

April 3, 2019

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

The Honorable Elizabeth Warren
United States Senate
Washington, D.C. 20510

Dear Senators Gardner and Warren:

On behalf of the American Bankers Association (ABA), I am writing to express our support for the Strengthening the Tenth Amendment Through Entrusting States (STATES) Act. We would like to thank you for your efforts to address this important issue, as the conflict between state and federal cannabis laws has become a challenge for many of our nation's communities and the banks that serve them.

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, the Controlled Substances Act (21 U.S.C. §801 et seq.) classifies cannabis as an illegal drug and prohibits its use for any purpose. For banks, that means that all proceeds generated by a cannabis-related business, even when it is operating in compliance with state law, are unlawful proceeds under federal law, and so any attempt to conduct a financial transaction with that money (including simply accepting a deposit) can be considered money-laundering. Consequently, the majority of financial institutions will not take the legal, regulatory, or reputational risk associated with banking cannabis-related businesses or the ancillary businesses that provide them with goods and services without congressional action resolving this legal conflict.

As a result, a majority of U.S. states are struggling to address the significant challenges to public safety, regulatory compliance and tax compliance that go hand-in-hand with cash-reliant businesses. While ABA does not take a position on the legalization of cannabis and the STATES Act is not a banking specific bill, removing the federal prohibition on cannabis in states that have legalized its use would allow banks to accept deposits and provide basic financial services to state licensed cannabis businesses and their service providers. That, in turn, would help those communities reduce cash-motivated crimes, increase the efficiency of tax collections, and improve the financial transparency of the cannabis industry.

Like other measures that aim to provide clarity, the bipartisan STATES Act is an important step toward enabling financial services for cannabis-related businesses. The bill exempts any person acting in compliance with state cannabis laws from the penalties and provisions of the Controlled Substances Act. It further specifies that proceeds from a cannabis business operating in compliance with state law 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 STATES Act is not a cure all for the cannabis banking challenge, but it is a measure that helps banks serve the needs of their local communities.

ABA is pleased to support the STATES Act and would urge the Senate to consider this legislation.

Sincerely,

A handwritten signature in black ink that reads "BOB NICHOLS". The letters are bold and slightly slanted, with a cursive-like flourish at the end of the last name.

cc: The Honorable Lindsey Graham
The Honorable Dianne Feinstein
The Honorable Michael Crapo
The Honorable Sherrod Brown