

Bachus: Uniform Regulation Of Money Services Businesses Needed To Protect Consumers And The Financial System

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WASHINGTON - Financial Services Committee Ranking Member Spencer Bachus made the following statement during a Financial Institutions Subcommittee hearing entitled, "Money Services Business Regulation"

"Thank you, Mr. Chairman for holding this important hearing about an issue that is long overdue for a fair and effective solution.

"Money Services Businesses, or MSBs, offer a valuable service to consumers who may not have access to other financial service providers. Among other functions, MSBs facilitate global payments and allow families to send funds back to their home countries. Unfortunately, regulation of Money Services Businesses has not kept pace with the volume of their business. Right now, MSB compliance is a complex patchwork of regulations which involve both federal restrictions on money laundering and terrorist financing as well as state consumer protection mandates. And for the tens of thousands of MSBs that exist, the Federal government has fewer than 500 people on their regulatory beat.

"Mr. Chairman, the failure to devise an effective MSB regulatory regime has led to a situation where banks who offer account services to MSBs are forced to act as de facto regulators. After a series of regulatory actions in which some banks were fined heavily in connection with the accounts they offered MSBs, most banks felt they had to make a choice - either do their own on-site investigation of an MSB's anti-money laundering compliance, or live with the liability. Consequently, most banks stopped offering accounts to MSBs. When banks discontinue account relationships with MSBs, the MSB customers may seek financial services from the underground financial system, which could create greater money laundering risks and increase costs for MSB customers.

"In response to shortcomings of the current MSB regulation, Chairman Frank and I, along with Mrs. Maloney, Mr. Gutierrez, Mr. Hensarling and Mrs. Biggert, have tried for several Congresses to craft common sense MSB legislation. The House has sent bills to the Senate twice, only to have them ignored. Last December, I joined Mr. Gutierrez and Mr. Tiberi in introducing H.R. 4331, Money Services Business Compliance Facilitation Act of 2009, which takes a similar approach to Mrs. Maloney's bill. H.R. 4331 is based on the underlying principle that, given the right guidance and oversight, industries can self-regulate.

"The legislation would centralize MSB anti-money laundering compliance in a small office at Treasury and authorize that office to recognize a self-regulatory organization. That organization would be similar to the private, non-profit Financial Industry Regulatory Authority (FINRA) that regulates about 170,000 brokers and their branches and more than 600,000 of their agents. The bill would lead to uniform registration and supervision of MSBs without creating a big new federal bureaucracy and without pre-empting state safety-and-soundness and consumer laws.

"Mr. Chairman, H.R. 4331 is a good solution to make thorough, uniform and effective national registration and compliance for Money Services Businesses a reality. MSBs will appreciate legislation that gives banks the confidence to continue working with them and helps to disrupt funding channels used by crooks and terrorists. Mr. Tiberi should be commended for his hard work on this issue, and we look forward to working with the gentleman from Illinois and the gentle lady from New York and all other interested Members to make this effort a success. I thank Mr. Hensarling for his hard work and I yield back the balance of my time."

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