

OPENING THE BANKING SYSTEM TO THE CANNABIS INDUSTRY



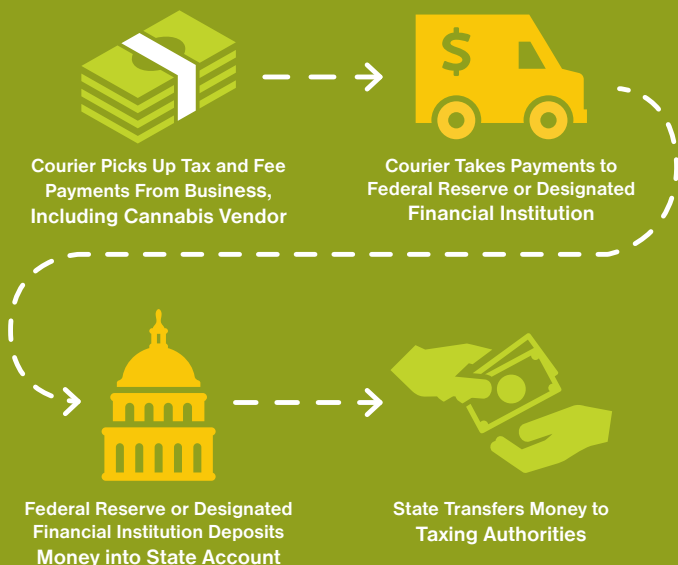
1. CASH HANDLING FOR THE COLLECTION OF TAXES AND FEES

Most financial institutions will not do business with the cannabis industry fearing regulatory exposure, the cost of handling cash and the safety risks associated with handling large amounts of currency at their branch offices. These barriers hamper governments' ability to efficiently collect taxes and fees.

RECOMMENDATION

To address these barriers, state and local agencies should contract directly with armored courier services to collect cash payments of taxes and fees. The cash receipts would be counted and processed by the armored courier and credited to the taxing agency's account. This approach would reduce crime, lower costs and would not require banks to engage in activities they resist because the state is their customer, rather than a cannabis business.

THE CASH HANDLING JOURNEY: HOW A LOCAL CASH BUSINESS PAYS STATE TAXES & FEES



2. EXPANDING CANNABIS INDUSTRY ACCESS TO BANKING SERVICES UNDER CURRENT LAW

Cannabis remains illegal under federal law. Yet, federal regulators have offered guidelines on how financial institutions may serve cannabis businesses and reduce their risk of prosecution. These guidelines entail significant due diligence and added costs.



RECOMMENDATION

Creating a one-stop portal where all regulatory agencies would deposit and share their data would provide financial institutions with a cost-effective, convenient way to help satisfy the due diligence requirements.

Data for this portal should include the following: licensing, regulatory information, personnel data, product lists, sources of supply, financial records, and ongoing regulatory activity (citations, violations, evidence of illegal or suspicious activity).



3. A STATE-BACKED FINANCIAL INSTITUTION FOR EXPANDING CANNABIS ACCESS TO BANKING

Public banks, in various forms, have emerged as a much debated alternative to mainstream banking. The lack of cannabis industry access to banking and recent controversies involving Wall Street financial institutions have damaged consumer confidence and are now major factors driving this increased public interest. But as a solution it poses complex implementation issues and has yet to be tested to determine if it is truly workable.

Obstacles include the challenge of getting deposit insurance, unknown start-up costs, state-backed investment, and who covers losses.

RECOMMENDATION

An in-depth study should be conducted to determine whether the creation of a public cannabis financial institution, or a bankers' bank, or corporate credit union is feasible. The study would explore costs, benefits, risks, and legal and regulatory issues, including capitalization, deposit insurance, and access to interbank transfers of funds.



4. FULL ACCESS TO BANKING SERVICES: THE FEDERAL SOLUTION

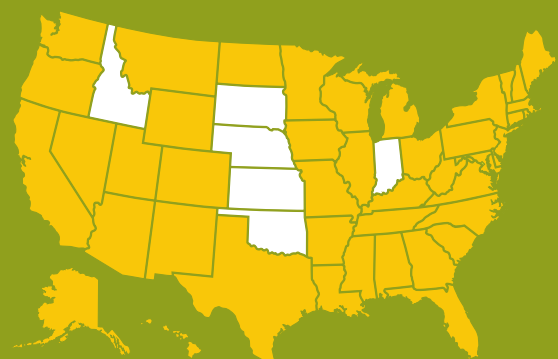
The federal government's policy-making machinery can be slow, clunky and trail behind the trending preferences of the American people. In this instance, Americans have increasingly proclaimed cannabis use acceptable – 44 states now permit some form of legal cannabis use. Yet, federal law maintains it is a crime, which is the foundational reason most financial institutions will not provide banking services for the cannabis industry. To reconcile federal law with this new reality ultimately requires federal action.

RECOMMENDATION

A multi-state consortium should be created to pool resources and work to help federal law catch up with states as quickly as possible. The consortium should include representatives of states where cannabis is legal, local governments, cannabis industry and financial institution representatives and law enforcement.

The consortium's mission should be to:

1. Educate and conduct outreach to achieve broader public understanding of state cannabis policies and the lack of banking access.
2. Maintain a central repository for information on state cannabis laws.
3. Coordinate policy advocacy efforts to make sure cannabis-legal states speak with one voice to Congress and the executive branch.



■ legalized cannabis in adult recreational, medical or limited medical use.