

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

MEMORANDUM

To: Members of the Committee on Financial Services

From: FSC Majority Staff

Date: February 12, 2018

Re: February 15, 2018, Financial Institutions and Consumer Credit Subcommittee Hearing entitled “Examining De-risking and its Effect on Access to Financial Services”

The Subcommittee on Financial Institutions and Consumer Credit will hold a hearing entitled “Examining De-risking and its Effect on Access to Financial Services” on Thursday, February 15, 2018, at 9:30 a.m. in room 2128 of the Rayburn House Office Building. This will be a one-panel hearing with the following witnesses:

- Mr. Bryan A. Schneider, Secretary, Illinois Department of Financial & Professional Regulation, on behalf of the Conference of State Bank Supervisors
- Mr. Tim Baxter, President, SwypCo ATM Solutions, on behalf of the National ATM Council
- Mr. Jason D. Oxman, Chief Executive Officer, The Electronic Transactions Association
- Dr. Manuel Orozco, Director, Migration, Remittances and Development, Inter-American Dialogue

“De-risking” refers to the practice of financial institutions to terminate relationships and close the accounts of clients and merchants deemed as “high risk,” unprofitable, or complex, in order to avoid legal liability and greater regulatory scrutiny. Entities categorized as “high risk” include many legitimate businesses such as money service businesses, pawn brokers, and financial technology companies.

There are concerns that banking relationships with these so-called “high risk” clients and activities have become cost-prohibitive for financial institutions, because of increased compliance expectations. Instead, many financial institutions have opted to terminate relationships, to minimize their own risk exposure. A consequence of de-risking is the elimination of small businesses’ access to financial products and services.

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This hearing will examine the key drivers of “de-risking,” review the ongoing effects of de-risking, and consider regulatory and legislative opportunities for Congress and the Administration to ensure equal and consistent access to the financial system.

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