

FW: Marijuana Companies Stuck Doing Business the Old-Fashioned Way, in Cash



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From: Kenneth Stackpoole

To: D. Travis Proctor, Franck Kaiser, Jim Platman, Jim Ridenour, Kathryn S. Rudloff, Patrick Healy

Cc: Larry McIntyre, Kimberly Agee

[Another article for your consideration...Ken.](#)

From: Ken Stackpoole [mailto:stackpok@bellsouth.net]

Sent: Thursday, March 31, 2016 9:52 PM

To: Kenneth Stackpoole <kstackpo@fit.edu>

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Marijuana Companies Stuck Doing Business the Old-Fashioned Way, in Cash

Colorado pot firms are still largely shut out of the banking sector, meaning they have to use armored trucks, security to ferry currency



Marijuana plants growing in a greenhouse in Avondale, Colo. Pot-related businesses use cash to pay their employees, purchase equipment or pay taxes to the state. *PHOTO: BLOOMBERG NEWS*

By

Yuka Hayashi

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DENVER—Two years after Colorado fully legalized the sale of marijuana, most banks here still don't offer services to the businesses involved.

Financial institutions are caught between state law that has legalized marijuana and federal law that bans it. Banks' federal regulators don't fully recognize such businesses and impose onerous reporting requirements on banks that deal with them.

Without bank accounts, the state's burgeoning pot sector—2,500 licensed businesses with revenue of \$1 billion a year, paying \$130 million in taxes—can't accept credit or debit cards from customers, Colorado officials say.

Marijuana-related businesses instead use cash to pay their employees, purchase equipment or pay taxes to the state. Reports abound of business owners refurbishing retired armored bank trucks to transport money and hiring heavily armed security guards.

"I am concerned and we do hold our breath from a public-safety perspective," said Colorado Attorney General Cynthia Coffman. A Republican, she opposed the 2012 ballot referendum that legalized marijuana. But she is now trying to persuade federal regulators to allow banks to do business with Colorado companies handling the drug.

Pot displayed for sale at a dispensary in Denver. The industry and some lawmakers are urging federal regulators to issue clear guidelines for banking services to marijuana businesses. *PHOTO: ASSOCIATED PRESS*

Lacking that clearance, "there are large amounts of cash floating in the system that makes money laundering very easy," Ms. Coffman said in an interview. "I believe it fuels the interest of cartels and traffickers in coming to Colorado and doing business. We definitely have seen an uptick in that activity."

Other states that have legalized recreational marijuana share similar concerns. On March 27, four Democratic senators from three states pressed federal financial regulators to issue clear joint regulatory guidelines for banking services to marijuana businesses. The letter was sent to six banking agencies.

Federal law classifies marijuana as a top-tier illegal controlled substance.

The latest disappointment for Colorado officials came in January, when a federal judge dismissed a lawsuit filed by a credit union established with the help of the state to serve the cannabis industry that sought approval from federal banking regulators to set up a "master account." Such an account is essential for financial institutions to do business with other banks and serve customers by taking deposits or issuing credit cards.

The judge said an order to overturn the banking regulators' decision would "facilitate criminal activity." He described the current situation as "untenable" and said he hoped "it will soon be addressed and resolved by Congress."

The solar energy and cannabis movements in the U.S. are uniquely tied to a community in Northern California. Now, an idealist businessman at the center of the two industries is looking to create an eco-tourism center that highlights their intertwined history. Photo/Video: Jake Nicol for The Wall Street Journal

Last April, Rep. Ed Perlmutter (D., Colo.) introduced legislation that would provide a "safe harbor" to banks working with marijuana businesses by prohibiting federal regulators from terminating or limiting their deposit insurance coverage, among other steps. The bill and others like it have languished.

The Obama administration has issued some guidelines for banks that choose to deal with marijuana businesses in states where it is legal. In a 2013 memo, the Justice Department indicated it wouldn't challenge states' marijuana laws (<http://www.wsj.com/articles/SB10001424127887324463604579043023597697440>) as long as they don't conflict with its enforcement priorities.

The Treasury Department's Financial Crimes Enforcement Network, or FinCen, implicitly suggested that it didn't consider banks' dealings with marijuana businesses illegal in states like Colorado by laying out rules saying financial institutions can conduct such transactions as long as they file "suspicious activity reports." (<http://www.wsj.com/articles/SB10001424052702304434104579383150782034282>) These are forms banks are generally required to file when they face a suspected incident of money laundering or fraud, a process that can be complex and costly (<http://blogs.wsj.com/moneybeat/2014/02/14/pot-industry-still-wary-about-banking-issue/>).

The Justice Department and Treasury rules have had only a limited impact, because they don't absolve banks from rules set by other federal agencies.

Still, those guidelines have been enough to encourage a small number of community banks and credit unions in Colorado to start offering basic banking services to marijuana businesses. Andrew Freedman, director of marijuana policy coordination for Democratic Gov. John Hickenlooper, declined to say how many, saying most preferred to keep a low profile.

Write to Yuka Hayashi at yuka.hayashi@wsj.com

Attachments:

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