FINANCIAL SERVICE CENTERS OF AMERICA
Fact Sheet: Bank Discontinuance

Excessive Regulatory Burdens on Banks Threaten the MSB Industry and Access to Financial Services for Millions of Americans, Necessitating a Legislative Solution

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Financial service centers, money transmitters, and other "money services businesses" (MSBs) serve millions of Americans. In recent years, an escalating number of banks have terminated the accounts of their MSB customers. These decisions have impacted hundreds of stores in every region. Many other depositories are refusing new accounts – and the pool of available banks continues to shrink.

Expense and regulatory exposure has caused banks to terminate MSB customer accounts.
Prior to 2000, there were few problems between MSBs and the banks that served them. The events of 9/11, enactment of the USA PATRIOT Act and resulting increased scrutiny of money transactions changed those relationships dramatically. MSBs were deemed unacceptable risks, even though their record of compliance has been as good as, or better, than that of the banks themselves. Now, under current regulations, banks are required to act as the "functional regulator" of their MSB customers. In such an uncertain regulatory environment, banks have been forced to expend ever greater resources in maintaining MSB customer accounts. In response, many banks have decided to severe these relationships.

Contrary to popular belief, MSBs are not a high risk for money laundering. In fact, compared with other financial sectors, the industry's BSA enforcement record is quite good. For example, although the FinCEN website lists many multi-million dollar civil penalties against banks and other financial institutions, there have been only a few assessed against check cashers and other MSBs.

The need for federal legislation
Federal regulatory agencies have attempted to address this problem, but to no avail. In response, bipartisan federal legislation was introduced in past congresses to address this critical problem. H.R. 2893, "The Money Service Business Act of 2009," was introduced by Representatives Carolyn Maloney (D-NY); Luis Gutierrez (D-IL); Spencer Bachus (R-AL); Judy Biggert (R-IL); and Jeb Hensarling (R-TX). H.R. 2893 mirrored the language from H.R. 4049 which passed the House unanimously in 2008.

This legislative remedy was and is strongly supported by the MSB industry and the banking industry. Both agree with the adoption of legislation that relieves banks of the requirement that they review and monitor the compliance systems of their MSBs customers – leaving regulation of MSBs to federal and state regulators, where it belongs. Only by reducing regulatory burdens on banks serving the MSB industry can a lasting solution to bank discontinuance be realized.

Why does bank discontinuance matter?

- Financial Service Centers provide basic financial services to millions of "unbanked" consumers who either do not want or have been denied access to traditional financial institutions.
- Every year, financial service centers conduct more than 350 million transactions providing an estimated $106 billion in various products and services to 30 million customers.

- Remittances from the United States are critical to financial stability and growth in many other countries. U.S. remittances around the world totaled approximately $49 billion in 2012, according to the Congressional Budget Office.
- Check cashers and money transmitters cannot conduct business if they are denied access to commercial banking services.
- Alarmingly, as a result of the decision by Banco Popular to leave the New York check cashing market, the state's check cashing industry is now served by only a handful of banks, a very dangerous trend.
- Left unchecked, account terminations threaten the delivery of basic financial services in communities across the country, and threaten overseas remittances to developing countries.
- Loss of MSB services may drive otherwise legitimate consumer transactions to untraceable or underground channels – thwarting U.S. security objectives.