

April 12, 2019

The Honorable Jeff Merkley  
United States Senate  
Washington, D.C. 20510

The Honorable Cory Gardner  
United States Senate  
Washington, D.C. 20510

Dear Senators Merkley and Gardner:

On behalf of the members of the American Bankers Association (ABA), I am writing to express our support for S.1200, the Secure and Fair Enforcement Banking Act (SAFE Banking Act) of 2019.

This bipartisan legislation takes an important step toward enabling financial services for cannabis-related businesses. The bill specifies that proceeds from a legitimate cannabis business would not be considered unlawful under federal money laundering statutes or any other federal law, which is necessary to allow financial services to cannabis businesses as well as any ancillary businesses that derive some portion of their income from cannabis businesses. The bill would also direct the Financial Crimes Enforcement Network (FinCEN) and the federal banking regulators through the Federal Financial Institutions Examination Council, to issue guidance and exam procedures for banks doing business with cannabis related legitimate businesses. We believe such explicit, consistent direction from federal financial regulators will provide some needed clarity for banks and help them to better evaluate the risks and supervisory expectations for cannabis-related customers.

Currently, thirty-three states covering 68 percent of the nation's population have legalized cannabis for medical or adult-use and that number is only expected to grow. Despite that, current federal law prevents banks from banking cannabis businesses, as well as the ancillary businesses that provide them with goods and services. As a result, a majority of states are struggling to address the significant challenges to public safety, as well as regulatory compliance and tax compliance that go hand-in-hand with cash-reliant businesses.

As the legal state-cannabis industry continues to grow, the indirect connections to cannabis revenues – from real estate owners, security firms, utilities, law firms and employees of cannabis businesses, as well as investors – will also continue to expand. Without greater clarity, that entire portion of economic activity – estimated by some to be in the tens of billions of dollars – in legal cannabis states will continue to be marginalized from the banking system.

Providing a mechanism for the cannabis industry to access the banking system would help those communities reduce cash-motivated crimes, increase the efficiency of tax collections, and improve the financial transparency of the cannabis industry. It would also subject cannabis businesses to increased oversight of their financial activities, since bank accounts are monitored in accordance with existing anti-money laundering and Bank Secrecy Act requirements which help law enforcement to identify suspicious transactions – an opportunity that is not available in an all-cash environment.

The SAFE Banking Act is an important measure that helps clarify many issues for the banking industry, regulators, businesses and consumers. ABA is pleased to support S.1200 and will be encouraging Senators to join you in your efforts to address this important issue.

Sincerely,

A handwritten signature in black ink that reads "BOB NICHOLS". The letters are bold and slightly slanted, with a stylized flourish on the final 'S'.

cc: Members of the United States Senate