

**Opening Statement of Chairman Luis Gutierrez
At the Subcommittee Hearing on
“Regulation of Money Services Businesses”
House Financial Services Subcommittee on Financial Institutions and
Consumer Credit
March 10, 2010**

Good morning. Today’s hearing on the “Regulation of Money Services Businesses” gives us an opportunity to review the adequacy of government oversight of these entities and should assist us in determining whether legislation is needed in order to have better supervision and enforcement and, if so, what should be the proper scope of such legislation.

Money Services Businesses (MSBs) offer a range of services from check cashing to currency exchanges and beyond. We may be most familiar with them because they provide a convenient way to send or “remit” money to a person in another country. This remittance aspect of MSBs has been important in helping to retain ties among family members and in providing relief against poverty.

The United States is the largest remitting nation in the world with outward flows exceeding \$42 billion in 2006. Wire transfers are the most convenient and most used methods of transferring those funds. Companies such as Western Union and Money Gram International facilitate this flow, often in relatively small amounts of

individual transfers between \$100 to \$500. Given the importance of these funds to both the transferor and transferee, we have an interest in keeping such financial transactions readily available and convenient.

MSBs, however, also have the potential for significant regulatory problems.

Depending on who is counting and what definitions are used, it is estimated that there are as many as 100,000 entities that can be properly labeled as MSBs. Each of these entities offers potential for abuse.

The burden of regulation and enforcements has historically rested with the states.

At least 37 States have some form of registration or regulation. But few of those States have a comprehensive supervision/enforcement mechanism, leaving a potentially large risk gap in our financial network.

MSBs are required to develop a risk-based system for complying with US anti-money laundering laws, the compiled directives of what we know as the Bank Secrecy Act (BSA). They are required to register with Treasury's FinCen (the Financial Crime Enforcement Network).

The responsibility for compliance, however, rests with the Internal Revenue Service (IRS), an already burdened agency. This relatively incomplete patchwork of oversight, supervision and enforcement raises questions and doubts over our federal regulatory policy and for entities that interface with MSBs, notably banks.

MSBs, in order to survive, must be bankable. But banks often find MSBs potentially risky. Banks are required under legal penalty to know their customers, but they cannot fully know an MSB, given that they cannot know an MSB's customer. It is often the case that MSBs cannot or do not know their customer, in a manner satisfactory to the rigorous established anti-money laundering standards. The risk, therefore, is that MSBs, especially smaller ones, can become unbankable and go out of business and place their customers at the mercy of grey or black market channels for transfers.

We want to do what we can to better regulate MSBs, quiet the fears of the banks with whom they interface, and allow the industry to provide continuing services to those who might otherwise be without basic financial services.

Last year Congresswoman Maloney introduced H.R. 2893, which created an approach to imposing the proper oversight of MSBs. Her work on self certification

as a step towards ending “banks discontinuance” is providing a foundation for a platform on which to build a better system.

Late in the first session of this Congress, I co-sponsored a bill introduced by ranking member Bachus that builds on the idea of self regulation. H.R. 4331 would establish an Office of Money Service Business Compliance which would register and enforce compliance duties relating to MSBs. The office would be empowered to recognize a self-regulatory organization (SRO), subject to rule-making and enforcement duties for MSBs. The office would not pre-empt state safety or soundness consumer laws, but would seek to ensure a more adequate AML (anti-money laundering) compliance by MSBs and give assurance to banks that MSBs now have proper AML programs and will not present potential liabilities to banks with which they do business.

Today’s hearing gives an opportunity to review these initiatives and perhaps to discuss some other approaches.

Some may oppose any further regulation or oversight. But the uncertainty and gaps in the current system have a chilling effect on many businesses and individuals who want to conduct legitimate transactions. The system we need to

have in place is one that, instead, has a chilling effect on those who intend to use MSBs and financial institutions for money laundering, terror financing and other illegitimate and illegal transactions. Until we have a system that accomplishes both goals, we need to look at further oversight and regulation.