

TESTIMONY OF

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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.