



INFORMATIONAL MEMORANDUM

TO: **Community Services & Safety**

FROM: **Brandon Miles, Business Relations Manager**
Laurel Humphrey, Council Analyst

CC: **Mayor Ekberg**

DATE: **July 7, 2020**

SUBJECT: **Resolution Regarding Unbanked Money Transfers Operations**

ISSUE

The City has been asked by a community member to adopt a resolution expressing support for unbanked money transfer operations and asking the Washington State Legislature to pass a financial inclusion law.

BACKGROUND

Federal and State law provides restrictions and verification requirements for accounts placed at financial institutions in order to be compliant with international and national anti-money laundering/combating the financing of terrorism (AML/CFT) laws. Financial institutions must verify certain information regarding the account holder and source of funds placed in the account and trace where the funds go. Significant documentation is also required for international money transfers.

Financial institutions often practice “de-risking” which refers to the closing of accounts of clients considered high risk for compliance under AML/CFT requirements. This de-risking often impacts non-bank money service businesses, foreign embassies, nonprofit organizations, and correspondent banks, which has resulted in account closures in the United States, United Kingdom, and Australia¹.

DISCUSSION

A 2015 report from the Global Center on Cooperative Security entitled, *Understanding Bank De-Risking and Its Effects on Financial Inclusion* points out that de-risking can isolate communities from the financial system and in fact undermine the goals of AML/CFT objectives. When individuals lack access to bank accounts at established financial institutions it can result in financial transactions occurring outside of the normal financial system. This often involves “cash” transactions, including storing cash on premises or using couriers to transfer cash in and out of the United States.

Bank de-risking impacts local immigrant communities by making it difficult for immigrant owned businesses to open bank accounts and send money to family members living outside of the United States. Not having a bank account can also make it difficult to obtain certain funds under Federal and State programs.

The draft resolution expresses the City’s desire to see changes made in State law regarding bank de-risking. Note, the Federal Government has significant oversight in the United States financial system, including oversight of foreign money transfers. This resolution only addresses banks chartered by the State of Washington.

¹ <https://www.globalcenter.org/wp-content/uploads/2015/11/rr-bank-de-risking-181115-en.pdf>

FINANCIAL IMPACT

None.

RECOMMENDATION

Forward to the July 27 Committee of the Whole meeting for discussion.

ATTACHMENTS

- Draft Resolution

DRAFT

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, AFFIRMING SUPPORT OF UNBANKED MONEY TRANSFER OPERATORS (MTOs) AND THE IMMIGRANT COMMUNITIES THEY SERVE AND URGING THE WASHINGTON STATE LEGISLATURE TO PASS A FINANCIAL INCLUSION LAW.

WHEREAS, unbanked Money Transfer Operators (MTOs) in Tukwila, King County, and across the United States of America have been unable to secure bank accounts due to a process referred to as “bank de-risking”; and

WHEREAS, over the past few years, these MTOs have found it increasingly difficult to operate without a bank account; and

WHEREAS, due to being unbanked, MTOs have been unable to access COVID-19-related small business federally-funded assistance opportunities such as the Paycheck Protection Program; and

WHEREAS, unbanked MTOs are mostly owned by black and immigrant residents; and

WHEREAS, a financial inclusion law will help address the racial inequalities in accessing economic opportunities; and

WHEREAS, a recent string of armed robberies on these unbanked MTOs, which store large amounts of cash in their premises, in SeaTac, Seattle and surrounding cities has turned this issue into a public safety concern; and

WHEREAS, East African immigrant communities in Tukwila rely on these MTOs to send money to their loved ones abroad for basic needs including food, water, shelter and education; and

WHEREAS, these MTOs provide culturally specific services; deliver money to remote regions not served by the large operators, including refugee camps in East Africa; provide good paying jobs; contribute to community activities; and are valuable members of Tukwila’s small business community; and

WHEREAS, Tukwila and King County have one of the largest East African communities in the United States—nearly 30,000 Ethiopians, Eritreans, and Somalis are residents in King County; and

WHEREAS, the vast majority of our East African residents are refugees and our new residents need effective systems that will support them in staying connected to their loved ones back home; and

WHEREAS, East Africans are critical to Tukwila’s economic vitality because they purchase goods and services and run small businesses, which in turn create jobs and generate revenue for the region; and

WHEREAS, the Washington State Legislature and the State of Washington have jurisdiction over State-licensed banks; and

WHEREAS, the Washington State Legislature and the State of Washington have the authority to pass laws and develop processes that promote financial inclusion and public safety; and

WHEREAS, it is in the City of Tukwila’s interest to promote financial inclusion and public safety;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, HEREBY RESOLVES AS FOLLOWS:

Section 1. The City of Tukwila affirms its support of our East African community in their desire to support their loved ones in the Horn of Africa. The City of Tukwila also affirms the right of Money Transfer Operators to engage in lawful commerce in a safe manner.

Section 2. The City of Tukwila strongly urges the Washington State Legislature to pass a financial inclusion law that will address the public safety and equal access issues caused by bank de-risking.

PASSED BY THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, at a Regular Meeting thereof this _____ day of _____, 2020.

ATTEST/AUTHENTICATED:

Christy O’Flaherty, MMC, City Clerk

De’Sean Quinn, Council President

APPROVED AS TO FORM BY:

Filed with the City Clerk: _____

Passed by the City Council: _____

Resolution Number: _____

Office of the City Attorney