

Will Cannabis Cash Finally Find Its Way into California Banks?

One of the biggest challenges (or perhaps more accurately, *headaches*) in running a cannabis business is what to do with the money the business generates. (Cryptocurrency isn't the answer.)

Because marijuana remains a Schedule I drug at the federal level (and it's highly unlikely that will change any time soon), banks tend to shy away from accepting the paper green earned by the leafy green. However, in California at least, a change may be budding ... thanks to seeds sown by the state Senate.

Senate Bill seeks to permit designated banks to service the cannabis industry

Senate Bill 930 was introduced into the California state legislature by State Senator Robert Hertzberg (D-Van Nuys) in January, and was approved by the Governance and Finance Committee this month. SB 930 would allow charter banks and credit unions to be created solely for offering banking services to operators working in the legal cannabis industry. Those banks would be licensed and regulated by the state.

Furthermore, the bill would develop the Cannabis Limited Charter Advisory Board whose purpose would be to hold public hearings, provide guidance on investments, and report on regulatory enforcement proceedings. Board membership would include the state Controller, the Chief of the Bureau of Cannabis Control, and the state Treasurer.

A cannabis owner might be able to write some checks...

SB 930 would permit the cannabis-limited credit unions and charter banks to issue "special purpose" checks for certain prescribed uses, including: paying state or municipal fees or taxes; paying a California vendor for goods and services necessary for the operations of an account holder's cannabis business; and paying rent for property used for a legal marijuana business.

Although the bill has much more road to travel before it lands in the Senate for a full vote, this is a promising measure for canna-preneurs who are complying with state requirements and who would like a state-sanctioned method for handling their banking needs (and in the process, avoid the risks inherent to a cash-only business).

Another force that has strengthened the likelihood of fresh banking possibilities for canna-preneurs is that California will see its first batch of annual licenses (under the recreational law) issued this month.

New annual licenses come with rigorous prerequisites

Prior to now, the state agencies responsible for cannabis licensing — the Bureau of Cannabis Control (BCC), the Department of Food and Agriculture (CDFA), and the Department of Public Health (CDPH) — have issued temporary permits only, and the bar for a canna-preneur to earn one of those is relatively low (the only requirements were local permit, a fixed business location, and a blueprint of the business property).

However, the full, annual licensing requirements are much more stringent and detail-oriented, but the bright side to all that work is that cannabis businesses awarded with the coveted annual license can point to that as a measure of validation and legitimacy granted by state regulators. That can send the message to financial institutions that the business operator has been vetted by state authorities. And that can go a long way to putting bankers more at ease about transacting limited business with canna-preneurs.

Legal cannabis is big business in California. Whatever the outcome of Senate Bill 930, the demand for the product here in the Golden State is not at all uncertain. If SB 930 and the new crop of annual licenses create momentum, it may be that banking in the legal cannabis industry will become a more prevalent (and normalized) activity in the not-too-distant future.

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