

**Washington Update  
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**Rob Nichols, President and CEO  
American Bankers Association**

### **Solving the Banking Industry's Cannabis Conundrum**

While there is still a healthy — and appropriate — debate on whether cannabis should be legalized at the federal level, there is growing consensus that something must be done to address the cannabis conundrum affecting banks.

The need for a solution is growing increasingly urgent. With marijuana now legal in 33 states and the District of Columbia in some form — a number that is likely to grow — more banks are having to choose between serving the banking needs of their customers and community, and following federal law.

Even banks that have no desire to bank a marijuana grower or dispensary are at risk of violating anti-money laundering laws if an existing customer is found to have a tangential connection to a cannabis business.

In fact, a recent ABA survey found that three in four ABA members have had to close an existing account, terminate a banking relationship or turn away a potential customer because of a connection to cannabis. These include a bank that ended its relationship with a retail strip mall after it leased space to a medical marijuana shop and another that turned down a loan to a fencing company that was hired to build a fence around a marijuana growing facility. Some banks have even had to end long-time customer relationships with law firms because those firms took on marijuana businesses as clients.

Leaving the cannabis industry — whose sales are estimated to reach \$24 billion by 2025 — unbanked has troubling implications. Such businesses have resorted to dealing entirely in cash, which can make them lucrative targets for criminals and create potential public safety risks for local communities. They are also harder to monitor for compliance with tax laws or irregular financial activity.

These facts likely explain why an overwhelming majority of the banks — 99 percent in our survey — want Congress to resolve the conflict between state and federal law. The good news is that legislation is moving.

The House Financial Services Committee held its first-ever hearing on this topic earlier this year and soon after passed the ABA-backed Secure and Fair Enforcement Banking Act — an important step toward providing regulatory and legal clarity — with a strong, bipartisan 45-15 vote. A House floor vote could happen in the coming weeks.

The SAFE Act specifies that proceeds from cannabis-related legitimate businesses would not be considered unlawful under federal money laundering rules or other laws, and it would direct regulators to issue guidance and exam procedures for banks that serve cannabis-related legitimate businesses.

Similar legislation has been introduced in the Senate. While the path forward in that chamber will take more work, we are hopeful that a bill can pass there as well.

To be clear, ABA is not taking a position on the legalization of marijuana. But we believe that allowing cannabis businesses access to the regulated banking system in states where they have been legalized would make them safer, bring more transparency and accountability to the industry and better protect communities. These are worthy goals.

Successful enactment of cannabis banking legislation this year would serve another worthy goal: Demonstrating that bipartisan solutions to societal problems are still within reach, even with a divided Congress.

Our experience with S. 2155, last year's landmark regulatory reform law, proved that Washington *can* work and that banking *is* bipartisan. We look forward to replicating that success this year on this important policy issue and others.

*E-mail Rob Nichols at [nichols@aba.com](mailto:nichols@aba.com).*

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68%

of the U.S. population  
resides in a state where  
cannabis is legal in some form

