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Before the European Parliament
on the subject of Debanking

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September 2, 2025

Debanking can be a jarring experience. Your account is suddenly closed and complex laws surrounding financial oversight might mean the bank gives you little or no explanation. You simply get a letter from the bank saying that you have 30 days to take your money elsewhere. It's no wonder that people are frustrated.

Yet, at the same time, debanking is an issue that was so unknown just two years ago that US President Donald Trump was made fun of for mentioning it on the campaign trail.[1] The term is far more recognized today but debanking remains a misunderstood phenomenon.[2]

In what follows, I'd like to walk you through the American experience by unpacking the history of debanking. In doing so, I'll then reveal the shroud that has been held over this entire issue and prevented lasting reform.

The American Debanking Experience

While I won't provide a full history, Operation Choke Point serves as an important foundation for understanding the American debanking experience. This operation was an initiative led by the Department of Justice between 2013 and 2017. The name came from the idea that financial services are a choke point in the economy. In other words, rather than having to chase down bad actors all over the country, the authorities simply had to wait for them to go to the bank.

The problem, however, was that the authorities did not just target criminals.[3]

The authorities recognized that this choke point could also be used for other means. For example, services like payday loans were not illegal, but they were politically controversial. Therefore,

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[1] Nicholas Anthony, "Someone Tell the Rubes at Saturday Night Live About De-banking," *Coin Telegraph*, February 6, 2024.
[2] White House, "Guaranteeing Fair Banking for All Americans," August 7, 2025; Nicholas Anthony, "Breaking Down Trump's Debanking Executive Order," *Cato Institute*, August 8, 2025.
[3] U.S. House of Representatives Committee on Oversight and Government Reform, "Choke Point Appendix 1 of 2," Staff Report, May 29, 2014.

rather than try to shut them down directly, the authorities tried to cut them off from the financial system. One of the tools used to do so was the regulation of reputational risk.[4]

As the name suggests, this practice involves shifting the focus of regulators away from traditional factors found on a financial institution's balance sheet and toward broader issues like negative publicity.[5] The thinking was that having a controversial person, business, or activity associated with a financial institution could cause clients to leave, and that exit could ultimately undermine the stability of the institution.

When it came to the question of who might present a higher risk, the government at one point named 30 different categories of businesses.[6] This list included businesses like payday loans, gun shops, coin dealers, firework shops, and others. Despite this list describing mostly legal businesses, the message was clear: doing business here meant facing higher scrutiny, higher compliance costs, and a higher chance of facing enforcement actions.[7]

It was not long before controversy erupted. Banking associations, think tanks, and members of Congress quickly spoke out.[8] William Isaac, former chair of the Federal Deposit Insurance Corporation, wrote that Operation Choke Point was touted "as a good-faith effort to crack down on illegal businesses, weed out fraud and protect consumers[, but none] of these claims [are] true."[9]

Ultimately, Operation Choke Point appeared to shut down after the end of the Obama administration. Although members of Congress introduced several bills, none of these bills were signed into law.[10] Instead, what ultimately signaled the end was nothing more than a promise from the Department of Justice that it had shut down the program.[11]

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[4] Julie Hill, "Why Government Shouldn't Regulate Reputation Risk at Banks," Mercatus Center, April 23, 2020.

[5] Federal Deposit Insurance Corporation, "Guidance for Managing Third-Party Risk," 2008.

[6] The full list of high risk categories included ammunition sales, cable box de-scramblers, coin dealers, credit card schemes, credit repair, services dating services, debt consolidation scams, drug paraphernalia, escort services, firearm sales, firework sales, get rich products, government grants, home-based charities, life-time guarantees, life-time memberships, lottery sales, mailing lists, money transfer networks, online gambling, payday loans, pharmaceutical sales, Ponzi schemes, pornography, pyramid sales, racist materials, surveillance equipment, telemarketing, tobacco sales, travel clubs. U.S. House of Representatives Committee on Oversight and Government Reform, "The Department of Justice's 'Operation Choke Point': Illegally Choking Off Legitimate Businesses?" Staff Report, May 29, 2014.

[7] As Allysia Finley would later put it: "When government makes a suggestion, it's an order. As a result, banks may have felt compelled to close accounts—without being able to inform customers of their reason for doing so." Allysia Finley, "Debanking and the Return of Operation Choke Point," *Wall Street Journal*, December 12, 2024.

[8] Frank Keating, "Justice Puts Banks in a Choke Hold," *Wall Street Journal*, April 24, 2014; William Isaac, "Don't Like an Industry? Send a Message to Its Bankers," *Wall Street Journal*, November 21, 2014; Iain Murray, "Operation Chokepoint: Creeping into Unconstitutionality?" *National Review*, May 8, 2014; Walter Olson, "Republicans Kill Obama's Awful 'Operation Choke Point'," *Washington Examiner*, August 21, 2017.

[9] William Isaac, "Don't Like an Industry? Send a Message to Its Bankers," *Wall Street Journal*, November 21, 2014.

[10] Bills introduced to address Operation Choke Point included the End Operation Choke Point Act of 2014 and the Firearms Manufacturers and Dealers Protection Act of 2015. Committee on Financial Services, End Operation Choke Point Act of 2014, U.S. House, 113th Cong., 2nd Sess., Report no. 113-4986, 2014; Committee on Financial Services, Firearms Manufacturers and Dealers Protection Act of 2015, U.S. House, 114th Cong., 1st Sess., Report no. 114-1413, 2015.

[11] Stephen E. Boyd, Stephen E. Boyd to Bob Goodlatte, August 16, 2017.

Reflecting on the absence of any binding constraints to prevent Operation Choke Point from returning, Dennis Shaul, CEO of the Community Financial Services Association of America, warned that "A dangerous precedent has been set here. If government regulators under one administration can target businesses they personally disfavor, any subsequent administration can do the same."[12]

After a few years, Shaul's prediction came true.[13]

In 2020 and 2021, the Office of the Comptroller of the Currency sent letters to financial institutions to address the rising interest in cryptocurrency.[14] Concerns quickly spread that these letters were an underhanded attempt to stop financial institutions from engaging in these activities.

Concerns spread so much that the Comptroller later sent another letter to clarify that it was *not* illegal to engage in cryptocurrency-related activities. However, banks could only do so if they can "demonstrate, to the satisfaction of its supervisory office, that it has controls in place to conduct the activity in a safe and sound manner."[15] Other regulators echoed the same guidance.[16]

The clarification was cause for concern in and of itself. Seemingly repeating history, the clarification effectively said that the activity was legal but serving these activities meant facing higher scrutiny, higher compliance costs, and a higher chance of facing enforcement actions.

The issue intensified in 2022 when the Federal Deposit Insurance Corporation began sending private letters instructing financial institutions to "pause" or "refrain from expanding" any and all cryptocurrency-related activity.[17]

With these experiences in mind, Castle Island Ventures founding partner Nic Carter described the experience saying, "What began as a trickle is now a flood: the US government is using the banking sector to organize a sophisticated, widespread crackdown against the crypto industry."[18]

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[12] Dennis Shaul, "There's No Downplaying the Impact of Operation Choke Point," *American Banker*, November 28, 2018.

[13] Nic Carter, "Operation Choke Point 2.0 Is Underway, And Crypto Is In Its Crosshairs," *Pirate Wires*, February 8, 2023; Nicholas Anthony, "Is Operation Choke Point Bank and Targeting Cryptocurrencies?" *Cato at Liberty* (blog), February 23, 2023.

[14] Office of the Comptroller of the Currency, "Authority of a National Bank to Provide Cryptocurrency Custody Services for Customers," Interpretive Letter #1170, July 22, 2020; Office of the Comptroller of the Currency, "OCC Chief Counsel's Interpretation on National Bank and Federal Savings Association Authority to Hold Stablecoin Reserves," Interpretive Letter #1172, September 21, 2020; Office of the Comptroller of the Currency, "OCC Chief Counsel's Interpretation on National Bank and Federal Savings Association Authority to Use Independent Node Verification Networks and Stablecoins for Payment Activities," Interpretive Letter #1174, January 4, 2021.

[15] Office of the Comptroller of the Currency, "Chief Counsel's Interpretation Clarifying: (1) Authority of a Bank to Engage in Certain Cryptocurrency Activities; and (2) Authority of the OCC to Charter a National Trust Bank," Interpretive Letter #1179, November 2021.

[16] Federal Deposit Insurance Corporation. "Joint Statement on Crypto-Asset Risks to Banking Organizations," Press Release, January 3, 2023.

[17] History Associates Inc. v. FDIC, November 22, 2024.

[18] Nic Carter, "Operation Choke Point 2.0 Is Underway, And Crypto Is in Its Crosshairs," *Pirate Wires*, February 8, 2023.

And much like how Operation Choke Point began with a single target and then spread, it seems that others have been affected by debanking too.

The *New York Times* revealed later in 2023 that it had discovered 500 people who recently had their bank accounts closed without explanation.[19] One customer learned after his credit card was denied that his account was shut down due to "unexpected activity." The bank refused to say more on the exact cause for termination other than that "Financial institutions have an obligation to know our customers and monitor transactions."

In 2024, the *Free Press* found the issue extended even further.[20] Across the country, Americans affiliated with religious groups, middle eastern countries, African countries, and politics were finding themselves debanked. A month later, additional attention came to the issue after Andreesen Horowitz cofounder Marc Andreessen appeared on the Joe Rogan Experience podcast and shared that he had seen at least 30 people debanked.[21]

After years of the issue bubbling up to the surface, debanking had captured people's attention and sent many policymakers looking for solutions.

The Path Forward

Solutions, however, are not hard to find. One silver lining of the long history here is that recommendations have long been on the table.[22] And recently, some progress has been made.

Reputational risk regulation has been steadily taken off the books. Congress introduced legislation to end the practice. Later, both the Federal Reserve and the Office of the Comptroller of the Currency announced they removed it from their examination processes.[23] The Federal Deposit Insurance Corporation also announced it would soon do the same.[24] And finally, most recently, President Trump issued an executive order calling for the end of the practice.[25]

These developments marked a major step forward. However, more is needed. Beyond reputational risk regulation, there is a growing need for transparency. Required confidentiality often means

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[19] Tara Siegel Bernard and Ron Lieber, "Banks Are Closing Customer Accounts, With Little Explanation," *New York Times*, April 8, 2023; Ron Lieber and Tara Siegel Bernard, "Why Banks Are Suddenly Closing Down Customer Accounts," *New York Times*, November 5, 2023.

[20] Rupa Subramanya, "The Debanking of America," *Free Press*, October 17, 2024.

[21] Critics correctly pointed out that Andreessen made a number of errors. However, his general description of the issues in the current financial system are correct. PowerfulJRE, "Joe Rogan Experience #2234 - Marc Andreessen," YouTube video, November 26, 2024.

[22] For additional recommendations, see Nicholas Anthony, "Fair Access to Banking," *Cato Institute,* January 1, 2025.

[23] Board of Governors of the Federal Reserve System, "Federal Reserve Board Announces that Reputational Risk Will No Longer Be a Component of Examination Programs in its Supervision of Banks," June 23, 2025; Office of the Comptroller of the Currency, "OCC Ceases Examinations for Reputation Risk," March 20, 2025.

[24] Travis Hill, "View from the FDIC: Update on Key Policy Issues," Federal Deposit Insurance Corporation, April 8, 2025.

[25] White House, "Guaranteeing Fair Banking for All Americans," August 7, 2025.

customers are not allowed to know what went wrong with their own accounts.[26] In turn, the exact causes of debanking are shrouded in mystery.

Part of this confidentiality stems from the Bank Secrecy Act.

As part of the US anti-money laundering response under the Bank Secrecy Act, financial institutions are required to report when customer transactions may be considered suspicious. However, they are prohibited from sharing those reports with the customers they are written about. In fact, financial institutions are also prohibited from even revealing a report might exist.

Law enforcement has argued that revealing the existence of such reports may tip off criminals, but the data suggests otherwise. In the United States, the vast majority of reports appear to be on mundane and innocent activity.[27] Furthermore, there is an argument to made that closing the account would be a subtle tip in and of itself.

Yet, it's not just law enforcement trying to maintain this secrecy. Regulators also maintain confidentiality over the information they share with financial institutions during examinations. In other words, financial institutions can be prohibited from discussing what regulators tell them about their own institutions. This treatment is backwards. Regulators should be bound by confidentiality while institutions should be free to use the information as they please.[28]

Finally, international organizations also play a role here. The Financial Action Task Force (FATF) recommends that financial institutions should be prohibited by law from notifying customers of these reports.[29] Taken together, these practices create a shroud of secrecy that often prevents customers from knowing what went wrong.

Reforming these practices would go a long way in adding transparency that would help better identify where additional reforms are needed.

Closing

Thank you for the opportunity to provide this information, and I welcome any questions that you may have.

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[26] Tara Siegel Bernard and Ron Lieber, "Banks Are Closing Customer Accounts, With Little Explanation," *New York Times*, April 8, 2023; Ron Lieber and Tara Siegel Bernard, "Why Banks Are Suddenly Closing Down Customer Accounts," *New York Times*, November 5, 2023; Rupa Subramanya, "The Debanking of America," *The FP*, October 17, 2024.

[27] Nicholas Anthony, "Update on Anti-Money Laundering Data from FinCEN," *Cato at Liberty* (blog), September 16, 2024.

[28] Another issue to consider is that of matters requiring attention (commonly abbreviated as MRAs). However, they are a more complicated matter given that "MRAs have no origin or even reference in law or regulation; rather, they have grown up as an informal convention in the examination process, and since taken formal root." Greg Baer and Jeremy Newell, "The MRA is the Core of Supervision, but Common Standards and Practices are MIA," *Bank Policy Institute*, February 8, 2018.

[29] Financial Action Task Force, "The FATF Recommendations," June 2025; Jorge Jraissati, "Combating Transnational Financial Repression: Evidence for Reforming AML/CFT Laws," *Economic Inclusion Group*, January 2025.