REGULATION

As demonstrated by state participation in the earlier MTRA Cooperative Agreement and Protocol, the more recent CSBS-MTRA Nationwide Cooperative Agreement for MSB Supervision and Protocol for Performing Multi-State Examinations, and by ongoing collaborative efforts between state regulators and IRS and FinCEN, enhanced state coordination benefits regulators and regulated entities alike. MSBs are local in touch and national in scale, so state and federal regulators must work together to ensure effective and consistent supervision. The evolution of state mortgage regulation, when layered with the SAFE Act, has shown that uniform infrastructure and federal policy can support – not supplant – local governance and oversight. Combined state-federal regulatory regimes that include clear and appropriately calibrated incentives can promote consistent and comprehensive regulation without losing the benefits of states' "on the ground" perspective.

Infrastructure has proven to be a crucial tool to support enhanced coordination efforts. Congress recognized it when it codified NMLS into federal law as a system of record for state licensing authorities and for federally registered mortgage loan originators. In addition to greater uniformity and more comprehensive regulation, having a single system that serves as a data repository, a licensing system, and that assigns each regulated entity a unique identification number that stays with that regulated entity has brought about an increase in regulatory and industry transparency and accountability. States that have decided to use NMLS as part of the MSB regulatory regime have already made the decision that NMLS can bring the same efficiency and enhanced uniformity to MSB supervision.

CONCLUSION

The challenge for policymakers – and for the regulators who implement their policies – is to create a regulatory framework that ensures industry professionalism, industry and regulatory accountability, and the proper alignment of incentives, all while avoiding unnecessary regulatory burden. For state regulators, policies and approaches that encourage regulatory collaboration and coordination and that support regulatory innovation have been vital to striking this balance.

Thank you for the opportunity to testify before you today. I look forward to answering any questions you may have.

Testimony of
Mr. Timothy P. Daly
Senior Vice President, Global Public Policy
The Western Union Company

Submitted to the

United States House of Representatives
Financial Services Subcommittee on
Financial Institutions and Consumer Credits

Hearing on the Regulation of Money Services Businesses

June 21, 2012

Good morning, Chairwoman Capito, Ranking Member Maloney, and members of the Subcommittee. My name is Tim Daly, and I am Senior Vice President for Global Public Policy for Western Union. I am pleased to be here today to discuss the regulatory environment for money services businesses.

Western Union is a leader in global payment services. Since 1871, Western Union has provided consumers and businesses with fast, reliable and convenient ways to send and receive money around the world, as well as send payments and purchase money orders. Today Western Union operates from approximately 500,000 locations in 200 countries and territories around the world. In 2011, Western Union completed 226 million consumer-to-consumer transactions worldwide, moving $81 billion of principal between consumers, and 425 million business payments.

The regulation of money services businesses is an area of particular interest and concern to Western Union, and we are glad to have the opportunity to share our perspective. As a large, geographically diverse business, Western Union operates in a complex and sometimes cumbersome regulatory environment that involves a multitude of state and federal laws and regulations here in the U.S., as well as abroad. We support efforts to streamline this process and improve the consistency of application and enforcement of laws governing our operations.

The Current Regulatory Environment

Western Union and other money transmitters are licensed by the individual states in which they do business. States are responsible for the day-to-day regulatory supervision and oversight of money transmitters.

State licensing laws seek to ensure the safety and soundness of money transmitters, and impose a high degree of regulation on licensed entities. To monitor and enforce compliance with these requirements, states conduct regular on-site examinations of money transmitters, generally through the state banking department or the state department of financial institutions. These examinations review financial condition, check for regulatory compliance, and monitor the maintenance of financial reserves. They are similar in scope and purpose to the examinations conducted at state-chartered banks.

Western Union, with locations in all 50 states and several U.S. territories, is subject to examination by each state in which it is licensed, including examination for money laundering compliance. We are currently licensed and regulated by 48 states, the District of Columbia, and several United States territories. In 2011, Western Union was examined by 11 state banking departments.

In addition to these state laws and regulations, money transmitters are also governed by federal statutes and regulations, including the Bank Secrecy Act (BSA), the USA Patriot Act, and the sanctions administered by the Treasury's Office of Foreign Assets Control, among

others. Money transmitters must register every two years with the Financial Crimes Enforcement Network (FinCEN), an agency of the Department of the Treasury. As of December 19, 2011, 38,633 money services businesses have registered with FinCEN. Western Union is subject to regulatory oversight by FinCEN and examination by the Internal Revenue Service (IRS). Both FinCEN and the IRS have enforcement authority over Western Union's compliance with BSA requirements.

A welcome development over the past several years has been the enactment of memoranda of understanding (MOUs) among the IRS, FinCEN and the state banking departments to share information and resources in the examinations of money transmitters whose operations cross state lines. With these MOUs in place, state examiners can monitor and enforce compliance with the Bank Secrecy Act and other federal anti-money laundering laws, as well as examining for safety and soundness. FinCEN retains its authority over the legal and practical interpretation of the Bank Secrecy Act, which should ensure uniform application of BSA requirements and standards. The IRS, FinCEN and state regulators have agreed on a joint examination manual for money transmitters that focuses on BSA compliance issues.

The states have also entered into agreements with each other to coordinate and consolidate examinations of money transmitters on an interstate basis. Under these agreements, teams of examiners from several states participate in a coordinated examination, with one state agency serving as lead. To date, Western Union's experience with these multi-state examination teams has been positive, and we support the continuation of this effort to coordinate and consolidate supervision across state lines.

Further Improvements to Money Transmitter Regulation

Recent developments in money transmitter regulation have been positive for both consumers and regulated entities, as examinations of multi-state organization have grown more efficient, effective and consistent. However, room for improvement remains.

Given the current regulatory structure for money transmitters, Western Union agrees that state examinations are the most effective means of monitoring BSA compliance. Without coordination, however, the sheer number of regulatory authorities Western Union must work with creates opportunities for confusion, conflict, inconsistency and unnecessary duplication of effort. We urge continued work toward uniform application of the Bank Secrecy Act and other relevant federal laws, and the continued coordination of state examinations and enforcement activities.

The Money Transmitter Regulators Association (MTRA) is hard at work on joint examination protocols for consolidated multi-state examinations, in which a lead state would have the authority to act on behalf of up to 10 other states.

Beyond this effort, which we strongly support, we are pleased about the development of a pilot program that would adapt the National Mortgage Licensing System (NMLS) to cover state licensing of money transmitters, as well. This program, if implemented, would allow applicants for money transmitter licenses to submit their data to a single point of contact, which would then make that information available to states for download. States would still make their own

decisions about whether to award a license, but this system would eliminate duplication of effort and opportunities for error. We see great advantages to adopting such a system, and would urge any changes at the federal level to accommodate and encourage its further development.

As the Committee considers further modernization of the regulatory structure for money transmitters, we ask that any new federal legislation advance and encourage coordinated, consolidated supervision between and among the relevant state and federal agencies, and provide regulated entities with certainty and consistency within the examination process. The innovations now underway offer great potential benefits to the public, to the relevant agencies, and to the industry, and we look forward to further developments. We ask the Committee to think carefully about how new initiatives might be funded, and balance the benefits of any new initiatives with their potential costs to consumers.

Western Union looks forward to continuing this discussion as we work together toward a more effective and efficient regulatory structure that protects our entire financial system. Thank you again for inviting Western Union to testify today. I look forward to answering any questions you may have.

Testimony of
Ezra C. Levine
on behalf of The Money Services Round Table

Submitted to the

United States House of Representatives
Financial Services Subcommittee on
Financial Institutions and Consumer Credit

Hearing on the Regulation of Non-Bank Money Transmitter-- Money Services Businesses

June 21, 2012

Good morning, Chairwoman Capito, Ranking Member Maloney, and members of the Subcommittee. I am Ezra Levine, Senior Of Counsel with the law firm of Morrison and Foerster, and counsel to The Money Services Round Table (TMSRT). I am pleased to have the opportunity to testify today on behalf of TMSRT on the supervision of money transmitter--Money Services Businesses (MSBs).

TMSRT was founded in 1988 as an information-sharing and advocacy group for the nation's leading non-bank money transmitters. Its members are Western Union, MoneyGram International, RIA, SIGUE, Integrated Payment Systems, and American Express. These companies provide electronic money transmission, payment instruments (e.g., money orders and travelers checks) and stored value card services. They are licensed in all states that have non-bank licensing laws — currently, 48 states plus the District of Columbia, Puerto Rico and the U.S. Virgin Islands — and are treated as financial institutions, money transmitters, within the category of MSB under the U.S. Bank Secrecy Act (BSA).

Since its founding, TMSRT has been active in the passage and implementation of more than 27 state licensing laws, and participates in the Treasury's Bank Secrecy Act Advisory Group. TMSRT comments on pertinent state and federal legislation and regulations involving safety and soundness and/or anti-money laundering/terrorist financing issues. TMSRT has for many years worked closely with the Money Transmitters Regulators Association (MTRA), the leading national organization of state non-bank money transmitter regulators, and the Conference of State Bank Supervisors (CSBS). TMSRT also participates at the Financial Action Task Force (FATF) on international anti-money laundering standards.

TMSRT's members operate in a complex regulatory environment. On the safety and soundness front, states, typically state banking departments, are the prudential regulator. Also,

non-bank transmitters, just like banks, are subject to the requirements of the BSA. Both the IRS and the states examine money transmitters for BSA compliance. For more than 20 years, TMSRT has been working toward a more coordinated, consistent regulatory structure for money transmitters, and we are pleased with the progress state regulators have begun to make under the leadership of the MTRA. We support continued efforts to streamline this process and improve the consistency of application and enforcement of laws governing money transmitters.

The Current Regulatory Environment

Money transmitters are licensed by the individual states in which they do business and these state regulators are responsible for their prudential supervision. To monitor and enforce compliance with license requirements, state banking departments conduct regular on-site examinations of money transmitter licensees to review financial condition and monitor financial reserves. These examinations are similar in scope and purpose to the examinations conducted at state-chartered banks. TMSRT's members, with sales outlet "agents" in all 50 states and several U.S. territories, are subject to examination by each state in which they are licensed, including examination for money laundering compliance, and this is the root of much redundancy.

State supervision of money transmitters took its first steps toward coordination and uniformity in the early 1990s with the development by the MTRA of its "model legislation outline," which served as the basis for new, more uniform and updated safety and soundness licensing laws in such states as Idaho, Tennessee, Maine, New Jersey, Minnesota, Hawaii, Wyoming, Kentucky, North and South Dakota, Indiana, and others. In 2000, the National Conference of Commissioners of Uniform State Laws (NCCUSL), building on what MTRA had

begun, promulgated its version of a model licensing law, which has been adopted in additional states such as Texas, Alaska, Vermont, and others.

Federal agencies, however, retain responsibility for enforcement and oversight of federal laws such as the BSA and the sanctions administered by the Treasury's Office of Foreign Assets Control.

In the 1990s, several states had begun to include BSA compliance as a component of the safety and soundness-focused onsite examinations, but the inclusion of a BSA component in the examinations became very common after September 11, 2001, and increasingly, TMSRT members were subject to multiple duplicative and uncoordinated onsite state examinations every month.

Approximately ten years ago, the IRS and FinCEN and the state banking departments entered into memoranda of understanding (MOUs) that allowed them to share information and responsibility necessary to conduct more effective BSA examinations. With these MOUs in place, state examiners can monitor and enforce compliance with the BSA, as an adjunct to examining for safety and soundness. FinCEN retains its authority over the interpretation of the BSA, which should help to ensure uniform application of the BSA. Moreover, in a very positive move in 2008, the IRS, FinCEN and state regulators, working together through the MTRA, adopted a comprehensive "Bank Secrecy Act/Anti Money Laundering Examination Manual for Money Services Businesses," which is currently being updated.

Separately, during the mid-2000s, a positive development occurred when the states, under the leadership of the MTRA, began to coordinate and streamline joint examinations of money transmitters and MTRA has been conducting examiner training schools to enhance examiner expertise. Under this approach, teams of examiners from several states participate in multi-state

examinations, with one state agency as lead. This initiative, to reduce the number of duplicate examinations, has as its goal a system in which a single lead state regulator performs only one routine examination for each licensee each year.

Money Transmitters and the Fight Against Money Laundering

The members of TMSRT have made it a priority to prevent, to the maximum extent practicable, their services from being used as conduits for illegal sums. Like banks, money transmitters may be targeted by money launderers who seek to exploit the world's financial system to facilitate criminal activities. To combat this threat, our members spend millions of dollars each year on risk-based anti-money laundering compliance programs, including educating independent sale outlet "agents" on their MSB responsibilities. In addition, TMSRT members forge strong relationships with law enforcement officials in the U.S. and throughout the world.

Further Improvements to Money Transmitters Regulation

Recent developments in money transmitter regulation have been positive for regulated entities, as examinations by multi-state regulator teams have blossomed. However, room for improvement remains.

It seems clear that state examinations will continue to be the most effective means of monitoring BSA compliance by money transmitters. However, without coordination, the number of regulatory exams creates the opportunity for inconsistency and duplication. To address these

issues, MTRA is hard at work promoting and fine-tuning the procedures for multi-state examinations of money transmitters. We strongly urge continued work toward uniform application of the BSA regulations and the continued coordination of state examinations and enforcement activities.

Beyond MTRA's efforts, we note that the Conference of State Bank Supervisors (CSBS) has launched a pilot program to adapt the National Mortgage Licensing System's (NMLS) computerized data system to allow for one step filing of state transmitter licenses and renewals. This program, if successful and if widely adopted, would allow money transmitter license applicants to submit data to a single point of contact, which would make the information available to participating states. States would still make their own decisions about whether to award a license, but this system would eliminate duplication of effort and opportunities for error.

The Money Services Round Table looks forward to continuing this discussion as we work together toward a more effective and efficient regulatory structure that protects our entire financial system. Thank you again for inviting us to testify today. I look forward to answering any questions you may have.

TESTIMONY OF

HERSI SULEIMAN
GENERAL MANAGER, AMAL USA, INC.

On behalf of the

SOMALI-AMERICAN MONEY TRANSMITTERS ASSOCIATION (SAMSA)

Before the

FINANCIAL INSTITUTIONS AND CONSUMER CREDIT SUBCOMMITTEE

COMMITTEE ON FINANCIAL SERVICES

UNITED STATES HOUSE OF REPRESENTATIVES

Thursday, June 21, 2012, 9:30 a.m.

Room 2128 Rayburn House Office Building

Thank you Chairman Capito and Ranking Member Maloney. I greatly appreciate the opportunity to testify here today.

On behalf of the Somali-American Money Transmitters Association (SAMSA), I would like to thank you for giving me the opportunity to address the dire issue of U.S. remittances to Somalia.

We sought your engagement because it is our firm conviction that solutions to our problems lie in amicable discussions and the sharing of information. We, as Somali-American-owned money transmission companies, have a problem. And it is a major problem that is posing an existential threat to our business and the livelihoods of entire communities. It is not new; we have been wrestling with it for the last several years, in the hope that we could solve it on our own. Unfortunately, we now believe that we have reached a nearly insurmountable dead end.

Our businesses are facing what is effectively a banking boycott due to excessive regulatory burden that banks have been subjected to from the U.S. Treasury. All the major banks, both state and national, as well as the majority of the smaller community banks, have ceased doing business with us. Nearly all of our existing accounts have been terminated. Bank accounts are vital to our operations, because they are the only viable way that primary companies can access the remittances collected by agents so they can be wired to paying agents. Without banking services, we cannot operate. This is what has forced our hand, and pushed us to bring this issue to your attention. At the end of this meeting, I pray you will understand our problem and work to find legislative solutions for it.

I would like to take a few minutes to better explain the problems we are facing.

First, I will provide a short summary of our business and its operations with a historical and contextual emphasis.

Second, I will highlight our flow of operations and how banking services are instrumental in the business of money transmission.

Third, I will explain the banking crisis we face.

Finally, I will proceed to the logical progression of the issue, and describe the negative impact of the banking crisis on our businesses and the livelihoods of our people.

The Somali-American Money Transmitters Association (SAMSA) consists of 14 money-transmitter companies, owned by Somali-Americans, that serve a large population of migrants mainly of East African descent. Most of these companies operate in multiple states, but many have their headquarters in Minnesota because of the state's vast numbers of Somali-Americans, Ethiopians and other people of African descent.

We serve migrants, legal residents and U.S. citizens; people who are mainly low-income earners, but who are hard-working, industrious and born with an entrepreneurial spirit. These are people who, despite their low income, are still generous enough to spare a little and remit it to poverty-stricken relatives back in their homeland. On average, they make monthly remittances that average $100-$200. These small remittances are what huge populations in East Africa survive on. Entire families and villages have only one precarious defense line between them and starvation; that is, the $100 they receive from a relative in the U.S. or Europe. If that link is severed, millions will be staring starvation in the eye.

We are law-abiding citizens of the United States of America, which gave us an opportunity to effectively express our industriousness. Our people may not be high-wage earners, but they are a proud people with an entrepreneurial spirit and a philanthropic culture.

The Somali-American Money Service Companies are licensed with all the necessary state and federal regulatory agencies. We go the extra mile to maintain a vigorous compliance with all the laws, including the Bank Secrecy Act and the Patriot Act. Believe me: these regulations and corresponding audits are not a piece of cake for small businesses like ours that operate on the smallest of profit margins that you can imagine. More often than not, our profits are dwarfed by operational costs, but we have to go on, because we are doing a community service, and quitting is not an option.

We are regularly audited by the relevant agencies, including the IRS, FINCEN, state examiners and even the few banks that still do business with us. State examiners conduct stringent, on-site audits, usually for at least a week, and they inspect every facet of our business. Believe me: they don't leave out one iota of our operations and procedures. The invoices we receive at the end of these audits cost a substantial amount of money.

Our companies are also required to conduct anti-money laundering independent reviews, which we comply with, and which are also expensive.

Despite all the difficulties we face, we work hard and score very well in these inspections, and that is how we keep our licenses. The financial and legal complications that would stem from an average grade will be more than enough to shut down any of our companies.

Our operations are simple. Our clients send money from our registered locations and agencies. These agents operate under strict credit limit controls, and they deposit their collections into a designated account. Company management accesses these accounts and promptly wires the funds to paying agents. It's a basic procedure, devoid of any complications, and mostly consists of just two or three steps.

This brings me to the crux of our problem, which is the difficulty we face in finding banks that will offer us accounts. Almost immediately after the tragic events of 9/11 and the subsequent laws that Congress passed, such as the Patriot Act, major banks started terminating their accounts with us. It started as a trickle, with Wells Fargo, U.S. Bank and then TCF. Unfortunately, that trickle has now become a torrent. Even banks that would very much like to continue offering us accounts have terminated them because they fear criminal prosecution for unknowingly facilitating the transactions of a few bad actors.

Other banks both locally and nationally have refused to do business with us, citing risk and regulatory burden from the federal government. For the past two to three years, the trend was almost farcical. Our members have been losing accounts on a monthly or even weekly basis.

The sad reality is that these banks are not shunning us due to regulatory compliance issues on our part. In most cases, we do not even get a reason for the bank's decision to terminate our accounts. We are given single-paragraph letters announcing the closure of our accounts. When we are lucky enough to receive a reason why, banks say it's because we are too "high risk." This is exasperating because we are not aware of any single bank that has incurred regulatory punitive action directly or indirectly because of our business.

We would appreciate it if banks gave us a single incident of violations of the regulatory procedures on our part. Otherwise, we don't know what else we could do to assure them of our compliance with all the necessary rules and regulations. It seems like the current regulatory framework is causing banks to decide that working with us is simply not worth it. This unintended consequence stands to affect the lives of millions of people in Somalia. For some, it could mean life or death.

That is an eventuality no one wants, especially in the context of a famine that has ravaged East Africa. Millions of our people are now living in abject poverty. Many have succumbed to an early death, and many more are barely clinging to life with the help of NGOs and foreign governments. Many more of these people are totally reliant on the remittances we facilitate. It may be a small decision for a bank to terminate our accounts, but the ramifications of that single decision can have horrific consequences in another part of the world. There are not many images as gut-wrenching as the televised suffering of the poor refugees in Kenya, Somalia and Ethiopia. These are the people we are helping feed and sustain. It would be a disaster for them but also for the United States if humanitarian assistance was cut off to that part of world.

We seek your help, as individuals and as institutions. We are legitimate businesses, licensed, compliant and American. We absolutely appreciate that regulatory measures are needed to stop those who would abuse the system. But we must strike the right balance between regulation and the free flow of business. Currently, that balance is off. We beg you to help us find a solution so American citizens can continue to support their loved ones in Somalia.

Thank you all, and may the Almighty bless you, and bless the United States of America.

Congressional Testimony

Safe and fair supervision of money service businesses

Written testimony submitted for the record to the House Sub-Committee on Financial Institutions and Consumer Credit

By Degan Ali – Executive Director
Adeso – African Development Solutions

June 21, 2012

Madam Chairman, Congresswoman Maloney and Members of the Committee, thank you for the opportunity to submit written testimony for the record today.

Adeso is a humanitarian and development organization who strongly believes that development must come from within, not outside African communities. We work hand-in-hand with communities to ensure that they can realize their full potential, and focus on building skills for life and work, reinvigorating local economies, delivering humanitarian aid, and influencing policy. Since 1991, we have been implementing development and humanitarian projects in Somalia, and have recently expanded our work to Kenya and South Sudan. For over 20 years, we have worked hand-in-hand with African communities to prevent, manage, and overcome situations that adversely affect their wellbeing – whether environmental, social, economic, or otherwise. Wherever we work our approach is the same: we help vulnerable communities through partnerships and shared decision-making.

This testimony is submitted on behalf of Adeso in support of efforts to ensure that money service businesses which facilitate the transfer of funds into Somalia through the US banking system can continue to provide a much-needed lifeline to people in need. While we are pleased to see efforts being made to ensure safe and fair supervision of these businesses, we are concerned by the precedent set by Sunrise Community Banks' decision in December 2011 to block money transfers from Minnesota's Somalia community to people in Somalia.

In most parts of Somalia, money service businesses facilitate trade between distant regions where conventional banking institutions are absent, weak, or unsafe. According to recent United Nations estimates, between $1.3 billion and $2 billion in remittances is transferred to Somalia each year through money service businesses. Beyond facilitating remittances, and under the difficult circumstances that prevail in Somalia, money service businesses also allow much-needed humanitarian aid to reach marginalized populations.

Adeso has been working with money service businesses in the direct implementation of humanitarian programs in Somalia since 2003, when we implemented the first large-scale cash program in the country in response to a severe drought in the Sool Plateau area of Sool and Sanaag regions. As the implementing agency, we used money service businesses to distribute cash grants to the beneficiaries of our project, and were able to reach almost 98,000 people, allowing them to meet their basic food and non-food needs in a time of crisis. Since then, we have expanded our use of money service businesses

to deliver humanitarian programs to both South Sudan and Kenya, and to date have been able to reach almost 600,000 people through cash transfer programs by making use of money service businesses. During the 2011 drought and famine in the Horn of Africa, we used money service businesses to deliver much needed emergency cash assistance to 20,887 households (or 146,209 people) in South Central Somalia. Given that other forms of aid were not available (with major food aid agencies unable to operate, including the World Food Program and CARE), the cash assistance helped saved thousands of lives. This would not have been possible without the use of money service businesses, as they are one of the primary reasons any Somalia-based cash program can operate. Without a functioning banking system, we would not be able to implement such projects, or even pay our staff members in the field. The entire humanitarian community in Somalia fully relies on the availability of money service businesses to do their business including transferring funds for project activities to their staff or local partners and paying for staff and office running costs. Without money service businesses, the United Nations and NGO community in Somalia would be forced to carry cash to pay day-to-day operational and program costs, placing the funds and the staff at risk in an insecure environment such as Somalia.

In a humanitarian context, the advantages of using money service businesses are multiple. Among other things, it enables safe, quick, and cost-effective disbursement of money to beneficiaries in a project area. The money service businesses form a trusted link between the local population and the rest of the world, enabling the transfer of much-needed assistance in times of need. The money service businesses are also able to distribute cash at minimal risks. In each location they employ individuals trusted by local communities, who in turn work closely with agency staff. For Adeso, this means that we transfer the risk of handling cash to the money service businesses, who carry the cash and travel to rural areas on our behalf, reducing the risk to our staff. At the same time, the use of money service businesses also reduces the risk to community members who do not have to travel long distances to collect their cash.

With regards to concerns about diversion of funds and corruption, it is important to note that almost all money service businesses operating in Somalia have internal mechanisms to ensure compliance with international money laundering and anti-terrorism regulations. Most of them have as such been vetted by the US and European countries for compliance with anti-terrorism and money laundering laws. They have vested interest in their core business – the transfer of remittances primarily from the US, Canada, Europe, and Australia to Somalia and neighboring countries – and, therefore, heavily depend on their ability to operate internationally. This translates to a compelling incentive to mitigate risk by not engaging with certain groups. Unlike local contractors, they could compromise their reputation and ultimately their international business by diverting resources to certain groups. When compared with projects employing dozens of contractors and many more sub-contractors, using money service businesses means money passes through fewer hands. And fewer hands translate to a decreased risk of money diversion.

Money service businesses provide ordinary Somalis with an opportunity to receive and transfer funds securely, and allow many humanitarian organizations such as ourselves to deliver aid to those that are most in need of it. To avoid interruption of remittances and delivery of humanitarian assistance, Congress should strive to create an enabling environment for banks to facilitate remittances to these businesses.

I thank your time and your attention on this matter.

SAFE AND FAIR SUPERVISION OF MONEY SERVICE BUSINESSES

WRITTEN TESTIMONY FOR THE RECORD BY

PAUL O'BRIEN,
VICE PRESIDENT, POLICY AND CAMPAIGNS
OXFAM AMERICA

House Subcommittee on Financial Institutions and Consumer Credit

June 21, 2012

Madam Chairman, Congresswoman Maloney and Members of the Committee, thank you for the opportunity to submit written testimony for the record today.

Oxfam is an international development and humanitarian relief agency committed to developing lasting solutions to poverty, hunger and social injustice. We work in over 90 countries around the globe and have worked in Somalia for over 40 years. Since 1995, we have implemented our humanitarian response in Somalia through local NGOs and Somali civil society. By working transparently through local organizations and ensuring that their priorities are our priorities, Oxfam provides daily assistance to more than 1.5 million people in Somalia.

Madam Chairman, as you consider the important subject of today's hearing, we hope you will keep Somalia – one of the most remittance-dependent countries in the world – in your thoughts. The Central Intelligence Agency estimates that Somali money service businesses handle up to $1.6 billion in remittances per year (World Factbook; 2012). By comparison, according to the United Nations Office for the Coordination of Humanitarian Affairs, humanitarian assistance to Somalia totaled $1.35 billion in 2011 (OCHA Financial Tracking Service; 2012), when parts of Somalia endured a famine, and $510 million in 2010 (OCHA Financial Tracking Service; 2011). For many Somali families, remittance from their loved ones and friends abroad is the primary source of income. Remittances also enable many Somali civil society organizations – including a number of Oxfam's partners – to deliver life-saving assistance to hundreds of thousands of people in need.

At this moment, any interruption in remittances to Somalia from the United States would deal a devastating blow to a population already suffering from severe food insecurity and armed conflict. According to the US-funded Famine Early Warning Systems Network (FEWS NET), 2.51 million Somalis remain dependent on humanitarian assistance to meet their basic needs (FEWS NET June 2012 assessment). The UN High Commissioner for Refugees (UNHCR) estimates that approximately 215,000 Somalis were displaced in just the first five months of 2012, the vast majority of whom left their homes after the UN declared that famine conditions no longer existed on February 3 (UNHCR Somalia Population Movement Trends; 2012).These figures demonstrate that Somalia is still very much in the midst of a humanitarian crisis. As remittances are a form of self-help within the global Somali community, we believe they are more sustainable than humanitarian assistance from other countries and crucial to development and humanitarian relief in Somalia.

Oxfam recognizes that Somalia, the United States and the international community have a legitimate security interest in ensuring that money service businesses and their banks conduct their affairs in a fully transparent fashion. I hope you will consider that any disruption in bank involvement in the remittance business to Somalia will also have significant security consequences. It could deepen Somalis' mistrust of the United States and add credibility to the recruitment messages of armed groups opposing the Transitional Federal Government. Additionally, if banks cease to facilitate remittances, money service businesses' will be left with no choice but to attempt hand-delivery of smaller amounts of cash. This

would vastly increase the possibility of diversion. With that in mind, we recommend working together with money service businesses to find a regulatory solution that meets the concerns of all interested parties.

Madam Chairman, Somali-American money service businesses provide a vital lifeline to a community that requires help from abroad just to survive. It is clear that the 2011 famine would have been far worse if not for an unprecedented mobilization of remittances by the Somali Diaspora community. With conflict and food insecurity still plaguing Somalia, any interruption in remittances would cause tremendous suffering on a national scale. I thank you for the opportunity to share Oxfam's perspective and I urge the Subcommittee to help to ensure fair, safe and sustainable regulation of money service businesses so they may continue to enable Somali-Americans to help their friends and loved ones.

Statement for the Record
House Financial Services Committee
Subcommittee on Financial Institutions and Consumer Credit
"Safe and Fair Supervision of Money Services Businesses"

The Clearing House Association L.L.C., the American Bankers Association, the Consumer Bankers Association, the Credit Union National Association, the Financial Information Forum, The Financial Services Roundtable, the Independent Community Bankers of America, NACHA – The Electronic Payments Association, and the National Association of Federal Credit Unions (collectively, the "Associations") appreciate the opportunity to submit this statement for the record in connection with the June 21, 2012, hearing before the House Committee on Financial Services Subcommittee on Financial Institutions and Consumer Credit.

One important aspect of the supervision of money services businesses, and in fact, of the many financial services providers that transmit funds internationally for consumers, will be complying with the final remittance transfer rule (the "Final Rule")[1] issued by the Consumer Financial Protection Bureau (the "Bureau"). The Final Rule implements Section 1073 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and will become effective on February 7, 2013.

The Associations are fully committed to protecting consumers who send remittance transfers abroad to family and loved ones. In addition, the Associations understand and support the goals of Section 1073 and appreciate the efforts of the Bureau to implement the statutory language faithfully. However, we believe that the Final Rule reflects an unnecessary, and at times arbitrary, expansion of the statute which will ultimately have serious unintended consequences for consumers.

In particular, we wish to express to the Subcommittee our grave concern that the Final Rule will significantly diminish the availability of international transfer services and increase the cost of such services for consumers. The U.S. is the largest national source of remittances with residents transmitting close to $50 billion per year from the U.S. to their home countries.[2] However, consumer access to international funds transfers through their banks, credit unions, and broker-dealers is now in serious jeopardy due to the nearly impossible compliance challenge that financial institutions must solve for in the next eight months. Thus, counter to the Bureau's purpose to protect consumers, the Final Rule has the potential to cause considerable harm to consumers.

Specifically, we believe that:

- the definition of a "remittance transfer" is inconsistent with the traditional understanding of what constitutes a remittance transfer and is so broad that it will capture all consumer-initiated international electronic fund transfers regardless of their value or purpose;
- the proposed 25-transaction-per-year safe harbor to exempt providers from being considered a "remittance transfer provider" is too low to provide meaningful relief to institutions that truly do not offer remittance transfer services "in the normal course of

[1] Electronic Fund Transfers (Regulation E), 77 Fed. Reg. 6194 (Feb. 7, 2012)

[2] "Migrants' Remittances and Related Economic Flows," Congressional Budget Office. February, 2011.

business" and thus will not prevent hundreds of financial institutions from exiting the market;

- some of the required disclosures, including foreign taxes and third party fees, currently cannot be provided through the "open network" payment systems[3] used primarily by financial institutions for international funds transfers; and
- the extraordinary application of a strict liability standard for transaction errors imposed by the Final Rule and not called for by the statute will hold remittance transfer providers liable for the entire principal amount of requested transfers and related fees, even for errors beyond their control and for which they cannot mitigate.

Definition of a Remittance

The purpose of the remittance transfer provisions contained in the Dodd-Frank Act is to protect senders of remittance transfers, who are "not currently provided with adequate protections under federal or state law."[4] The Senate Report on The Restoring American Financial Stability Act of 2010 ("the Senate Report"), the Senate bill that became the Dodd-Frank Act, discusses these protections in the context of immigrants who "send substantial portions of their earnings to family members abroad."[5] The Senate Report further states that these senders of remittance transfers "face significant problems with their remittance transfers, including being overcharged or not having the funds reach intended recipients."[6]

Furthermore as acknowledged by the Federal Reserve Board and other remittance authorities, the term "remittance transfer" typically means a cross-border person-to-person payment of relatively low value sent to a family member or loved one.[7] In contrast, the Final Rule covers a wide range of transactions beyond transfers that have historically been thought of as remittance transfers to encompass all consumer-initiated international electronic fund transfers such as transfers to overseas accounts; transfers related to stock purchases or other investments; transfers made in connection with overseas real estate transactions; transfers to make payments for students studying abroad and other

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[3] The term "open network" includes, but is not limited to, various payment infrastructures, such as the SWIFT messaging network and payment card networks, as well as domestic and foreign market clearing infrastructures, such as ACH, Fedwire, CHIPS, India's NEFT, and others.

[4] S. Rep. 111-176, at 179 (2010).

[5] *Id.*

[6] Ironically, ICF Macro, the company retained by the Federal Reserve Board to help design disclosures, found that "[m]ost participants said they were satisfied with their experience sending remittances..." *Summary of Findings: Design and Testing of Remittance Disclosures,* April 20, 2011, p. ii *available at* http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20110512_ICF_Report_Remittance_Disclosures_(FINAL).pdf.

[7] The Board acknowledged in the preamble to the Proposed Rule that "traditional remittance transfers often consist of consumer-to-consumer payments of low monetary value." 76 Fed. Reg. 29902. Furthermore, in its report to Congress on the use of the ACH system for remittance transfers to foreign countries, the Board noted that the majority of sources that compile data on remittance transfers focus on transactions that meet this definition. See Board of Governors of the Federal Reserve, Report to the Congress on the Use of the Automated Clearinghouse System for Remittance Transfers to Foreign Countries (July 2011) (citing International Transactions in Remittances: Guide for Compilers and Users, available at www.imf.org/external/np/sta/bop/2008/rcg/pdf/guide.pdf).

transactions that do not involve immigrants "send[ing] substantial portions of their earnings to family members abroad."

The nature and purpose of these kinds of funds transfers are different from remittance transfers and are outside the scope of what Congress intended. Finality and immediacy are the key concerns of the consumers who send these transfers. Because the Final Rule emphasizes disclosure over speed, and prolonged and broad error resolution over finality, these types of transfers should not be covered by the remittance transfer rules.

Definition of a Remittance Transfer Provider

The Final Rule defines "remittance transfer provider" to mean any person that provides remittance transfers for a consumer in the normal course of its business, regardless of whether the consumer holds an account with such person. Comment 30(f)-2 to the Final Rule states that whether a person provides remittance transfers in the normal course of business depends on the facts and circumstances, including the total number and frequency of remittance transfers sent by the provider.

The Bureau has proposed to revise this comment to adopt a safe harbor for determining whether a person is providing remittance transfers in the "normal course of business."[8] Specifically, the Bureau has proposed that the comment would be revised to provide that if a person provided no more than 25 remittance transfers in the *previous* calendar year, that person does not provide remittance transfers in the normal course of business for the current calendar year as long as it provides no more than 25 remittance transfers in the *current* calendar year. However, if that person makes a 26th remittance transfer in the current calendar year, the facts and circumstances test would be used to determine whether the person is a remittance transfer provider for that transfer and any additional transfers provided through the rest of the year.

The Associations welcome the creation of a bright line test for determining whether a person is a remittance transfer provider; however, we believe that the proposed threshold is too low to provide meaningful relief to institutions that truly do not offer remittance transfer services "in the normal course of business." Accordingly, we advocate that the Bureau raise this threshold to a figure that would provide a meaningful safe harbor to those institutions that truly are not in the business of providing remittance transfers on a routine basis, and, therefore, should not be subject to the compliance burdens imposed under the Final Rule.

When defining the safe harbor exception, the Bureau should also take into account the fact that a "remittance transfer" is defined extremely broadly in the Final Rule. Hence, even smaller institutions that do not provide more than 25 remittances per year, as those transactions have been traditionally defined, will not qualify for the proposed safe harbor because they may provide services that do fall under this extremely broad definition (e.g. a consumer wire to close a foreign real estate transaction). We are also concerned that the proposed structure would not provide meaningful relief for community banks or credit unions because any small financial institution that sends transfers would have to be prepared with a compliance program ready to operate if it nears that very small threshold proposed by the Bureau.

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[8] Electronic Fund Transfers (Regulation E), 77 Fed. Reg. 6310 (Feb. 7, 2012).

Required Disclosures to Consumers

The Final Rule will require all remittance transfer providers to disclose to consumers before a transfer is sent: the amount of funds that will be received; the foreign exchange rate used; any fees incurred; any taxes incurred (including foreign ones); and the date that the funds will be available. While we agree that increased disclosures can help protect consumers, financial institutions primarily use open networks (e.g. wire transfer, ACH, and card-to-card transfers) for consumer-initiated international funds transfers. Money services businesses also use open networks to offer services to consumers that transfer funds to overseas accounts.

Although these networks enable consumers to send funds account-to-account to almost anywhere in the world, they do not enable a financial institution in the U.S. to access the exact exchange rate, third party fees, and foreign taxes required by the Final Rule. These requirements are fundamentally misaligned with open network infrastructure and international correspondent banking practices as they currently exist. The existing cross-border payments infrastructure and market practices employed by financial institutions for international transfers does not support and never anticipated the types of disclosures called for by the Final Rule. Essentially, the Final Rule requires open-network providers to disclose information that those providers do not have and cannot easily or reliably obtain.

As the Bureau recognized in the preamble to the Final Rule, there is a stark difference in the way international transfers are processed over closed and open networks, making compliance by open network providers significantly more burdensome if not impossible. In closed networks, funds remain within one network and are controlled from end-to-end by the same remittance transfer provider and its agents in privity of contract. Hence, the funds transfer provider has complete control over all aspects of the funds transfer and is fully informed with respect to relevant information regarding the transaction.

In contrast, an open network involves funds being transferred out of the sending institution to their ultimate destination at an unaffiliated recipient institution. Along the way, those funds may pass through one or more intermediary institutions before arriving at the final destination. One of the primary benefits to consumers of the open network system is that it enables customers to send funds from any point of origination to virtually anywhere in the world, however remote, because of the vast infrastructure of interconnected financial institutions. Nonetheless, because of the way in which the funds transmission process works, **remittance transfer providers using open networks have significantly less control over or access to information regarding international transfers**. In short, the Bureau's Final Rule favors one process over another.

In particular:

- the provider will have the right to access only the information relevant to its direct correspondent banks. However those correspondents will have their own correspondent banks, which, in turn, will have their own correspondent banks, and so on – and the provider is not in contractual privity with these attenuated correspondents (i.e., intermediary banks) and therefore does not have a contractual or other legal right to their rate and fee information, nor is the provider likely to know the exact route that a transfer will travel;
- the provider in almost all cases will not know the identity of the intermediary institutions that will be involved in the funds transfer until after its completion, especially when numerous

intermediaries are involved in a transfer, and thus the provider will have difficulty requesting the requisite information from all relevant parties;

- the provider must routinely monitor categories of information in order to provide accurate disclosures (including, but not limited to, fees, taxes and other costs that may be charged by intermediaries) that are subject to change without notice and are entirely beyond the control of the provider; and
- the various open network infrastructures, such as the SWIFT messaging network as well as domestic and foreign ACH and wire systems, are typically one-way message systems that cannot readily and expeditiously communicate disclosure information back to a financial institution; significant modifications to these domestic and international infrastructures or additional communication channels must be established before information can flow in an automated manner between an originating financial institution and other institutions, which are changes that providers are not in a position to effect, particularly given the limited time between now and February 2013.

For these reasons, the Final Rule puts at risk the ability of open network providers to continue providing international transfers for consumers. Accordingly, additional time is needed beyond the February 7, 2013, effective date to appropriately assess and navigate these issues and, where possible, to establish new contractual relationships or re-negotiate existing ones with foreign financial institutions. To be clear – we believe that the objectives of Section 1073 are important and should not be abandoned, but such objectives will need to be accomplished in a rational progression that reflects the operational realities of the open network transfer system, and the time it will take to make the appropriate structural changes to this framework.

Foreign Taxes

Although not required by Section 1073, the Final Rule mandates that remittance transfer providers disclose the amount of taxes imposed on the transfer by persons other than the remittance transfer provider, including foreign taxes.

It will be practically impossible in a cost effective manner for financial institutions – and for smaller institutions in particular – to monitor all of the foreign tax laws that may apply to an international funds transfer. In the event an institution is able, such an effort will require significant resources to catalogue the tax laws of every foreign country, in addition to ensuring those laws are up-to-date. Thus, to comply, financial institutions will be required to constantly monitor numerous tax laws in every foreign country and locality to which they offer remittance transfer services, and to understand and appropriately apply these laws to a wide range of transactions.

The cost of this effort is likely to be passed along to consumers in the form of higher fees. Furthermore, to comply with the foreign tax disclosure obligation, financial institutions may be required to question their customers on various aspects of the transfer, including, among other things, the purpose of the transfer and the status of the designated recipient. Often, it will be impossible for consumers to provide the correct information to the sender regarding the legal or relationship status of the recipient under the laws of all applicable foreign regimes.

The Associations note that a significant purpose behind the Final Rule is to provide consumers with the ability to comparison shop among available remittance transfer providers. Disclosing foreign

taxes in no way furthers this purpose as those taxes will be the same regardless of which provider sends the transfer. Accordingly, the Associations strongly advocate that the Bureau eliminate the foreign tax disclosure requirement.

Strict Liability

The Final Rule imposes a strict liability standard on remittance transfer providers when a recipient receives an amount that is different than the amount disclosed to the consumer or when the recipient receives funds on a date later than the date disclosed to the consumer. The provider will be liable for such errors even when caused by circumstances beyond a provider's control, such as those caused by others on an open network, or, even more troubling, by incorrect information provided by the consumer. This strict liability framework goes far beyond other consumer payment error resolution regimes in the United States and conflicts with the core business principles of risk management and safety and soundness.

Moreover, the Final Rule places providers at risk for amounts beyond what they received to perform the transfer service: namely fees and taxes charged by other entities, as well as the principal amount of a remittance transfer. This framework creates considerable risk of financial loss that providers will be largely unable to mitigate or manage, encourages active fraud, and threatens the business case for consumer international transfer services.

The Associations recommend that the Bureau modify the Final Rule to minimize the extraordinary and asymmetrical risk of loss that the Final Rule unreasonably imposes upon providers, and more importantly the safety and soundness risk the rule creates for senders.

Unintended Consequences

As noted at the beginning of this statement, the Associations are gravely concerned that the Final Rule will reduce consumer access to international transfer services and result in reduced competition among providers because many financial institutions will be forced to severely limit their international transfer product offerings or exit the market altogether. For example, smaller institutions may not have the resources to monitor foreign tax laws or changes in fees charged by unrelated financial institutions. Moreover, providers that remain in the market are likely to increase fees charged for international transfer services to cover the costs of complying with the Final Rule and to address the significant risk of principal loss the Final Rule imposes on providers.

The considerable harm that the Final Rule will cause to consumers is magnified when applied to the unbanked and underbanked markets in the U.S. The reduced availability and increased cost of international transfer services that will result from the Final Rule will drive unbanked and underbanked populations to rely increasingly on unregulated – and often underground – financial services providers outside of the mainstream banking system. Such an outcome greatly increases the risk of money laundering and terrorist financing, and undercuts the ability of regulated financial institutions to integrate these populations into the mainstream banking system.

We also note that military service members may be negatively impacted by the Final Rule. As a consequence of certain requirements for online bill pay services, financial institutions may no longer process bill payment services to military addresses abroad.

Finally we note that Section 1073 specifically directed regulatory policymakers "to expand the use of the automated clearinghouse system . . . for remittance transfers to foreign countries" and required biennial reports to Congress on the status of such efforts. However, due to the fundamental misalignment of the rules with open networks such as the ACH system, the final rules will work against this directive by hampering the growth and diminishing the use of this cost-efficient means of international funds transfer.

Conclusion

To avoid the unintended consequence of reducing consumer access to international funds transfer services, and to fully understand the impact that the Final Rule will have, the Associations have urged the Bureau to delay implementation of the Final Rule in order to provide time to:

- study the impact of the Final Rule on the availability and cost of international funds transfer services to consumers;
- engage with the industry to determine ways in which to (1) narrow the scope of these rules to apply only to remittance transfers as traditionally defined, and (2) ease the burdens and costs associated with the Final rule; and thereby
- avoid the unintended consequences of reducing consumer access to international funds transfer services.

Thank you for the opportunity to submit this statement. We would be happy to answer any questions or discuss this issue further with members of the Committee.

Respectfully submitted,
The Clearing House Association, L.L.C.
The American Bankers Association
Consumer Bankers Association
Credit Union National Association
Financial Information Forum
Financial Services Roundtable
Independent Community Bankers of America
NACHA – The Electronic Payments Association
National Association of Federal Credit Unions