

## Banking and Finance Law Daily Wrap Up, BANKING OPERATIONS— Administration, consumer advocates oppose bill to kill Operation Choke Point, (Feb. 3, 2016)

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The Obama administration and a number of consumer advocacy groups are opposing “The Financial Institution Consumer Protection Act of 2015” (H.R. 766), a measure intended to kill the Department of Justice program known as “Operation Choke Point.” Sponsored by Rep. Blaine Luetkemeyer (R-Mo), the bill would require regulators to have “material reason” before requesting or ordering a financial institution to terminate a banking relationship.

**Operation Choke Point.** Operation Choke Point refers to the program created by the DOJ to “choke out” companies that were seen as posing a high risk of payment fraud, money laundering, or other abuses by denying them access to the banking and payments system. One of the tactics used was to induce financial institutions to refuse to offer banking services to the suspect businesses. Many critics of the program claimed that the program went too far and pressured banks to deny services to many legitimate businesses—including some in the gun industry—because they were engaged in activities deemed by regulators to be undesirable.

**Statement of Administration Policy.** The Statement of Administration Policy says the bill would constrain the ability of federal banking regulators to “appropriately engage” with the financial institutions they regulate for compliance with and enforcement of U.S. legal and regulatory requirements that are designed to protect the U.S. financial system from money laundering, terrorist financing, and other serious financial crimes. The administration believes that H.R. 766 would add a series of impediments to financial fraud enforcement by limiting, in various ways, the Attorney General’s authority to investigate and bring claims under the Financial Institutions Reform, Recovery, and Enforcement Act.

**Industry group letter.** A letter to the chair and ranking member of the House Rules Committee, signed by the Americans for Financial Reform and 36 other industry organizations, states that H.R. 766 would hamper critical DOJ and banking regulator efforts to detect fraud and money laundering, “putting consumers and financial institutions at risk of serious financial loss.” The organizations are “deeply troubled” that the House Committee on Financial Services reported out H.R. 766 in July 2015 and that the bill is now under consideration in the Committee on Rules even after a Department of Justice Office of Professional Responsibility inquiry found absolutely no evidence of misconduct or targeting of legal businesses by Operation Choke Point.

Companies: Americans for Financial Reform

LegislativeActivity: BankingOperations OversightInvestigations PrudentialRegulation