

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: June 21, 2018

Re: June 26, 2018, Financial Institutions and Consumer Credit Subcommittee Hearing entitled "International and Domestic Implications of De-Risking"

The Subcommittee on Financial Institutions and Consumer Credit will hold a hearing entitled "International and Domestic Implications of De-Risking" on Tuesday, June 26, 2018, at 2:00 p.m. in room 2128 of the Rayburn House Office Building. This will be a one-panel hearing with the following witnesses:

- Mr. Michael E. Clements, Director, Financial Markets and Community Investment, Government Accountability Office
- Hon. Sue E. Eckert, Adjunct Senior Fellow, Center for a New American Security
- Ms. Gabrielle Haddad, Chief Operating Officer, Sigma Ratings Inc.
- Mr. John Lewis, Senior Vice President, Corporate Affairs and General Counsel, United Nations Federal Credit Union on behalf of the National Association of Federally-Insured Credit Unions
- Ms. Sally Yearwood, Executive Director, Caribbean-Central American Action

"De-risking" refers to the practice of financial institutions terminating relationships and closing accounts of clients and merchants deemed as "high-risk," unprofitable, or complex, in order to avoid legal liability and enhanced regulatory scrutiny. Entities categorized as "high-risk" include many legitimate businesses such as money service businesses, pay day lenders, non-profit organizations, and financial technology companies.

There are concerns that banking relationships with 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 in an effort to minimize compliance risk exposure. Consequences of de-risking include the elimination of small businesses' access to financial products and services domestically, and reduced flow of humanitarian aid globally. 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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