



CALIFORNIA STATE TREASURER JOHN CHIANG

# NEWS RELEASE

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## Is a Public Cannabis Bank Feasible? Treasurer Chiang Aims to Find Out

*Study could finally settle issue and provide concrete next steps by December*

**SACRAMENTO** – California State Treasurer John Chiang today announced the selection of San Diego-based *Level 4 Ventures* to determine the feasibility of establishing a public cannabis bank.

The need for a public cannabis bank has stirred intense interest and debate among financial experts, public officials, and the cannabis industry, as well as people seeking an alternative to too-big-to-fail Wall Street behemoths.

“This study aims to settle the lingering critical questions about whether a public cannabis bank is possible,” Treasurer Chiang said. “And if it is determined to be feasible, the report will place in our hands what amounts to a set of blueprints to design such a bank and make it fully-operational.”

Medical cannabis has been permitted in California for more than two decades. Now, the decriminalization of adult recreational cannabis, which voters overwhelmingly approved in November 2016, is promising to vastly expand the scale of the industry. It is estimated that legal cannabis could generate more than \$7 billion in annual sales within the next few years.

But the nascent industry faces an enormous challenge. The production, distribution, sale, and possession of cannabis remains illegal under federal law. Cannabis continues to be listed as a Schedule 1 controlled substance, akin to heroin. As a result, banks generally will not open accounts for cannabis businesses out of fear they will be penalized or prosecuted under federal law.

This lack of access to banking services that are taken for granted by other legal businesses – opening accounts, writing checks, accepting credit cards, transferring money – forces cannabis businesses to deal in large amounts of cash, which makes them targets for violent crimes and puts the general public in danger. Security and procedural concerns about dealing with a cash-

only industry also create a nightmare for state and local government revenue-collecting agencies.

Faced with these concerns, Treasurer Chiang established an 18-member working group in December 2016 and tasked it with developing strategies and solutions aimed at helping cannabis businesses emerge out of the dark, underground economy to become transparent, regulated, tax-paying businesses, as voters intended. Conducting an objective, evidence-based feasibility study was one of four major recommendations produced by the working group. The full report is available [here](#).

Level 4 Ventures, which has completed cannabis-related work for the State of Washington and has deep experience in start-up banking operations, is required to present its findings and recommendations to the Treasurer's office by December 1.

At the same time, the California Attorney General's Office is already studying for the Treasurer's office the legal ramifications such an institution might face. That study is also expected to be completed by December.

The two studies will help policymakers navigate a maze of pragmatic and legal issues, ranging from start-up and ongoing costs, benefits, risks, capitalization, and deposit insurance to access to interbank transfers of funds, and whether a public cannabis bank really could even provide greater safety for the institution and its customers.

"Disruptive change and bold innovation require more than grandiose aspirations," Treasurer Chiang said. "They demand real-world pragmatism, data-driven solutions, and well-crafted blueprints that show how to translate dreams into reality. These two studies will enable policymakers to make informed decisions on whether to move forward or not on a public cannabis bank."

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