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BANK SECRECY ACT

Further Actions Needed to Address Domestic and International Derisking Concerns

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Accessible Version

GAO-18-642T

GAO Highlights

Highlights of GAO-18-642T, a testimony before the Subcommittee on Financial Institutions and Consumer Credit, Committee on Financial Services, House of Representatives

Why GAO Did This Study

In recent years, some Southwest border residents and businesses reported difficulty accessing banking services, including experiencing bank account terminations and bank branch closings in the region. In addition, the World Bank and others have reported that some money transmitters have been losing access to banking services with depository institutions.

This statement is based on findings from GAO's February 2018 report on access to banking services along the Southwest border (GAO-18-263) and March 2018 report on the effects of derisking on remittance flows to fragile countries (GAO-18-313). GAO discusses (1) the extent to which banks are terminating accounts and closing branches in the Southwest border region, (2) the extent to which money transmitters serving selected fragile countries are facing banking access challenges, and (3) actions relevant U.S. agencies have taken to respond to these challenges. For those reports, GAO surveyed more than 400 banks, developed an econometric model on the drivers of branch closures, and conducted case studies on four countries to assess the effects of derisking on remittances flows.

What GAO Recommends

GAO made five recommendations in the two reports: to Treasury and the federal banking regulators to conduct a retrospective review of BSA/AML regulations and their implementation, and to Treasury to assess shifts in remittance flows to nonbanking channels. Banking regulators agreed with the recommendations. GAO requested comments from Treasury, but none were provided.

View GAO-18-642T. For more information, contact Michael E. Clements at (202) 512-8678 or ClementsM@gao.gov.

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Further Actions Needed to Address Domestic and International Derisking Concerns

What GAO Found

"Derisking" is the practice of depository institutions limiting certain services or ending their relationships with customers to, among other things, avoid perceived regulatory concerns about facilitating money laundering or other criminal activity such as financing to terrorist groups. In its February 2018 report, GAO found that money laundering risk is high in the Southwest border region because of the high volume of cash transactions, the number of cross-border transactions, and foreign account holders. According to GAO's nationally representative survey of banks, an estimated 80 percent (+/- 11) of Southwest border banks limited or did not offer accounts to customers that are considered high risk for money laundering because the customers drew heightened Bank Secrecy Act/anti-money laundering (BSA/AML) oversight—behavior that could indicate derisking. Nationally, GAO's econometric analysis suggested that counties that were urban, younger, had higher income, or had higher money laundering-related risk were more likely to lose branches.

In March 2018, GAO found that money transmitters (businesses that facilitate global money transfers) serving Haiti, Liberia, Nepal, and especially Somalia—countries it identified as fragile—all reported losing bank accounts or having restrictions placed on them during the last 10 years. As a result, 9 of the 12 money transmitters GAO interviewed, including all 4 that served Somalia, reported using channels outside the banking system (hereafter referred to as nonbanking channels), such as transporting cash to transfer funds, and that this increased their operational costs and exposure to risks. Furthermore, some banks GAO interviewed reported that they closed the accounts of money transmitters because of the high cost of due diligence actions they considered necessary to minimize the risk of fines under BSA/AML regulations. Department of the Treasury (Treasury) officials noted that despite information that some money transmitters have lost bank accounts, Treasury saw no evidence that the volume of remittances was falling or that costs of sending remittances were rising.

To address concerns about derisking, Treasury and federal banking regulators (the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation), have taken actions including issuing guidance to banks and conducting some evaluations to assess the extent to which derisking is occurring. While agencies were engaged in BSA/AML regulatory reviews, these were limited in scope and had not evaluated how regulatory concerns may influence banks to engage in derisking or to close branches. Without assessing the full range of BSA/AML factors that may be influencing banks to derisk or close branches, Treasury, the federal banking regulators, and Congress do not have the information needed to determine if BSA/AML regulations and their implementation can be made more effective or less burdensome. Moreover, in March 2018 GAO reported that Treasury could not assess the effects of money transmitters' loss of banking access on remittance flows because existing data did not allow Treasury to identify remittances transferred through banking and nonbanking channels. Nonbanking channels are generally less transparent than banking channels and thus more susceptible to the risk of money laundering and terrorism financing.

Chairman Luetkemeyer, Ranking Member Clay, and Members of the Subcommittee:

I am pleased to be here today to discuss our recent work on derisking and how it may be affecting the availability of banking services to customers in the Southwest border region and money transmitters who transmit money to fragile countries.[1] Derisking is the practice of depository institutions limiting certain services or ending their relationships with customers to, among other things, avoid perceived regulatory concerns about facilitating money laundering or other criminal activity such as financing to terrorist groups.[2] Money laundering and terrorist financing pose threats to national security and the integrity of the financial system and the Bank Secrecy Act (BSA) is an important tool in federal law enforcement efforts to detect and deter the use of financial institutions for such criminal activity.[3] The BSA and its implementing regulations generally require financial institutions, including banks and money transmitters, to collect and retain various records of customer transactions, verify customers' identities, maintain anti-money laundering (AML) programs, and report suspicious transactions.

However, in recent years, some Southwest border residents and businesses reported difficulty accessing banking services, including experiencing bank account terminations and bank branch closures in the region. In addition, the World Bank and others have reported that some money transmitters have been losing access to banking services with depository institutions. Some have attributed these challenges to derisking.

[1]We defined the Southwest border region as all counties that have at least 25 percent of their landmass within 50 miles of the U.S.-Mexico border. Thirty-three counties in Arizona, California, New Mexico, and Texas fell within this definition. The Organisation for Economic Co-operation and Development defines a fragile region or state as one that has weak capacity to carry out basic governance functions and lacks the ability to develop mutually constructive relations with society.

[2]The term "derisking" can be defined in a variety of ways. We developed this definition by reviewing various existing definitions used by international banking industry standard setters as well as guidance and other documentation issued by the federal banking regulators and the Department of the Treasury (Treasury), among other things. Our usage of the term does not refer to instances in which banks limit services or terminate relationships based on credible evidence of suspicious or illegal activity.

[3]Bank Secrecy Act, Pub. L. No. 91-508, 84 Stat. 1114-24 (1970) (codified as amended in scattered sections of 12 U.S.C., 18 U.S.C., and 31 U.S.C.).

My remarks today are based on our February 2018 report on derisking along the Southwest border and our March 2018 report on remittances to fragile countries.[4] My statement will focus on the extent to which (1) banks are terminating accounts and closing branches in the Southwest border region and their reasons for any terminations and closures, (2) money transmitters are facing banking access challenges in remitting funds from the United States to selected fragile countries, and (3) relevant U.S. agencies have taken action to assess and respond to concerns about derisking and loss of banking access.

For the report on derisking in the Southwest border region, we analyzed data on Suspicious Activity Reports (SAR) and Currency Transaction Reports (CTR) as well as data on national and Southwest border region branch closures. We combined the data on branch closures with demographic, economic, and money laundering-related risk data and conducted an econometric analysis designed to examine the potential drivers of branch closures. Despite the robustness of our results and our efforts to control for relevant factors, our results are subject to a number of caveats associated with this type of empirical work and as such we interpret these results with some degree of caution. We also reviewed agency documentation and guidance to banks related to derisking and documentation on BSA/AML retrospective reviews that the Department of the Treasury's (Treasury) Financial Crimes Enforcement Network (FinCEN) and the federal banking regulators— the Board of Governors of the Federal Reserve System (Federal Reserve), Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC)—have conducted. Finally, we interviewed representatives from 19 Southwest border banks, a variety of banking industry groups and trade associations, and officials from FinCEN and the federal banking regulators.[5]

[4]GAO, *Bank Secrecy Act: Derisking along the Southwest Border Highlights Need for Regulators to Enhance Retrospective Reviews,* GAO-18-263 (Washington, D.C.: Feb. 26, 2018); and *Remittances to Fragile Countries: Treasury Should Assess Risks from Shifts to Non-Banking Channels,* GAO-18-313 (Washington, D.C.: Mar. 8, 2018).

[5]We interviewed 4 of the 5 largest Southwest border banks (based on asset size). We interviewed an additional 15 banks based on the following criteria (1) the number of branches the bank operates in the Southwest border region, (2) the size of the bank based on assets, and (3) the bank's primary federal regulator. Responses from these banks are not generalizable to all Southwest border banks.

For the report on remittances to fragile countries, we identified four case-study countries: Haiti, Liberia, Nepal, and Somalia.[6] We interviewed 12 out of 18 money transmitters that the World Bank identified as accounting for at least 80 percent of the market transfers from the United States to each of our case-study countries. We also interviewed officials from the federal banking regulators, Treasury, and eight extra-large banks.[7] The results of our interviews are not generalizable. In addition, we analyzed available data on remittances sent through banks as well as cash declarations at U.S. ports of exit.[8]

For both reports, we administered a web-based survey to a nationally representative sample of 406 banks in the United States, including 115 Southwest border banks. Additional details on our scope and methodology are available in our published reports.

We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[6]We selected these countries based on factors including their inclusion in the Organisation for Economic Co-operation and Development’s States of Fragility reports from 2013 to 2015.

[7]Extra-large banks are those with greater than $50 billion in assets.

[8]For available data on remittance flows through the banking channel, we analyzed Call Report data from the Federal Financial Institutions Examination Council. The Financial Institutions Regulatory and Interest Rate Control Act of 1978 established the council as a vehicle through which bank regulators could communicate formally. For data on remittance flows through nonbanking channels, we obtained and analyzed data from filings of Treasury’s Financial Crimes Enforcement Network’s (FinCEN) Form 105 – Report of International Transportation of Currency or Monetary Instruments.

Background

BSA/AML Regulation and Enforcement for Banks and Money Transmitters

The BSA established reporting, recordkeeping, and other AML requirements for financial institutions. Regulation under and enforcement of BSA involves several federal agencies. FinCEN is responsible for administering the BSA and has authority for enforcing compliance with its requirements and implementing regulations, including through civil money penalties. FinCEN issues regulations under BSA and delegated BSA/AML examination authority for banks to the federal banking regulators.[9] The federal banking regulators have issued their own BSA regulations that require banks to establish and maintain a BSA/AML compliance program.[10] The federal banking regulators may take enforcement actions for violations of BSA/AML requirements. They may also assess civil money penalties against financial institutions and individuals independently, or concurrently with FinCEN.

Both federal and state agencies oversee money transmitters. FinCEN has delegated examination authority for BSA compliance for money transmitters to the Internal Revenue Service (IRS).[11] Money transmitters must register with FinCEN and provide information on their structure and ownership.[12] According to Treasury, in all states except one, money transmitters are required to obtain licenses from states in which they are incorporated or conducting business.[13]

[9] 31 C.F.R. § 1010.810(b).

[10] The appropriate federal prudential regulators are required to prescribe regulations requiring the insured depository institutions under their supervision to establish and maintain procedures that are reasonably designed to assure and monitor the compliance of such institutions with the BSA. 12 U.S.C. § 1818(s). Regulations requiring the establishment of BSA compliance programs are codified at 12 C.F.R. § 21.21 (OCC); 12 C.F.R. § 208.63 (Federal Reserve); and 12 C.F.R. §§ 326.8 (FDIC).

[11] State regulators may also conduct safety and soundness examinations of nondepository financial institutions, such as money transmitters. The authority of states to regulate money transmitters varies from state to state.

[12] 31 U.S.C. § 5330; 31 C.F.R. § 1022.380.

[13] Money transmitters are not required to obtain a license to operate in the state of Montana.

All banks and money transmitters are required to establish an AML compliance program that includes policies, procedures, and processes which, at a minimum, must provide for (1) a system of internal controls to ensure ongoing compliance, (2) a designated individual or individuals responsible for managing BSA compliance (BSA compliance officer), (3) training for appropriate personnel, and (4) independent testing for BSA/AML compliance. Additionally, as of May 11, 2018, banks and certain other financial institutions are required to implement appropriate risk-based procedures for conducting ongoing customer due diligence. Banks must also have policies and procedures for opening accounts and verifying the identity of each customer and monitoring transactions and reporting suspicious activity. Finally, banks and money transmitters must comply with certain reporting requirements, including the following:

- **CTR:** A bank must electronically file a CTR for each transaction in currency—such as a deposit or withdrawal—of more than $10,000[14]
- **SAR:** Banks are required to electronically file a SAR when a transaction involves or aggregates at least $5,000 in funds or other assets, and the institution knows, suspects, or has reason to suspect that the transaction meets certain criteria qualifying as suspicious.[15]

Remittance Transfer Methods

Remittances can be sent through money transmitters and banks, among other organizations. International remittances through money transmitters and banks may include cash-to-cash money transfers, international wire transfers, some prepaid money card transfers, and automated clearinghouse transactions. If a remittance sender's bank does not have a direct relationship with the remittance recipient's bank, the bank-to-bank

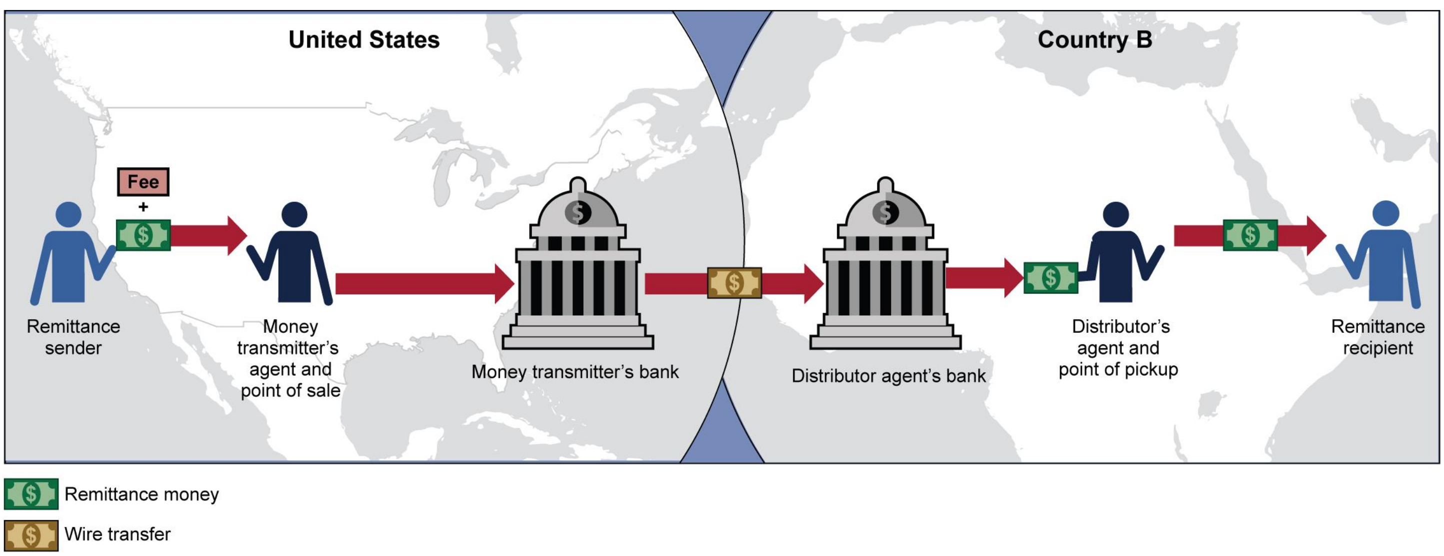
[14]Currency is defined as coin and paper money of the United States or of any other country that is designated as legal tender and that circulates and is customarily used and accepted as a medium of exchange in the country of issuance. 31 C.F.R. § 1010.100(m). Certain types of currency transactions need not be reported, such as those involving "exempt persons," a group which can include retail or commercial customers meeting specific criteria for exemption. See 31 C.F.R. § 1020.315.

[15]Banks are also required to file a SAR for known or suspected criminal violations involving insider abuse of any amount, as well as violations aggregating $5,000 or more when a suspect can be identified and $25,000 or more even without a potential suspect. See 12 C.F.R. §§ 21.11(c)(1)-(3), 163.180(d)(3)(i)-(iii) (OCC); 12 C.F.R. § 208.62(c)(1)-(3) (Federal Reserve); 12 C.F.R. § 353.3(a)(1)-(3) (FDIC). Money transmitters are also generally required to file SARs for suspicious transactions involving aggregate funds or assets of at least $2,000. 31 C.F.R. § 1022.320(a).

transfer scenario becomes more complicated. In such cases, one or more financial institutions may rely upon correspondent banking relationships to complete the transaction.[16] A typical remittance sent through a bank may be in the thousands of dollars, while the typical remittance sent by money transmitters is usually in the hundreds of dollars.

Historically, many consumers have chosen to send remittances through money transmitters due to convenience, cost, familiarity, or tradition. Money transmitters typically work through agents—separate business entities generally authorized to, among other things, send and receive money transfers. Money transmitters generally operate through their own retail storefronts, or through grocery stores, financial services outlets, convenience stores, and other retailers that serve as agents. Figure 1 shows one type of common money transmitter transaction known as cash-to-cash transfer.

Figure 1: Example of Money Transmitter Cash-to-Cash Remittance Transfer Using a Bank Account



Source: GAO. | GAO-18-642T

[16]According to the International Monetary Fund, correspondent banking consists of a bilateral agreement, often involving a reciprocal cross-border relationship in multiple currencies. Consistent with the definition of a correspondent account in the PATRIOT Act, a correspondent account is any account established for a foreign financial institution to receive deposits from, or to make payments or other disbursements on behalf of, the foreign financial institution, or to handle other financial transactions related to such foreign financial institutions.

Remittances to Case Study Countries

Remittances from the United States are an important source of funds for our case-study countries—Haiti, Liberia, Nepal, and Somalia.[17] The Organisation for Economic Co-operation and Development identified these countries as fragile states because of weak capacity to carry out basic governance functions, among other things, and their vulnerability to internal and external shocks such as economic crises or natural disasters.[18]

Risks Related to Money Laundering Appeared to Be a Factor in Reduced Access to Banking Services for Southwest Border Customers

In our February 2018 report, we found that money laundering risk is high in the Southwest border region because of the high volume of cash transactions, the number of cross-border transactions, and foreign account holders. Our nationally representative survey found that many Southwest border banks may be engaging in derisking. Nationally, our econometric analysis suggested that counties that were urban, younger, had higher income, or had higher money laundering-related risk were more likely to lose branches. Money laundering-related risks were likely to have been relatively more important drivers of branch closures in the Southwest border region.

[17]In 2015, estimated remittances from the United States to Haiti were about $1.3 billion; to Liberia, about $328 million; to Nepal, about $320 million; and to Somalia, about $215 million.

[18]For example, Haiti is the poorest country in the Western Hemisphere and has experienced political instability for most of its history. In 2003, Liberia officially ended its 14-year period of civil war but continued to face challenges with rebuilding its economy, particularly following the Ebola epidemic in 2014. Similarly, in 2006 Nepal ended a 10-year civil war, but in 2015 it was struck by an earthquake that caused widespread destruction. Somalia has endured political instability and civil conflict since 1969 and, according to a 2017 Department of State report, remained a safe haven for terrorists.

Southwest Border Banks Reported Heightened BSA/AML Compliance Risks and Challenges Due to Volume of High-Risk Customers

In February 2018, we reported that money laundering risk is high in the Southwest border region because of the high volume of cash transactions, the number of cross-border transactions, and foreign account holders, according to bank representatives, federal banking regulators, and others we spoke with. Cash transactions increase the BSA/AML compliance risk for banks because the greater anonymity associated with using cash results in greater risk for money laundering or terrorist financing. Our review of data on banks' CTR filings confirmed that bank branches that operate in Southwest border region counties handled more large cash transactions than bank branches elsewhere. Specifically, in 2016, bank branches in Southwest border region counties filed nearly 30 percent more CTRs, on average, than bank branches in comparable counties elsewhere in their same state, and about 60 percent more than those in other high-risk counties outside the region. Similar differences occurred in 2014 and 2015.[19]

We also reported that cross-border transactions are at a higher risk for money laundering because international transfers can present an attractive method to disguise the source of funds derived from illegal

[19]Comparable border-state counties are comprised of counties in Arizona, California, New Mexico, and Texas that are not Southwest border region counties. High-risk counties outside the region are counties that have been designated as High Intensity Financial Crime Areas (HIFCA) or High Intensity Drug Trafficking Areas (HIDTA) and are not located in the border states of Arizona, California, New Mexico, and Texas. Matching was performed based on similar rural-urban characteristics and county population. HIFCAs and HIDTAs aim to concentrate law enforcement efforts at the federal, state, and local levels to combat money laundering and drug trafficking in designated high-intensity money laundering zones and in areas determined to be critical drug-trafficking regions of the United States, respectively. See GAO-18-263 for more information. HIFCAs were conceived in the Money Laundering and Financial Crimes Strategy Act of 1998, Pub. L. No. 105-310, 112 Stat. 2941 (1998), and first announced in the 1999 National Money Laundering Strategy. The Office of National Drug Control Policy (ONDCP) Reauthorization Act of 1998 authorized the Director of ONDCP, upon consultation with certain specified federal and state entities, to designate any specified area of the United States as a HIDTA. Pub. L. No. 105-277, Div. C, Title VII, § 707, 112 Stat. 2681-670, 2681-686 (1998) (codified as amended at 21 U.S.C. § 2106).

activity.[20] Southwest border banks cited foreign account holders as another type of high-risk customer for money laundering and terrorist financing. These types of customers are prevalent in the Southwest border region, examiners said, and can create challenges for banks to verify and authenticate their identification, source of funds, and source of wealth.

The volume of high-risk customers and cross-border transactions can lead to more intensive account monitoring and investigation of suspicious transactions, Southwest border bank representatives said. Performing effective due diligence and complying with customer identification requirements for higher-risk customers and transactions can be more challenging because banks might need specialized processes for higher-risk customers and transactions than for those that are lower risk. Southwest border bank representatives we spoke with said addressing these compliance challenges can also require more resources for monitoring high-risk customers and investigating suspicious transactions. For example, in 2016, bank branches in the Southwest border region counties filed three times as many SARs, on average, as bank branches operating in other counties within Southwest border states and about 2.5 times as many SARs, on average, as bank branches in other high-risk financial crime or drug trafficking counties in nonborder states. These differences in SAR filings showed a similar pattern in 2014 and 2015.

Some Account Terminations and Limitations Were Consistent with BSA/AML Purposes

In February 2018, we found that most Southwest border banks reported terminating accounts for reasons related to BSA/AML risk. Based on our survey results, from January 1, 2014, through December 31, 2016, we estimated that almost 80 percent of Southwest border banks had terminated personal or business accounts for reasons related to BSA/AML risk.[21] The most common reasons related to BSA/AML risk

[20]For example, representatives of one produce industry association we spoke with said produce distributors often import produce from Mexican farmers and pay them via wire transfer, which the farmers may then immediately withdraw in cash. Transactions that involve cross-border wire transfers and immediate withdrawals of cash may raise suspicion of money laundering that requires further scrutiny by the bank.

[21]The 95 percent confidence interval for this estimate was (69, 87). Southwest border banks include banks of all asset sizes from small to extra-large.

Southwest border banks reported for terminating accounts were the filing of SARs associated with the accounts, the failure of the customer to respond adequately to requests for information as part of customer due diligence processes, and the reputational risk associated with the customer type (an estimated 93 percent, 80 percent, and 68 percent, respectively).[22] Of the high-risk businesses for money laundering and terrorist financing that we identified in our survey, cash-intensive small businesses (for example, retail stores, restaurants, and used car dealers) were the most common type of business accounts that Southwest border banks reported terminating accounts for reasons related to BSA/AML risk. Over 70 percent of Southwest border banks reported terminating these accounts.[23]

A majority of Southwest border banks and banks that did not operate in the Southwest border region (non-Southwest border banks) reported limiting or not offering accounts to certain types of businesses considered high risk for money laundering and terrorist financing, particularly money services businesses and foreign businesses.[24] The most common reason (cited by 88 percent of Southwest border banks) for limiting, or not offering, an account to these types of businesses was that the business type fell outside of the bank's risk tolerance—the acceptable level of risk an organization is willing to accept around specific objectives.[25] Similarly, 69 percent of Southwest border banks cited the inability to manage the BSA/AML risk associated with the customer (for example, because of

[22]The 95 percent confidence intervals for these estimates were (84, 97), (69, 89), and (55, 79), respectively. Other reasons that Southwest border banks cited for terminating accounts for BSA/AML risk reasons included: the cost of BSA/AML compliance made the customer type unprofitable, the customer type drew heightened BSA/AML regulatory oversight, the inability to manage the BSA/AML risk associated with the customer type, potential personal liability for BSA/AML compliance professionals, and negative news associated with the customer.

[23]The 95 percent confidence interval for this estimate was (62, 84). The other four categories of high-risk business accounts we identified were money services businesses, domestic businesses engaged in cross-border trade, nontrade-related foreign businesses, and foreign businesses engaged in cross-border trade.

[24]For example, the estimates for Southwest border banks that have limited, or not offered, accounts to nontrade-related foreign businesses was 76 percent, money service businesses was 75 percent, and foreign businesses engaged in cross-border trade was 72 percent. The 95 percent confidence intervals for these estimates were (66, 84), (64, 83), and (62, 81), respectively.

[25]The 95 percent confidence interval for this estimate was (79, 94).

resource constraints) as a factor for limiting, or not offering, accounts.[26] Similarly, the most common reason that non-Southwest border banks reported limiting, or not offering accounts, to certain types of businesses considered high risk for money laundering and terrorist financing was that the customer type fell outside of the bank's risk tolerance.[27]

Other Account Terminations and Limitations Raised Concerns about Derisking

Further, in February 2018 we found that the second most common reason—cited by 80 percent of Southwest border banks—for limiting, or not offering, accounts to certain types of businesses considered high risk for money laundering and terrorist financing, was that the customer type drew heightened BSA/AML regulatory oversight—behavior that could indicate derisking.[28] For example, representatives from one Southwest border bank explained that they no longer offer accounts to money services businesses because they want to be viewed from a good standpoint with their regulator. They added that banking for these types of customers is very high risk for the bank with very little reward. Another bank that operates in the Southwest border region explained that rather than being able to focus on their own BSA/AML risk assessment and the performance of accounts, they feel pressured to make arbitrary decisions to close accounts based on specific concerns of their examiners.

Several Southwest border bank representatives also described how recent BSA/AML law enforcement and regulatory enforcement actions have caused them to become more conservative in the types of businesses for which they offer accounts. In addition, while banks may terminate accounts because of SAR filings as a method to manage money laundering and terrorist financing risk and to comply with

[26] The 95 percent confidence interval for this estimate was (57, 79).

[27] The estimate for non-Southwest border banks limiting, or not offering, accounts because the customer type fell outside of the bank's risk tolerance was 82 percent. The 95 percent confidence interval for this estimate was (70, 91).

[28] The 95 percent confidence interval for this estimate was (69, 89). Other reasons that Southwest border banks cited for limiting, or not offering, accounts to certain types of businesses considered high risk for money laundering and terrorist financing included: the cost of BSA/AML compliance made the customer type unprofitable, potential personal liability for BSA/AML compliance professionals, reputational risk associated with the customer type, and compliance risk other than BSA/AML associated with the customer type.

BSA/AML requirements, some of these terminations may be related to derisking. For example, some Southwest border bank representatives we spoke with for our Southwest border report, as well as other banks and credit unions we spoke with in a February 2009 review, told us that they have filed SARs to avoid potential criticism during examinations, not because they thought the observed activity was suspicious.[29] Non-Southwest border banks also commonly cited the inability to manage risk associated with the customer type and heightened regulatory oversight as reasons for limiting, or not offering, accounts.

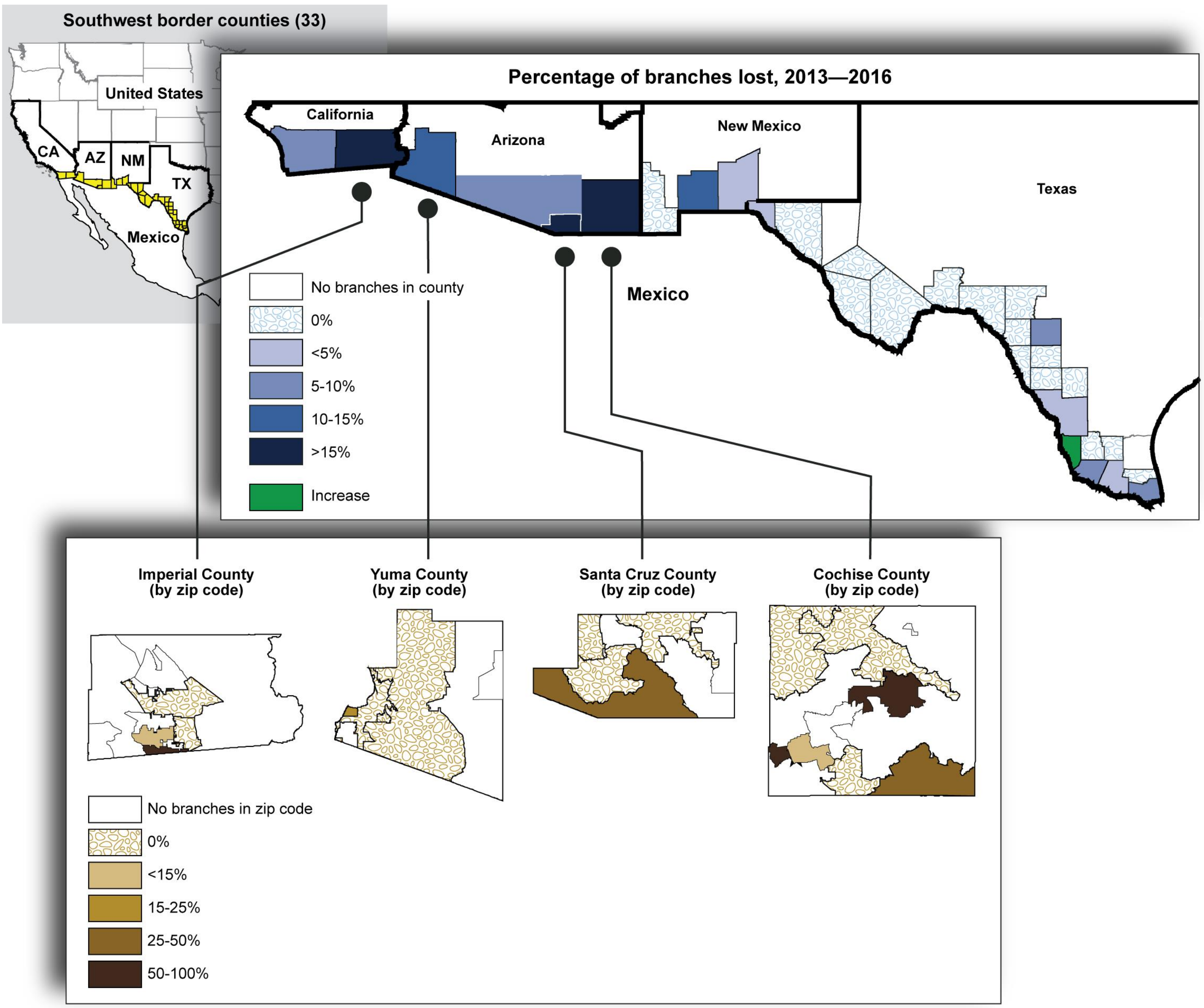
Southwest Border Bank Branch Closures Have Been Concentrated in a Small Number of Communities

Counties in the Southwest border region have been losing bank branches since 2012, similar to national and regional trends, as well as trends in other high-risk financial crime or drug trafficking counties that are outside the region. In February 2018, we found that most of the 32 counties (18 counties or nearly 60 percent) comprising the Southwest border region did not lose bank branches from 2013 through 2016, but 5 counties lost 10 percent or more of their branches over this time period (see top panel of fig. 2).[30] Those 5 counties are Cochise, Santa Cruz, and Yuma, Arizona; Imperial, California; and Luna, New Mexico.

[29]See GAO, *Bank Secrecy Act: Suspicious Activity Report Use Is Increasing, but FinCEN Needs to Further Develop and Document Its Form Revision Process*, GAO-09-226 (Washington, D.C.: Feb. 27, 2009).

[30]Our analysis of the number of branches was based on FDIC's Summary of Deposits database. This database records bank branch information as of June 30 each year. One of the 33 counties in our defined Southwest border region—Kenedy County, Texas—did not have a bank branch from June 30, 2000, through June 30, 2016, and therefore was not included in our analysis of branch closures in the region. Our analysis of bank branches included both full-service and limited-service branches. Limited-service branches provide some conveniences to bank customers but generally offer a reduced set of bank services.

Figure 2: Bank Branch Closures in the Southwest Border Region, 2013–2016



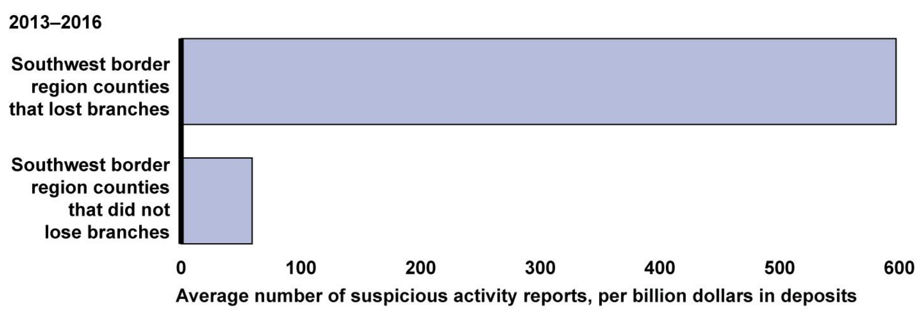
Sources: GAO analysis of Federal Deposit Insurance Corporation data; MapInfo. | GAO-18-642T

Within those counties we identified as having the largest percentage loss of branches, sometimes those losses were concentrated in smaller communities within the county (see bottom panel of fig. 2). For example, Calexico in Imperial County, California, lost 5 of its 6 branches from 2013 through 2016. In Santa Cruz County in Arizona, one zip code in Nogales accounted for all of the branch losses in the county from 2013 through

2016, losing 3 of its 9 branches. More generally, branch losses varied substantially across different zip codes in a county (see for example bottom panel of fig. 2). In other instances, counties that lost a relatively small share of their branches contained communities that lost a more substantial share—for example San Ysidro in San Diego County lost 5 of its 12 branches (about 42 percent) while the county as a whole lost only 5 percent of its branches from 2013 through 2016.

Based on our analysis, counties losing branches in the Southwest border region tended to have substantially higher SAR filings, on average, than Southwest border region counties that did not lose branches. That is, counties that lost branches from 2013 through 2016 had about 600 SAR filings per billion dollars in deposits, on average, and counties that did not lose branches had about 60 SAR filings per billion dollars in deposits, on average (see fig. 3).

Figure 3: Average Number of SARs Filed per Billion Dollars in Deposits, 2014



Source: GAO analysis of Federal Deposit Insurance Corporation and Financial Crimes Enforcement Network data. | GAO-18-642T

Data Table for Figure 3: Average Number of SARs Filed per Billion Dollars in Deposits, 2014

Area	SARs Filed per Billion Dollars in Deposits, 2014
Southwest border counties that lost branches	597.35
Southwest border counties that did not lose branches	59.24

Empirical Evidence Suggested Demographic and Money Laundering-Related Risk Factors Are Drivers of Branch Closures

The econometric models we developed and estimated for our February 2018 report generally found that demographic and money laundering-related risk factors were important predictors of national bank branch closures.[31] In general, our results suggested that counties were more likely to lose branches, all else equal, if they were (1) urban, had a higher per capita personal income, and had a younger population (proportion under 45); or (2) designated as a HIFCA or HIDTA county, or had higher SAR filings. We termed the latter three characteristics (HIFCA, HIDTA, and SAR filings) "money laundering-related risk factors."

Our results were consistent with those demographic characteristics associated with the adoption of mobile banking. As such, our results were consistent with the hypothesis that mobile banking is among the factors leading some banks to close branches. The most urban counties were about 22 percentage points more likely to lose one or more branches over the next year than the most rural counties. A county with 70 percent of the population under 45 was about 9 percentage points more likely to lose one or more branches over the next year than a county with half the population under 45. A county with per capita income of $50,000 was about 7 percentage points more likely to lose one or more branches over the next year than a county with per capita income of $20,000.

Money laundering-related characteristics of a county were also important predictors of branch closures in our models. HIDTA counties were about 11 percentage points more likely to lose one or more branches over the next year than non-HIDTA counties (the effect in HIFCA counties is less significant statistically and smaller in magnitude). A county with 200 SARs

[31]We estimated a large number of econometric models to ensure that our results were generally not sensitive to small changes in our model. Despite the robustness of our results and our efforts to control for relevant factors, our results are subject to a number of caveats associated with this type of empirical work. For example, our regression models may be subject to omitted variable bias—it is unlikely that we were able to quantify and include all relevant factors in bank branching decisions. As such, we interpret these results with some degree of caution. While our models are unable to definitively identify the causal effect of BSA/AML regulation on branch closures from these money laundering-related risk factors, the impact of the SAR variables, in particular, could reflect a combination of BSA/AML compliance effort and the underlying level of suspicious or money laundering-related activity in a county.

filed per billion dollars in bank deposits was about 8 percentage points more likely to lose one or more bank branches over the next year than a county where no bank branch had filed a SAR.[32]

Money laundering-related risk factors were likely to have been relatively more important drivers of branch closures in the Southwest border region because it had much higher SAR filings and a larger share of counties designated as HIDTAs than the rest of the country. More generally, given the characteristics of Southwest border counties and the rest of the United States, our models suggested that while demographic factors have been important drivers of branch closures in the United States overall, risks associated with money laundering were likely to have been relatively more important in the Southwest border region.

Southwest border bank representatives we interviewed told us they considered a range of factors when deciding whether or not to close a branch. Nearly half of the Southwest border bank representatives we spoke with (4 of 10), mentioned that BSA/AML compliance costs could be among the factors considered in determining whether or not to close a branch.[33]

Money Transmitters Serving Selected Fragile Countries Noted Loss of Banking Access, Although Treasury Saw No Reduction in Remittance Flows

In March 2018, we found that money transmitters serving Haiti, Liberia, Nepal, and especially Somalia reported losing bank accounts or having

[32]Southwest border bank officials we spoke with generally said that SAR filings were a time- and resource-intensive process, and that the number of SARs filings—to some extent—reflected the level of effort, and overall BSA compliance risk, faced by the bank. Therefore, the impact of SAR variables in our models could reflect a combination of (1) the extent of BSA/AML compliance effort and risk faced by the bank, as expressed by bank officials, and (2) the underlying level of suspicious or money laundering-related activity in a county.

[33]The total number of Southwest border banks that we spoke with cited here is less than the total number of Southwest border banks we spoke with referenced earlier. The difference reflects the fact that not all Southwest border banks we spoke with had closed branches in the 5 years previous to our interview or that the bank representatives present for the interview were not knowledgeable about their banks' decisions in closing branches.

restrictions placed on them, which some banks confirmed. As a result, some money transmitters relied on nonbanking channels, such as cash couriers, to transfer remittances. All of the 12 money transmitters we interviewed at the time reported losing some banking relationships in the last 10 years. Some money transmitters, including all 4 that served Somalia, said they relied on nonbanking channels, such as moving cash, to transfer funds, which increased their operational costs and exposure to risks. Further, in our interviews some banks reported that they had closed the accounts of money transmitters because of the high cost of due diligence actions they considered necessary to minimize the risk of fines under BSA/AML regulations. Treasury officials noted that despite information that some money transmitters have lost banking accounts, Treasury saw no evidence that the volume of remittances was falling or that costs of sending remittances were rising.

All Money Transmitters We Interviewed Reported They Lost Bank Accounts, Which for Many Resulted in Higher Costs and a Shift to Nonbanking Channels

All 12 money transmitters we interviewed for our March 2018 report stated that they or their agents had lost accounts with banks during the last 10 years. All 4 Somali money transmitters and many agents of the 2 Haitian money transmitters we spoke with reported they had lost some bank accounts, and 2 of the 4 Somali money transmitters reported losing all bank accounts. Additionally, all 4 large money transmitters that process transfers globally (including to our case-study countries of Haiti, Liberia, and Nepal) also reported that their agents had lost accounts.[34] Almost all of the money transmitters said they also faced difficulties in getting new accounts. While some money transmitters said the banks that closed their accounts did not provide a reason, in other cases, money transmitters said the banks told them that they had received pressure from regulators to terminate money transmitter accounts.

As a result of losing access to bank accounts, several money transmitters, including all of the Somali money transmitters, reported that they were using nonbanking channels to transfer funds. In some cases the money transmitter was forced to conduct operations in cash, which increased the risk of theft and forfeitures and led to increased risk for

[34]One of the large money transmitters also facilitates remittances to Somaliland, a semi-autonomous region of Somalia.

agents and couriers. Nine of the money transmitters that we interviewed reported they rely on couriers or armored trucks to transport cash domestically (to the money transmitter's main offices or bank) or, in the case of Somalia, internationally. Money transmitters reported they use cash couriers either because the money transmitter or their agents had lost bank accounts or because it was cheaper to use armored trucks than banks to move funds.

Money transmitters we interviewed reported increased costs associated with moving cash and bank fees. Two of the money transmitters we spoke to stated that they did not have options other than to pay any fees the bank required due to the difficulty in finding new bank accounts. Money transmitters with access to bank accounts reported that bank charges for services had in some cases doubled or tripled, or were so high that it was less expensive to use a cash courier. For example, some money transmitters stated that their banks charged a monthly fee for compliance-related costs that ranged from $100 a month to several thousand dollars a month.

Some Banks Reported Closing or Denying Accounts for Money Transmitters, Citing Insufficient Profit to Offset Risks and Costs

Most of the banks we interviewed for our March 2018 report expressed concerns about account holders who are money transmitters because they tended to be low-profit, high-risk clients. Most of the banks we interviewed that serve money transmitters stated that BSA/AML compliance costs have significantly increased in the last 10 years because they had to hire additional staff and upgrade information systems to conduct electronic monitoring of all transactions processed through their system. Some banks indicated in our survey and interviews that the revenue from money transmitter accounts was at times not sufficient to offset the costs of BSA/AML compliance, leading to terminations and restrictions on money transmitter accounts. A few banks we interviewed stated that they do not allow money transmitters to open accounts because of the BSA/AML compliance resources they require.

Banks also expressed concerns over the adequacy of money transmitters' ability to conduct due diligence on the money transmitter's customers. A few banks we interviewed expressed concern that they would be held responsible if, despite the bank carrying out due diligence, authorities detected an illicit transaction had been processed through the bank on behalf of a money transmitter.

Treasury Officials Said Remittance Flows to Fragile Countries Have Not Declined; Remittance Senders Reported No Major Difficulties

In our March 2018 report, we found that Treasury officials reported remittances continue to flow to fragile countries even though money transmitters faced challenges. Through engagement with money transmitters and banks, Treasury found some evidence of money transmitter bank account closures. However, according to Treasury officials, World Bank estimates of remittance flows show that the volume of international transfers from the United States has continued to increase. At the same time, World Bank data indicate that the global average cost of sending remittances has continued to decrease. Citing these trends, and anecdotal evidence from Treasury's engagement with banks, the officials stated that there were no clear systemic impacts on the flow of remittances from closures of money transmitter bank accounts and correspondent banking relations.

Treasury officials acknowledged that such closures can be a significant challenge for money transmitters that serve certain regions or countries, including Somalia. Further, Treasury officials said they were aware that some Somali money transmitters resorted to nonbanking channels by carrying cash overseas. They noted that although physically moving cash is risky, it is not unlawful. Additionally, Treasury officials stated that the use of cash couriers to remit funds had not been a concern for regulators because this practice had not increased the remittance fees that money transmitters charge their consumers.

Remittance senders in the United States who remit to our case-study countries reported that they frequently used money transmitters and had not encountered major difficulties in sending remittances. Senders told us that they generally preferred using money transmitters over other methods because money transmitters were cheaper than banks and were quicker in delivering the funds than other methods. In addition, money transmitters were often more accessible for recipients collecting the remittances because the money transmitters had more locations than banks in recipient countries. However, some remittance senders told us that they were unable to send large amounts of money through money transmitters.

Regulators Have Not Evaluated All Factors Influencing Banks to Derisk and Treasury Lacks Data Needed to Assess Possible Effects on Remittance Flows

In February 2018 we reported that to address concerns about derisking, FinCEN and the federal banking regulators had taken actions including issuing guidance to banks and conducting some evaluations to assess the extent to which derisking is occurring. However, the actions regulators had taken to address concerns raised in their BSA/AML regulatory reviews were limited in scope (for example, they focused primarily on the burden resulting from the filing of CTRs and SARs) and had not evaluated all factors that may influence banks to derisk or close branches. Moreover, in March 2018 we found that Treasury could not assess the effects of money transmitters' loss of banking access on remittance flows because existing data did not allow Treasury to identify remittances transferred through banking and nonbanking channels.

Regulators Issued Guidance and Took Some Actions Related to Derisking

In February 2018, we reported that FinCEN and the federal banking regulators responded to concerns about derisking on a national level by issuing guidance to banks and conducting some evaluations within their agencies to understand the extent to which derisking is occurring. The guidance issued by regulators was aimed at clarifying BSA/AML regulatory expectations and discouraging banks from terminating accounts without evaluating risk presented by individual customers or banks' abilities to manage risks. The guidance generally encouraged banks to use a risk-based approach to evaluate individual customer risks and not to eliminate entire categories of customers. Some of the guidance issued by regulators attempted to clarify their expectations specifically for banks' offering of services to money services businesses, including money transmitters. For example, in March 2005, the federal banking regulators and FinCEN issued a joint statement on providing banking services to money services businesses to clarify the BSA requirements and supervisory expectations as applied to accounts opened or maintained for this type of customer. The statement acknowledged that money services businesses were losing access to banking services as a result of concerns about regulatory scrutiny, the risks presented by these types of accounts, and the costs and burdens associated with maintaining such accounts.[35]

The agencies issuing these guidance documents told us they took some steps to assess the effect of their guidance on bank behavior. For example, Treasury officials said that Treasury periodically engaged with banks and money transmitters on an ad hoc basis to learn their views and gain insight into their concerns. According to Federal Reserve officials, anecdotal information suggested that some money transmitters lost bank accounts after FinCEN and federal banking agencies issued the joint guidance in 2005, and that outcome was contrary to the regulators' intent. To address concerns about the guidance, according to these officials, Treasury held several public discussions on money transmitter account terminations.

In addition to issuing guidance, FDIC and OCC took some steps aimed at trying to determine why banks may be terminating accounts because of perceived regulatory concerns. For example, in January 2015, FDIC issued a memorandum to examiners establishing a policy that examiners document and report instances in which they recommend or require banks to terminate accounts during examinations. From January 2015 through December 2017, FDIC officials stated that examiners had not documented any recommendations or requirements for account terminations. In 2016, OCC reviewed how the institutions it supervises develop and implement policies and procedures for evaluating customer risks as part of their BSA/AML programs and for making risk-based determinations to close customer accounts. OCC focused its review on certain large banks' evaluation of risk for foreign correspondent bank accounts. This effort resulted in OCC issuing guidance to banks on periodic evaluation of the risks of foreign correspondent accounts. The federal banking regulators also met with residents and businesses in the Southwest border region to discuss concerns about derisking in the region.

[35]In their *Joint Statement on Providing Banking Services to Money Services Businesses*, FinCEN and the federal banking agencies, including the Federal Reserve, OCC, FDIC, and the National Credit Union Administration, advised banks that the risk posed by money services businesses should be assessed on a case-by-case basis. The agencies noted that these businesses provide valuable financial services to individuals without access to the formal banking sector.

Treasury and the federal banking regulators also participated in a number of international activities related to concerns about the decline in the number of correspondent banking and money services business accounts. For example, FDIC, OCC, and the Federal Reserve participate in the Basel Committee on Banking Supervision's Anti-Money Laundering/Counter Financing of Terrorism Experts Group. Recent efforts of the group involved revising guidelines to update and clarify correspondent banking expectations. Treasury leads the U.S. engagement with the Financial Action Task Force—an intergovernmental body that sets standards for combating money laundering, financing of terrorism, and other related threats to the integrity of the international financial system—which has issued guidance on correspondent banking and money services businesses.

BSA/AML Regulatory Reviews Had Not Evaluated All Factors Influencing Banks to Derisk and Close Branches

Executive orders encourage and legislation requires FinCEN and the federal banking regulators to review existing regulations to determine whether they should be retained, amended, or rescinded, among other things. Retrospective reviews of existing rules help agencies evaluate how existing regulations are working in practice. Recent presidents have directed agencies to evaluate or reconsider existing regulations.[36] In addition to the executive orders, the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA) requires federal banking regulators to review the regulations they prescribe not less than once every 10 years

[36]For example, in 2011 President Obama issued Executive Orders 13563 and 13579. Among other provisions, Executive Orders 13563 and 13579 require executive branch agencies and encourage independent regulatory agencies, such as the federal banking regulators, respectively, to develop and implement retrospective review plans for existing significant regulations. *See* Exec. Order No. 13563, 3 C.F.R. § 13563 (2012); Exec. Order No. 13579, 3 C.F.R. § 13579 (2012). Significant regulatory actions are those likely to result in a rule that may have an annual effect on the economy of $100 million or more, among other things. See Exec. Order No. 12866 § 3(f), 3 C.F.R. § 12866 (1993). Some BSA rules have been deemed significant regulatory actions. See e.g., Customer Due Diligence Requirements for Financial Institutions, 81 Fed. Reg. 29398 (May 11, 2016). Further, the Trump Administration has continued to focus on the need for agencies to improve regulatory effectiveness while reducing regulatory burdens. Executive Order 13777, issued by President Trump in February 2017, also reaffirms the objectives of previous executive orders and directs agency task forces to identify regulations which, among other criteria, are outdated, unnecessary, or ineffective. Exec. Order No. 13777, (to be codified at 3 C.F.R. § 13777 (2018)).

and request comments to identify outdated, unnecessary, or unduly burdensome statutory or regulatory requirements.[37]

In February 2018, we reported that FinCEN and the federal banking regulators had all participated in retrospective reviews of different parts of the BSA/AML regulations. For example, FinCEN officials told us that they review each new or significantly amended regulation to assess its clarity and effectiveness within 18 months of its effective date. As part of fulfilling their requirements under EGRPRA, the federal banking regulators—through the Federal Financial Institutions Examination Council (FFIEC)—have also participated in retrospective reviews of BSA/AML regulations.[38] As part of the 2017 EGRPRA review, FFIEC received several public comments on BSA/AML requirements, including increasing the threshold for filing CTRs, the SAR threshold, and the overall increasing cost and burden of BSA compliance.[39] FinCEN officials and the federal banking regulators stated that the agencies are working to address the BSA-related EGRPRA comments—particularly those related to CTR and SAR filing requirements—through the BSA Advisory Group (BSAAG).[40]

However, the actions FinCEN and the federal banking regulators took related to derisking were not aimed at addressing and, if possible ameliorating, the full range of factors that influence banks to engage in

[37]The Economic Growth and Regulatory Paperwork Reduction Act of 1996, Pub. L. No. 104–208, § 2222, 110 Stat. 3009-414-15 (1996) (codified at 12 U.S.C. § 3311).

[38] While EGRPRA does not govern BSA itself, it covers the regulations under the federal banking regulators' supervisory authority promulgated under BSA.

[39]See Joint Report to Congress: Economic Growth and Regulatory Paperwork Reduction Act, 82 Fed. Reg. 15900 (Mar. 30, 2017). The first EGRPRA review was issued in July 2007 and also discussed issues related to BSA. The review highlighted concerns related to CTR and SAR filing requirements, the need for additional guidance on customer identification requirements, and recordkeeping requirements. Joint Report to Congress, July 31, 2007; Economic Growth and Regulatory Paperwork Reduction Act, 72 Fed. Reg. 62036 (Nov. 1, 2007).

[40]The federal banking regulators referred the comments to FinCEN. FinCEN is not part of the EGRPRA review and is not required to consider the comments; however, in its response in the 2017 EGRPRA report, the agency stated that it finds the information helpful when assessing BSA requirements. The Annunzio-Wylie Anti-Money Laundering Act of 1992 requires the Secretary of the Treasury to establish a Bank Secrecy Act Advisory Group on Reporting Requirements consisting of representatives of the Departments of Treasury and Justice, the Office of National Drug Control Policy, and other interested persons, financial institutions, and trades and businesses subject to the reporting requirements of the Currency and Foreign Transactions Reporting Act (known as the Bank Secrecy Act) or Section 60501 of the Internal Revenue Code of 1986.

derisking, in particular banks' regulatory concerns and BSA/AML compliance efforts. Further, the actions regulators took to address concerns raised in BSA/AML retrospective reviews focused primarily on the burden resulting from the filing of CTRs and SARs, but these actions did not evaluate how regulatory concerns may influence banks to engage in derisking or close branches. Federal internal control standards call for agencies to analyze and respond to risks to achieving their objectives.[41] Further, guidance implementing executive orders states that agencies should consider conducting retrospective reviews on rules that unanticipated circumstances have overtaken.[42] In February 2018, we concluded that without assessing the full range of BSA/AML factors that may be influencing banks to derisk or close branches, FinCEN, the federal banking regulators, and Congress would not have the information they need to determine if adjustments are needed to ensure that the BSA/AML regulations and their implementation are achieving their regulatory objectives in the most effective and least burdensome way.

U.S. Data on Remittances Did Not Allow Treasury to Assess the Effects of Money Transmitters' Loss of Banking Access on Remittance Flows to Fragile Countries

In March 2018, we found that Treasury could not assess the effects of money transmitters' loss of banking access on remittance flows because existing data did not allow Treasury to identify remittances transferred through banking and non-banking channels.

Recent efforts to collect international remittance data from banks and credit unions did not include transfers these institutions make on behalf of money transmitters. Since these data collection efforts are designed to protect U.S. consumers, the remittance data that banks and credit unions report are limited to remittances individual consumers send directly through these institutions. Additionally, as of the first quarter of 2018,

[41]See GAO, Standards for Internal Control in the Federal Government, GAO-14-704G (Washington, D.C.: Sept. 10, 2014).

[42]Memorandum from Cass R. Sunstein, Administrator, Office of Management and Budget, to the Heads of Executive Departments and Agencies, and of Independent Regulatory Agencies (Feb. 2, 2011), available at https://www.va.gov/ORPM/docs/EO_OIRA_Guidance_M11-10.pdf; Memorandum from Cass R. Sunstein, Administrator, Office of Management and Budget, to the Heads of Independent Regulatory Agencies (July 22, 2011), available at https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2011/m11-28.pdf.

about half the states (24) adopted reports to collect remittance data from money transmitters and of these, 12 states had made it mandatory to report remittance data by destination country. However, these data do not distinguish money transmitters' use of banking and nonbanking channels to transfer funds.

Finally, we found that while Treasury has a long-standing effort to collect information on travelers transporting cash from U.S. ports of exit, this information did not identify cash transported for remittances. We concluded that without information on remittances sent through banking and nonbanking channels, Treasury could not assess the effects of money transmitter and foreign bank account closures on remittances, especially shifts in remittance transfers from banking to nonbanking channels for fragile countries. Nonbanking channels are generally less transparent than banking channels and thus more susceptible to the risk of money laundering and other illicit financial transactions. Additionally, while risks associated with shifts of remittances to nonbanking channels may vary by country, these risks are likely greater for fragile countries, such as Somalia, where the United States has concerns about terrorism financing.

Conclusions and Recommendations for Executive Action

The collective findings from our work indicate that BSA/AML regulatory concerns have played a role in banks' decisions to terminate and limit accounts and close branches. However, the actions taken to address derisking by the federal banking regulators and FinCEN and the retrospective reviews conducted on BSA/AML regulations had not fully considered or addressed these effects. As a result, in our February 2018 report, we recommended that FinCEN and the three banking regulators in our review—FDIC, the Federal Reserve, and OCC— jointly conduct a retrospective review of BSA/AML regulations and their implementation for banks, focusing on how banks' regulatory concerns may be influencing their willingness to provide services. In their written responses, the Federal Reserve, FDIC, and OCC agreed to leverage ongoing interagency work reviewing BSA/AML regulations and their implementation for banks to address our recommendation. GAO requested comments from Treasury, but none were provided.

A lack of data on remittances sent through banking and nonbanking channels limits the ability of Treasury to assess the effects of money transmitter and foreign bank account closures on remittances, in particular shifts of remittances to non-banking channels for fragile countries. Therefore, in the March 2018 report we recommended that Treasury assess the extent to which shifts in remittance flows from banking to non-banking channels for fragile countries may affect Treasury's ability to monitor for money laundering and terrorist financing and, if necessary, should identify corrective actions. GAO requested comments from Treasury, but none were provided.

Chairman Luetkemeyer, Ranking Member Clay, and members of the Subcommittee, this concludes my statement. I would be pleased to respond to any questions you may have.

GAO Contact and Staff Acknowledgments

If you or your staff have any questions about the issues related to access to banking services along the Southwest border in this testimony or the related report, please contact Michael E. Clements, Director, Financial Markets and Community Investment, at (202) 512-8678 or clementsm@gao.gov. For questions about the issues related to remittance flows to fragile nations in this testimony or related report, please contact Thomas Melito, Managing Director, International Affairs and Trade, at (202) 512-9601, or melitot@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this testimony are Lawrance Evans, Jr. (Managing Director), Stefanie Jonkman (Assistant Director), Mona Sehgal (Assistant Director), Christine McGinty (Analyst in Charge), Kyerion Printup, Madeline Messick, and David Dayton. Other staff who made key contributions to the reports cited in the testimony are identified in the source products.

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