

The SAFE Banking Act, POSaBIT, and the Future of Marijuana Financial Reform

SEATTLE--(BUSINESS WIRE)--October 1, 2019--The SAFE Banking Act recently passed in the House of Representatives by a vote of 321 to 103. It will now go to the Senate.

That's good news! It's long past time the federal government loosened the reins on the burgeoning cannabis industry. The passage of this bill is a great sign for the future of marijuana-based banking. However, it's important to temper our collective expectations and take a realistic look at what comes next, the implications for the industry, and what it means for companies like POSaBIT.

What is the SAFE Banking Act exactly?

Introduced in May of 2017, the bipartisan bill is meant to protect financial institutions that choose to do business with cannabis companies in states where marijuana has been legalized. While banks can currently work with marijuana-based companies in legalized states, they are required to apply for temporary riders to do so. The SAFE Banking Act would eliminate the need for such riders. The bill would also bar federal regulators from interfering, or punishing, financial institutions from working with marijuana-based businesses.

What would the passage of the SAFE Banking Act mean for POSaBIT and the industry at large?

In short, not much. Our own payments solutions have provided marijuana retailers with a compliant way to process debit card transactions at their stores in the current regulatory climate. If the SAFE Banking Bill becomes law, this wouldn't change. While it's true that, if enacted, SAFE would allow retailers to consider more options for card transactions, the cannabis industry remains highly regulated. Each state requires strict tracking and compliance from retailers and dispensaries. It is in this regard where we at POSaBIT remain well-positioned, as our payments solutions come fully-integrated with each state's compliance requirements. Other payment providers could very well attempt to enter the space, but, as we know from years of regulatory leg work, that's a tall mountain to climb for any provider opting to dip their toes in the cannabis industry. In a nutshell, our competition may increase eventually, but that reality is years and years away.

For marijuana growers, cultivators, distributors, retailers, and dispensaries, the passage of the SAFE Banking Act would be a tremendous boon. It would allow these lawful companies to safely and confidently bank with any financial institution on both the state and federal level. For POSaBIT, SAFE's passage would mean our already-compliant payment solutions would simply garner more confidence and adoption within the cannabis industry.

Will the SAFE Banking Act pass the Senate and become law?

Very, very unlikely. The GOP-led Senate has, historically, been loathe to consider any bill relating to marijuana. Majority Leader Mitch McConnell has been especially vehement in his opposition to the cannabis industry and is likely the largest roadblock (of many) standing in the way of SAFE becoming law.

"I would be shocked if Sen. McConnell wanted to spend a single second of floor time on weed," said a veteran lobbyist in a recent Politico article. He has also blocked cannabis banking reforms as recently as 2018, describing marijuana as "...hemp's illicit cousin which I choose not to embrace." It goes without saying that McConnell's power to shape any and all new legislation is unquestioned.

On the other side of the aisle, there may also be surprising opposition to SAFE from Senate democrats. A handful of progressive groups, including the ACLU and the Center for American Progress, have pushed back against the bill, stating it doesn't do enough to help "communities who have felt the brunt of prohibition," yet have been "shut out" of the growing industry. Instead, these groups advise congress to focus on full federal legalization in lieu of any banking reform.

If the SAFE Banking Act isn't passed in 2019, what does the future hold?

Given the myriad of roadblocks, the likelihood of SAFE being fast-tracked to the Senate is slim to none. If the timeline then moves to 2020, analysts believe it is even more unlikely that the GOP-led Senate would entertain marijuana-based legislation in an election year, for all the reasons cited above. Reading the tea leaves, the SAFE Banking Act will almost certainly be put on ice until the new congress comes into session in 2021. At that point, we may have a new president and, perhaps, a shift in the Senate's balance of power. It would be a fool's errand to speculate on congressional priorities nearly two years in the future, so we'll avoid doing so at this juncture.

While the SAFE Banking Act's passage through the house is indeed encouraging, we caution anyone to prematurely celebrate the inevitability of the bill becoming law. Its passage in the Senate would represent an immense step forward in the federal

government's treatment of the cannabis industry. Unfortunately, we're still likely years away from any meaningful marijuana banking reform.

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