Statement for the Record
House Financial Services Committee - Subcommittee on Terrorism and Illicit Finance
Matthew Oppenheimer - Co-Founder & CEO, Remitly, Inc.
July 18, 2017

Good afternoon. My name is Matthew Oppenheimer and I am the Co-Founder and CEO of Remitly, an online remittance provider based in Seattle, Washington.

Remitly thanks the Subcommittee for the opportunity to explain why our country has a strong interest in making sure that remittance services are accessible, affordable, and secure. The availability of legitimate, licensed remittance services matters, both to the millions who rely on these services, but equally as a matter of national security.

I founded Remitly in 2011 after living in Kenya and seeing firsthand how difficult it was to transfer money across borders. Not only that, but it was expensive -- costing 8 to 10% of the total transfer just to send the funds. Looking at the technology that was becoming increasingly available to solve this problem, I knew there had to be a better way. And with over $600 billion in remittances sent around the world annually, I knew that this was a problem that affected a lot of people.

When I moved back, I started Remitly to make sending money abroad easier, faster, and more transparent. By replacing the traditional cash-based brick-and-mortar model with a purely digital one we sought to deliver a better, more affordable remittance service to customers.

By focusing on that vision, we have cut the cost of service by more than half -- from 8 to 10% to under 2% -- putting hard-earned money back into customers' pockets while delivering a better overall user experience. I am humbled to say that our team of over 400 employees around the world now helps customers in the United States, Canada, and the U.K. send $3 billion a year to recipients located in India, Mexico, Latin America, and the Philippines.

While our technology has improved remittances, the basic reasons for sending haven't changed. A recent survey of Remitly's customers revealed that nearly all are using our service to send money intended to pay for the basic needs of their family members - housing, food, water, electricity, medical care, and education - basic things we take for granted in the United States but can be unattainable for millions living abroad.

I see our customers as heroes. They sacrifice and save to provide a better life for their families. When they send, it's not just money, it's a lifeline - paying for their family's rent or their child's tuition.

The simple act of sending money abroad is how these unsung heroes deliver on their promises to loved ones. Consider Dalia Maldonado, a Remitly customer who lives and works in California. Dalia sends $250 a month from her real estate job to help pay for her father's knee surgery and a friend's leukemia treatment, in addition to providing regular assistance for staples like food and utilities. Hers is one of countless stories of the immensely personal reasons people use remittances and the true reliance that people all over the world have on money sent from the United States.

Add all of these individual transfers up and you would find that remittances alone contribute nearly four times the funds provided by all foreign aid globally -- and more than all foreign direct investment if you exclude China.[1] In some nations, remittance inflows are a substantial component of the country's GDP.[2] Remittances provide a foundation of stability and opportunity not just for individual recipients, but for entire countries.

Beyond the human impact, when remittances are sent through modern, legitimate channels, they strengthen our national security. As a licensed money transmitter operating in all 50 States, we are registered with the Treasury Department's FINCEN Bureau and maintain a strict compliance program. We invest heavily to comply with anti-money laundering (AML) requirements, the Bank Secrecy Act, OFAC regulations, and other requirements, using the latest technology to detect suspicious activity and report it to the authorities.

Digital remittance providers like Remitly provide an additional layer of security against consumer fraud and money laundering risks by not accepting cash and by providing services directly to the end customer without relying upon the use of an agent network or other intermediary. As a digital-only provider, Remitly provides service to customers who currently have a bank account or a debit or credit card. This approach eliminates placement risk, the first stage in the money laundering process. In addition to being subject to our own Know Your Customer process that independently verifies the customer's identity with high confidence, our customers have also already been identified and verified by a U.S. bank or credit card issuer.

By offering services directly to customers, Remitly's product is built with consumer protection and AML, OFAC screening, and Bank Secrecy Act compliance features incorporated by design. This eliminates the vagaries and variance in compliance inherent in a distributed agent network, while also providing regulators with a direct end-to-end means to confirm the compliance of every transaction. Further, by accessing our service through digital means, the customer's device, location, and other digital metadata is available to us, providing additional data points that enable us to confirm or refute the customer's KYC information. The cumulative effect of these factors makes our digital approach a more secure and lower risk product compared to traditional remittance services.

This approach also turns our technology to protect our customers' identities and fight fraud into a powerful weapon to fight illegal activity. When our machine-learning systems or trained staff spot something suspicious, we say something; reporting this activity to authorities as required by our BSA obligations. This reporting provides law enforcement with a high resolution view into global money

---

1 World Bank, Migration and Remittances Factbook 2016 at pg. 34. *See also* NPR, *Who Gives More To The Developing World: Aid Donors Or Migrant Workers?* (Apr. 13, 2016).

2 *Id. See also* Meyer & Shera, Economia, *The Impact of Remittances on Economic Growth: An Econometric Model* (2016).

flows, an invaluable tool in the fight against illegal activity, money laundering, and terrorism. Licensed money transmitters like Remitly keep the money "in the light" by efficiently processing legitimate transactions, while detecting and deterring those that may not be.

By contrast, there exists an underground market of unlicensed remittances providers who do not comply with any of these obligations.[3] These informal networks operate without oversight and can be associated with black market activity. If policies are enacted that drive up the costs of legitimate remittance services or clear the field of healthy competition, money will be pushed towards these shadowy alternatives.

That is why Remitly is particularly troubled by recent proposals that would tax remittances to fund a Border Wall. This "2%" tax would actually increase the costs of sending money through legitimate channels dramatically, far more than might be initially expected. In our industry, the entire revenue opportunity for companies like ours is a combination of fee and foreign exchange revenue against the balance of the transaction. Historically, fees in our industry have been in the range of 8%, meaning that a 2% tax on the balance would effectively raise prices by 25% up to 10%. For Remitly, a company that charges less 2% of the amount sent, a 2% tax would more than double the prices experienced by consumers. A pricing increase of this magnitude would lead customers to abandon licensed, regulated service options like Remitly and engage in black market alternatives. By pushing this money underground we would be funding the very illicit activities that we want to stop.[4] It would be harmful to our customers and to border security to tax remittances to pay for a wall.

We submit that Congress, and this Committee in particular, should focus on reducing regulatory burdens and enhancing competition without creating additional risk. While there is no single policy solution to an issue as complex as AML and BSA reform, there are several areas of low hanging fruit that the Subcommittee should consider. We present the following suggestions:

- Congress should align the reporting thresholds for suspicious activity across banks and non-bank providers and update the reporting thresholds which have not been updated for over 15 years.[5] This would reduce regulatory burdens and focus both private sector and government resources on higher risk behavior and law enforcement priorities.

- Congress should update the so-called "Travel Rule" recordkeeping requirement for the first time since 1995. We suggest replacing the rule with an explicit safe harbor on customer data verification for transactions under $1,000 for bank account or card-funded transfers. Over $1,000

---

3 FinCEN, *Report on Informal Value Transfer Systems* (2002).

4 World Bank, Economist Blog, *Why Taxing Remittances is a Bad Idea* (March 24, 2017), available at the World Bank website. *See also* Catalina Amuedo-Dorantes, Cynthia Bansak, and Susan Pozo, "On the Remitting Patterns of Immigrants: Evidence from Mexican Survey Data," Economic Review, Federal Reserve Bank of Atlanta, vol. 90, no. 1 (2005); and Raúl Hernández-Coss, "The U.S.–Mexico Remittance Corridor: Lessons on Shifting from Informal to Formal Transfer Systems" (working paper, Series No. 47, Washington, D.C.: 2005).

5 31 U.S.C. § 5318(g); as transposed into 12 CFR 208.62, 211.5(k), 211.24(f), and 225.4(f) (Board of Governors of the Federal Reserve System) (Federal Reserve); 12 CFR 353 (Federal Deposit Insurance Corporation)(FDIC); 12 CFR 748 (National Credit Union Administration)(NCUA); 12 CFR 21.11 and 12 CFR 163.180 (Office of the Comptroller of the Currency)(OCC); and 31 CFR 1020.320 (FinCEN).

threshold would require customer data collection and verification, an assumption in the risk-based approach that should be made more explicit. This would streamline low risk transactions that are already within the financial system, while simultaneously maintaining the flexibility of a risk-based approach that is the hallmark of our anti-money laundering regulations. This would also provide regulatory clarity regarding KYC obligations which are in line with global AML trends without being overly prescriptive.

- Congress should work with OFAC to build more complete and updated sanctions lists to reduce the significant operational burden created by false positive matches that cannot be dismissed due to incomplete or vague entries on name, location, and date of birth.

These improvements would focus private sector and law enforcement efforts on activities and transactions that pose greater risks. Given that the underlying assumptions of the above requirements have changed with the introduction of increasingly advanced technologies and recognizing the dollar thresholds have not changed in many years, it is time to revisit these assumptions and adjust our risk-based approach accordingly. Remitly is encouraged by the Subcommittee's focus on these important issues.

Making legitimate money transfers more accessible, affordable, and secure benefits consumers and strengthens national security. While innovation can solve part of this problem, a more comprehensive solution requires the attention of Congress. However, with sound policy and continued innovation, Remitly is confident that this goal is within reach.