TAXPAYERS PROTECTION ALLIANCE

April 21, 2026

Benjamin W. McDonough
Deputy Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Re: Docket No. R-1884 and RIN 7100-AH17

Dear Deputy Secretary McDonough:

On behalf of millions of taxpayers and consumers, the Taxpayers Protection Alliance writes to applaud the Federal Reserve for pursuing rulemaking to remove reputation risk as a component of examination programs in its supervision of banks.

As Vice Chair for Supervision Michelle W. Bowman rightly notes, "We have heard troubling cases of debanking—where supervisors use concerns about reputation risk to pressure financial institutions to debank customers because of their political views, religious beliefs, or involvement in disfavored but lawful businesses. Discrimination by financial institutions on these bases is unlawful and does not have a role in the Federal Reserve's supervisory framework."[1] To preserve First Amendment rights and an open marketplace, the Federal Reserve System and government agencies must resolve not to censor disfavored viewpoints.

Cases of "debanking," the term used to describe ideologically driven depravations of financial services, have understandably caught the attention of federal policymakers. These unfortunate practices are the predictable byproduct of an outdated and extremely rigid federal compliance regime. At the heart of this system is the 1970 Bank Secrecy Act (BSA) and its layers of anti-money-laundering and "know your customer" mandates, which place the burden of policing financial crime squarely on banks. Because the legal consequences of noncompliance are severe, including massive fines and even criminal liability, banks err on the side of extreme caution.

Banks' decisions to limit or close accounts often appear opaque or arbitrary to customers, in large part because federal law tightly restricts what banks can say about regulatory triggers like Suspicious Activity Reports (SARs). Institutions are essentially barred from explaining whether compliance concerns motivated an action, so consumers are left with little information about why they've lost access to services. The BSA law also forces institutions to keep certain records "where such records have a high degree of usefulness in criminal, tax, or regulatory

[1] https://www.federalreserve.gov/newsevents/pressreleases/bcreg20260223a.htm.

Taxpayers Protection Alliance
1101 14th Street, NW, Suite 500
Washington D.C. 20005
www.protectingtaxpayers.org

investigations or proceedings," which, in conjunction with SARs, all but guarantees misunderstandings and risk-aversion by financial institutions.

In addition to these onerous federal burdens, arbitrary supervisory decisions by the Federal Reserve System to encourage or compel financial institutions to engage in discriminatory debanking only make the problem worse and lead to higher costs and less transparency for consumers. President Trump has worked to improve the debanking situation at the federal level by directing agencies to end the "use of reputation risk or equivalent concepts" in "guidance documents, manuals, and other materials." Additionally, laudable pieces of legislation in Congress such as S. 3017—the Streamlining Transaction Reporting and Ensuring Anti-Money Laundering Improvements for a New Era (STREAMLINE) Act, introduced by Senate Banking Committee Chairman Tim Scott (R-S.C.) and Sen. John Kennedy (R-La.), would modernize outdated banking regulations.

This proposed rulemaking would be a welcome complement to these reforms. We urge the Federal Reserve System to codify the removal of reputation risk from the Board's supervisory programs.

Sincerely,

David Williams
President

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1101 14th Street, NW, Suite 500
Washington D.C. 20005
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