

Testimony of  
Mr. Mark Thompson  
On Behalf of  
The Western Union Company  
To The  
United States House of Representatives  
Financial Services Subcommittee on Financial Institutions and Consumer Credit  
Hearing on  
Remittances: Regulation and Disclosure in a New Economic Environment  
June 3, 2009

Mr. Chairman, Members of the Committee:

Good Morning. My name is Mark Thompson and I am an Associate General Counsel of The Western Union Company. I appreciate the opportunity to provide testimony at today's hearing.

Western Union is a leader in the global remittance market and is the leading nonbank money transfer provider. With over 365,000 agent locations worldwide, Western Union provides a convenient, fast and reliable way to transfer money in over 200 countries and territories. Western Union enables millions of immigrants to send money back home to their families.

Competition in the remittance market has increased steadily over the last decade and, as a result, cost of remittances has dropped significantly. As Dr. Manuel Orozco reported in his May 2006 paper for the Inter-American Dialogue on international remittance flows, the cost of remittances has dropped dramatically from above 10% of the remittance amount to lower than 5%. The current global recession has resulted in a decrease in the amount of remittances. That decline in the amount of remittances has further stimulated competition as participants in the market compete to survive in a shrinking market.

### **Federal Regulation and Licensing of Money Transmitters**

The topic of this hearing includes both consumer disclosures and regulation of remittances. The committee staff has shared draft legislation regarding disclosure, and I will share our comments on the proposed language. But first, I would like to share our thoughts on regulation of money transmitters in this new economic environment.

Money transmitters like Western Union are currently licensed by the states. We are subject to federal laws such as the Bank Secrecy Act, Patriot Act and other relevant statutes, but our licensing and our day-to-day regulatory supervision oversight such as examinations are done by the states. We are regulated by 48 states, the District of Columbia and several of the United States territories. In most instances, that regulation is performed by a state's banking department in a similar fashion to its regulation of state banks.

Over the past decade, the remittance industry has grown dramatically. As a result of this growth, remittances have become a significant economic factor not only in the United States but in the global economy. The decline in remittances over the last 18 months due to the global recession has highlighted the importance of remittances to many countries' economies. Issues related to remittances, such as anti-terrorism, anti-money laundering, and border security, also have national and international implications.

Given the growth of the remittance industry over the past decade, the increased importance of remittances to the global economy, and the increasing number of federal

issues related to remittances, we believe the time has come for Congress to establish a federal license—and a federal regulator—for money transmitters.

This would grant the federal government greater oversight over the industry and its related issues, and would provide the industry with more consistent guidance and regulation than it currently receives. It would also be consistent with the current efforts related to the economic crisis to establish a more structured regulatory framework for financial entities. Furthermore, federal rather than state oversight of compliance with the Bank Secrecy Act and anti-money laundering laws will better serve the interests of the United States and the industry in the battles against terrorism, illegal drugs and illegal immigration. These are not issues that should be left for each state to address.

### **Consumer Disclosures**

Turning to the issue of consumer disclosures, Western Union continues to support transparency with respect to fees and foreign exchange rates. We currently provide our customers with the information they need to make an informed decision when choosing remittance providers. For example, with limited exceptions, at the time of each transaction that originates in the United States, Western Union provides our customers with a written receipt that clearly states the following information: 1) the amount (stated in U.S. dollars) that the customer has presented for transfer; 2) the fee (stated in U.S. dollars) that Western Union charges for the transfer; 3) the total amount (stated in U.S. dollars) that that customer has provided to Western Union (this is the sum of the first two items); 4) the retail currency exchange rate that Western Union will apply to the transfer; 5) the amount (stated in the currency of the payout country) that Western Union will provide to the recipient of the transfer; and 6) a statement advising the consumer that Western Union generates revenue from currency conversion.

We agree that consumers should have adequate information to make an informed decision as they choose among providers, and we agree that remittance transfer providers should disclose this information to potential customers. However, we have some concerns about some of the specific disclosure requirements in the draft legislation. Before setting forth those concerns, I would like to note that the current draft does address some of the issues we have raised in the past, and we appreciate the Committee's efforts to balance the competing interests relating to these issues. We look forward to continuing to work together.

We have particular concerns about the requirement of a display of the daily exchange rate offered by the remittance transfer provider for the five countries with the highest volume of remittances over the previous two month period transferred from that particular remittance transfer provider location.

Our initial concern is that, from a practical standpoint, that requirement would be nearly impossible to administer. In the United States, Western Union has over 40,000 locations. Western Union's currency exchange rates change up to three times per day, based on the close of the major markets (New York, London, and Hong Kong). Determining the top five countries for each of those locations, providing a current exchange rate poster to each

location, updating the poster three times a day and ensuring that the manager of each location changes the poster throughout the day would be an administrative burden.

The proposed provision also assumes that a single exchange rate will be offered for transfers to a particular country. It ignores the fact that competition is often fierce in particular corridors within a country and fees and exchange rates may vary from corridor to corridor. Some providers also vary fees and exchange rates by payers to generate competition between paying agents within a country. Furthermore, different money transfer services may be provided at different fees and exchange rates to the same country. For example, Western Union provides money in minutes service and a next day delivery service from the United States to Mexico. The fees and exchange rates for those two services may vary. We are also testing services involving payment into bank accounts, payment to stored value cards and payment to mobile phones, all of which may be provided at different fees and exchange rates.

We believe that the draft's requirements of providing a display, a written disclosure prior to the consumer making a payment, a receipt at the time the consumer makes his or her payment, as well as separate notice containing information on error resolution and appropriate contact information to 48 state licensing authorities would be duplicative, potentially confusing to consumers and wasteful. A better alternative, in our view, would be to require disclosure of the fee and the exchange rate prior to the consummation of the transaction. These are factors most relevant to consumers when selecting a provider.

Our experience is that senders are extremely knowledgeable about the fees and exchange rates applicable to their transactions. They monitor the exchange rates and will shift providers if a provider charges too high a fee or offers an unfavorable exchange rate. In addition, price is not the sole factor considered by consumers--in fact, for some consumers price falls behind other factors, such as security, reliability, speed and convenience. Although we agree that consumers should have the ability to discern the costs of products as they shop, we also believe that too often remittances are viewed by policymakers as a commodity, with consumer decisions driven only by price. Our experience is that, in addition to the fees and exchange rate, our customers will often ask questions such as: "When will I be able to send money? Are you open on weekends? Will my money get there? How long will it take to get there? Can my family members pick the money up in their village or town? Will my relatives have to open a bank account to get their money?"

We also have concerns about having a regulator augment the disclosure requirements set forth in the statute. Our experience, based in part on model legislation adopted by four states, is that clearly defined disclosure requirements set forth in the statute itself provides greater clarity and direction to money transmitters and more protection to consumers.

## **Conclusion**

Thank you for the opportunity to appear before you today on behalf of The Western Union Company. We look forward to working with the Subcommittee as you continue to examine this issue.

*Mark Thompson is an Associate General Counsel for The Western Union Company. Mr. Thompson manages the legal department for the Americas region and advises the company on federal and state regulatory matters, including compliance with the Bank Secrecy Act, the USA PATRIOT Act and individual state regulatory statutes. In May 2007, Mr. Thompson testified at a hearing before the United States House of Representatives Financial Services Subcommittee on Domestic and International Monetary Policy, Trade and Technology on "Remittances: Access, Transparency, and Market Efficiency - A Progress Report." Mr. Thompson received his Juris Doctor from the University of Michigan Law School.*