

SAFE Banking for Cannabis Businesses Moves Forward

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For nearly a decade, financial institutions have been dealing with an increasingly relevant problem: How to deal with marijuana businesses that are legal on the state or local level but illegal under federal law?

For the most part, banks and credit unions have refused to do business with the industry - but a new bill making headway in the U.S. House of Representatives could change that.

Recently, the House Financial Services Committee approved a bill intended to make it easier for businesses in the legal cannabis industry - including dispensaries, growers, and their service providers - to obtain financial services. The bill, the "Secure and Fair Enforcement Banking Act" or "SAFE Banking Act," would protect banks, credit unions and insurance providers from federal enforcement if they provide services to a cannabis-related business or employees in a state or locality where marijuana sales are legal. Currently, participants in the approximately \$10 billion industry can only obtain limited banking services due to a disparity between federal and state and local law.

Most states, including Pennsylvania and Maryland, have legalized the use of marijuana for medical or recreational purposes, but it is still a controlled substance under federal law. Banks and other financial institutions must report transactions that could involve proceeds from cannabis sales and can be penalized under federal anti-money laundering laws for accepting deposits from cannabis-related businesses. The risk of federal scrutiny or prosecution for aiding illegal drug activity has kept most banks from opening accounts for those businesses.

That leaves most of the legal cannabis industry conducting its business entirely in cash - a practice which has raised unique concerns, such as the heightened risk of robbery, theft, tax evasion and other types of fraud. Without bank accounts, many industry participants struggle to make payments to employees and vendors, and to comply with accounting and auditing rules.

The SAFE Banking Act, which is likely to pass on the House floor, would still need to pass through the Senate to become law. If passed, it would open banks' doors to the cannabis industry by making it illegal for a federal banking regulator to penalize a financial institution that accepts deposits from state-authorized cannabis businesses. Under the Obama administration, the U.S. Department of Justice and the Department of the Treasury's Financial Crimes Enforcement Network had both indicated that in many cases, banks could safely provide financial services to the legal cannabis industry. However, without a federal law in place, most banks have been reluctant to engage. With the SAFE Banking Act, that may begin to change.

If you have any questions about dealing with the cannabis industry, please [contact me](#) or anyone in our [Banking group](#).

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