

# Cannabis Banking

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## Issue Update

Thirty-seven states have legalized cannabis for medical or adult-use. Federal law (namely, the Controlled Substances Act (21 U.S.C. §801 et seq.)), still considers it an illegal drug and prohibits its use for any purpose. For banks, that means that all proceeds generated by a cannabis-related business operating in compliance with state law are unlawful, and that any attempt to conduct a financial transaction with that money (including simply accepting a deposit), is considered money-laundering.

In fact, the consequences extend beyond cannabis growers and shops to any person or business that derives revenue from a cannabis firm – including real estate owners, security firms, utilities and other vendors. Despite years of non-enforcement by the Department of Justice and attempts by financial regulators to advise banks on identifying and reporting cannabis money, the federal law has not changed. That means banks have been put in the untenable position of violating federal law or refusing financial services to a legal sector of their local economies.

## Why It Matters

Leaving the cannabis industry unbanked is not a viable option. Cannabis businesses, which are legally permitted under state law, are forced to handle increasingly large amounts of cash because of their exclusion from the banking system. Cash-intensive businesses are difficult to monitor for compliance with tax laws or irregular financial activity and are themselves ripe targets for violent crime. These businesses will be safer and better regulated if they are permitted to use the banking system, which would increase the transparency and accountability of the industry and better protect our communities. Additionally, the federal prohibition on banking is likely to exacerbate barriers to entry for minority-owned cannabis businesses with unequal access to capital, and contribute to inequities in this rapidly growing industry.

## Recommended Action Items

Only Congress can resolve the divide between state and federal law. Without a change in federal law, neither the federal banking agencies nor state governments can remove the legal restrictions on providing banking services to cannabis-related businesses.

Urge the Senate to take-up and pass the Secure and Fair Enforcement (SAFE) Banking Act of 2021 (H.R. 1996/S. 910), which has passed the House six times with broad bipartisan support. The bill would:

- Allow banks to serve cannabis-related businesses in states where the activity is legal;
- Specify that handling proceeds from cannabis-related businesses' legitimate transactions is not money laundering and does not violate any provision of federal law; and
- Require federal banking regulators to provide explicit, clear, and uniform expectations regarding the treatment of all cannabis-related accounts.