



CALIFORNIA STATE TREASURER JOHN CHIANG

# NEWS RELEASE

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## Treasurer Chiang Releases Recommendations to Address Lack of Banking for Cannabis Industry

**SACRAMENTO** – State Treasurer John Chiang today released a report outlining steps California can take to address the lack of banking services that force much of the cannabis industry to operate in cash.

“It is unfair and a public safety risk to require a legal industry to haul duffle bags of cash to pay taxes, employees and utility bills,” said Chiang. “The reliance on cash paints a target on the back of cannabis operators and makes them and the general public vulnerable to violence and organized crime.”

The Treasurer’s report comes two months before California begins a new era by legalizing the commercial sale of recreational cannabis on January 1, 2018. Voters overwhelmingly sanctioned this new industry in 2016 when they passed Proposition 64.

Legalizing adult-use cannabis is projected to generate annual sales exceeding \$7 billion and an estimated \$1 billion a year in tax revenues.

The findings in the detailed study released Tuesday were distilled from six public hearings of the Treasurer’s 18-person Cannabis Banking Working Group, whose members included representatives from local and state government, the cannabis industry, financial institutions and law enforcement.

The recommendations seek to provide cannabis businesses with basic banking services, such as checking accounts and credit cards, available to other entrepreneurs. But a clash between state and federal law could cripple California cannabis enterprises before they get up and running, or force them to operate outside the law as participants in a wild west underground economy. The conflict is being driven by federal law, which still lists cannabis and many of its byproducts as Schedule 1 controlled substances akin to heroin and LSD.

The goal of the Treasurer and Working Group has been to turn underground enterprises into legal, regulated businesses. To that end, the report details the legal roadblocks to cannabis banking and provides a thorough review of strategies aimed at overcoming those barriers, along with their pros and cons. It also contains a list of questions that both government and private industry stakeholders can use when interviewing vendors who promise they have a failsafe panacea.

“Based on projections that cannabis industry growth could rival that of the dot-coms, the new Gold Rush is attracting innovative entrepreneurs as well as snake oil salesmen promising to unlock banking access,” said Chiang. “The reality is that a definitive, bullet-proof solution will remain elusive until the federal government removes cannabis from its official list of banned narcotics or Congress approves safe harbor legislation protecting banks that serve cannabis businesses from prosecution.”

Given that 44 states have already legalized cannabis in one form or another, it is only a matter of time until cannabis businesses have normal access to banking services. But that is not an excuse for inaction. Today’s report lays out a series of steps, each one of which involves greater access to banking services and better mitigation of public safety risks. They include:

- State and local public agencies contracting with armored courier services to collect tax and licensing payments made in cash. The armored courier operator would count the money. While the physical cash would be taken to the Federal Reserve or a commercial bank willing to take such funds, a credit would be made to the state or local taxing agencies’ respective bank accounts.
- Creating an online portal to collect data from local governments and state regulatory agencies. The information would help banks fulfill a federal obligation to “know their customers” before accepting deposits.
- Conducting a feasibility study on creation of a state-owned bank to provide financial services to the cannabis industry. The study should include costs, benefits, risks, and legal and regulatory issues including capitalization, deposit insurance and access to interbank transfer systems.
- Organizing a multi-state consortium, including representatives of cannabis-legal states, local governments and the cannabis and financial services industries. The consortium would provide public education and outreach, serve as a resource for cannabis-legal states, and lobby federal lawmakers.

“California has exercised national leadership in areas ranging from enhancing civil rights to protecting the environment. The arrival of legal adult-use cannabis offers another opportunity for our state to model a path forward to a safe and economically viable new industry.”

Already, the following states and organizations have signed letters of intent to join the consortium. They include: Alaska, Maine, Oregon, Pennsylvania, Washington, the California and Nevada Union Credit League, California State Association of Counties, League of California Cities, California Bankers Association, California Growers Association, The Cannabis Alliance, Minority Cannabis Business Association, National Association of Cannabis Businesses, National Cannabis Industry Association, and the California Cannabis Industry Association.

**Additional Information:**

Report: Banking Access Strategies for Cannabis-Related Businesses

Fact Sheet: Opening the Banking System to the Cannabis Industry

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