



CONGRESSIONAL TESTIMONY

Modernizing Banking Law for a Safe, Fair Cannabis Economy

Testimony before
Subcommittee of Consumer Protection and Financial Institutions

Committee on Financial Services

United States House of Representatives

February 13, 2019

Saphira Galoob
Executive Director
National Cannabis Roundtable

On behalf of the National Cannabis Roundtable (NCR), I appreciate the opportunity to submit written testimony for the Subcommittee on Consumer Protections and Financial Institutions' historic hearing on the cannabis industry's need for access to traditional banking. In particular, we applaud this Committee's leadership to advance our country's financial regulations to align with the fastest growing business sector in the United States. We support the Secure and Fair Enforcement (SAFE) Banking Act, which would ensure that lawful and regulated cannabis businesses have access to banking and capital markets, while ensuring that safe and sound financial standards and procedures remain in place for the financial institutions interested in offering services to this marketplace. We urge Congress to provide states with the means to bank, track and tax this inevitable and significant economy.

NCR promotes common sense federal regulation, tax equality and financial services reform for regulated cannabis businesses by advocating for changes to federal law that acknowledge states' rights to regulate and manage cannabis policy. We are proud to be part of a growing debate about how to transform and modernize our national cannabis policy to safely, thoughtfully and comprehensively.

The Membership of the National Cannabis Roundtable represents every aspect of the cannabis supply chain, including growers, processors, retailers, wellness centers, investors, entrepreneurs, and publicly traded companies. Our Members have an established commercial presence in 23 states with legal cannabis programs, including the District of Columbia, serving more than 172 million Americans.

As this Committee is aware, a robust and sophisticated regulated licensed cannabis industry is now present in 33 states across the U.S.¹ along with 47 states that have enacted laws regulating or decriminalizing cannabis.² By the end of 2019, state ballot measures could result in more states with comprehensive legalized cannabis laws.

Public support from Democrats, Republicans and Independents for states to enact their own cannabis laws is at an all-time high. 62 percent of Americans support a comprehensively regulated cannabis regime for medical and adult consumption³ and 93 percent of Americans support regulated medical cannabis.⁴ At a time of

¹ National Conference of State Legislatures. "State Medical Marijuana Laws." 11 Feb. 2019

² Mindy Bridges, and Karmen Hanson. "Regulating Hemp and Cannabis-Based Products." *National Conference of State Legislatures*, October 2017

³ Hartig, Hannah, and Abigail Geiger. "62% Of Americans Favor Legalizing Marijuana." *Pew Research Center*, 8 Oct. 2018.

⁴ Quinipiac University. "Support for Marijuana Reaches All Time High." 26 Apr. 2018.

unprecedented partisanship, a regulated cannabis market stands out as an area of genuine bipartisan agreement.

However, given the current designation of cannabis under federal law, every one of these lawfully licensed and regulated businesses are operating on an uneven playing field regarding tax treatment and access to financial institutions. By conservative estimates, there are more than 10,000 cannabis businesses and innumerable service providers working with these businesses in the US cannabis industry - and these numbers are growing every month.⁵

The cannabis industry will generate an estimated \$12.9 billion in sales in 2019, according to New Frontier Data.⁶ Sales are expected to exceed \$26.3 billion by 2025, as more states including Arkansas, California, Florida, Maine, Massachusetts, New York, Ohio, Pennsylvania, and West Virginia expand existing and new Cannabis programs.⁷ Every aspect of the revenue, (including vendor payments, payroll, taxes, accounts payable, accounts receivable, rent, and insurance) is generated from a lawfully licensed regulated business and fundamentally relies on access to a financial institution to operate on the level playing field that every other businesses in their communities enjoy.

Operating these multi-million dollar businesses without access to basic financial services translates to significant complications, including paying employees, rent, taxes and professional service providers in cash.

⁵ <https://money.cnn.com/2018/01/31/news/marijuana-state-of-the-union/>

⁶ Craig Boyte. "2019 Outlook: Surging Adult Use Sales Drive Legal Market Growth." *New Frontier Data*, 2 Feb. 2019

⁷ New Frontier Data. "\$86 Billion in Additional U.S. Tax Revenues by 2025: New Frontier Data Projects Federal Cannabis Legalization Will Boost Growth Across Many Industries as 116th Congress Discusses Cannabis Policy." *New Frontier Data*, 29 Jan. 2019

As these businesses continue to grow, the current regulatory climate is neither tenable nor a safe business practice for any community. Billions of dollars of unbanked cash generated by the state-based legal and regulated cannabis industry flows without federal oversight. A change in federal policy would not only ensure access to financial services for licensed and regulated cannabis businesses, it would mean that every dollar generated would be banked, tracked and taxed.

Even with the tremendous benefits that a regulated cannabis economy has already demonstrated in states that have started down this path, we understand that many unanswered questions remain around law enforcement and the potential negative impact that could result in comprehensively incorporating the rapidly growing industry into the financial services fabric of our country.

The first step towards reconciling and addressing these complexities is through the adoption of the SAFE Banking Act. This bill ensures that lawful and regulated cannabis businesses have access to banking and capital markets, while ensuring that safe and sound financial standards and procedures remain in tact for the financial institutions interested in offering services to this marketplace. By adopting this measure, this Committee is neither addressing the legality of cannabis, nor the morality of cannabis. Rather, it would be establishing the necessary statutory foundation for the various federal agencies that direct and oversee financial services regulations to ensure that effective and efficient policies around banking practices including anti-money laundering (AML) and know your customer (KYC) are in place. It would further allow those financial

institutions who seek to establish business relations with lawfully regulated businesses in their communities, the statutory basis for doing so.

Lawfully regulated businesses and service providers in the cannabis industry must have the same access to fundamental banking as other industries in the U.S. We applaud the Subcommittee for holding today's hearing and look forward to working with Members of Congress to ameliorate the issues created by the federal government's continued policy of prohibition.