

GAO@100 Highlights

Highlights of [GAO-22-104792](#), a report to congressional committees

Why GAO Did This Study

Some money transmitters (a type of nonbank financial institution) and nonprofit charitable organizations transfer funds to foreign countries' populations in need, such as areas experiencing conflicts or humanitarian crises. These organizations need bank accounts and other bank services to make these fund transfers. However, banks may be reluctant to provide these services when recipients of funds are in countries at high risk for money laundering or terrorist financing. The National Defense Authorization Act for Fiscal Year 2021 included a provision for GAO to identify options to address this issue.

This report discusses banking access challenges reported by U.S. money transmitters and nonprofits that transfer funds to recipients in high-risk countries and the drivers of these challenges, and stakeholder views on proposals for increasing banks' willingness to serve these customers, among other objectives.

GAO reviewed academic, industry, international organization, and think tank literature, as well as documentation from federal banking regulators and Treasury. GAO also interviewed agency staff, industry associations, and experts and held five discussion groups with representatives of banks, money transmitters, and nonprofits, which were selected to reflect a range of sizes and geographic areas served.

View [GAO-22-104792](#). For more information, contact Michael E. Clements at (202) 512-8678 or clementsm@gao.gov.

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BANK SECRECY ACT

Views on Proposals to Improve Banking Access for Entities Transferring Funds to High-Risk Countries

What GAO Found

Money transmitters and nonprofits that transfer funds to recipients in countries at high risk for money laundering or terrorist financing have reported bank account closures and delays or denials of requests to transfer funds. These banking access challenges can affect the provision of financial support and humanitarian aid in areas experiencing political conflicts or natural disasters. Bank representatives told GAO they limit or deny services to money transmitters and nonprofits largely because of their efforts to comply with Bank Secrecy Act/anti-money laundering (BSA/AML) regulations. For instance, they cited the high costs of conducting the due diligence necessary to ensure funds distributed in high-risk countries are not used for illicit purposes. They noted that these countries often lack adequate and transparent frameworks for countering money laundering and terrorist financing. Bank representatives also cited heightened scrutiny they receive from regulators when banking higher-risk money transmitters and nonprofits and uncertainty about regulatory expectations for conducting due diligence.

Among the representatives of banks, money transmitters, nonprofits, and federal agencies with whom GAO spoke, views varied on the best ways to address money transmitters' and nonprofits' banking access challenges. These industry stakeholders and federal agency staff discussed the benefits, limitations, and other considerations associated with several proposals commonly cited in relevant literature to improve banking access for money transmitters and nonprofits. For example:

- **Know-your-customer utilities** refer to centralized sources of customer information (e.g., documentation of their licensing or internal controls) that banks can access to conduct their BSA/AML due diligence. Some industry stakeholders said use of these utilities for money transmitter or nonprofit information could lower banks' general compliance costs—particularly if the utilities provided analysis of customer risks that banks could rely on to satisfy their due diligence requirements. However, among other limitations, these utilities would not solve key due diligence challenges associated with the lack of transparency in some high-risk countries, according to some stakeholders and federal agency staff.
- An **enhanced federal role** in facilitating fund transfers could be useful in emergency humanitarian cases in countries where the high risk of money laundering or terrorist financing generally impedes banking services, according to several stakeholders and some federal banking regulator staff. For example, a U.S. agency with a physical presence in a particularly high-risk country could serve as the intermediate recipient of funds, with responsibility for distributing the funds to the intended beneficiaries. However, staff from the Department of the Treasury said such federal involvement could have unintended consequences. For example, if the U.S. government were to make it easier to transfer funds to countries considered high risk because they lack proper governance, it could reduce those countries' motivation to enact fundamental government reforms to lower their risk levels.