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Americans May Finally Have S.A.F.E. Banking

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Today, the U.S. House is expected to vote on the Secure and Fair Enforcement (SAFE) Banking Act. Michigan residents and residents from many other states have faced logistical challenges when it comes to conducting fundamental business in the cannabis industry. Call it Federalism, call it the federal government being behind the times – the conflict, in any case, between federal and state law, is real. At least as it deals with conflicts in the financial space, this conflict may soon come to a head.

The cannabis industry is currently operating without the support of traditional banking and other financial institutions. In most cases, cannabis companies are faced with the choice of seeking more creative means of financing than standard bank accounts and loans or staying out of the industry all together. Whether intended for adult-use (recreational) or medical use, the missing regulations in the cannabis industry are cause for concern – there are safety implications, there are medical implications, and often-times increased tension causing relational implications based on heated debates around the dinner table or water cooler.

The SAFE Banking Act is set to protect financial institutions serving businesses in the cannabis space from suffering federal violations or penalties when conducting business in states that have otherwise legalized cannabis. With the passage of the SAFE Banking Act, we expect that traditional financial options will open up to cannabis companies. In particular, the Act will prohibit account termination and account limits on deposits to cannabis industry participants. In addition, cannabis businesses will not be prevented from completing standard banking actions like individuals and other businesses enjoy today, and cannabis businesses will be able to make and receive payments in the form of credit, debit, checks, or electronic funds transfers.

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New regulation means new opportunity for cannabis businesses as well as for financial institutions in states where cannabis is legal. Enforcement, compliance monitoring, and overall oversight of the new SAFE Banking regulations may prove difficult, as it has for the regulations that have stemmed from the 2018 Farm Bill regarding Hemp – but this bill passage in the House will be a big step in the right direction for an otherwise murky relationship between federal and state regulations.

Thomas Nafso

313.983.6924

nafso@butzel.com

Mitch Zajac

313.225.7059

zajac@butzel.com