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## California Senate Passes Bill Aiming to Create State-Chartered Banks for Cannabis Businesses

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On May 30, 2018, the California Senate passed a bill aiming to establish state-chartered banks for cannabis businesses. The change in law would allow cannabis businesses in California to access more traditional banking services which are often restricted due to federal legislation in the United States that places heavily burdensome obligations on federally-insured financial institutions, including banks and credit unions, that provide services to cannabis businesses. The bill, SB-930, is now headed to the California Assembly for legislative approval.

Though cannabis is legal for recreational and medical use in California and several other U.S. states, it remains prohibited at the federal level in the U.S. As a result, financial institutions that are federally-regulated risk being charged under federal legislation (including the *Bank Secrecy Act*, the *USA Patriot Act* and the *Racketeer Influenced and Corrupt Organizations Act*) in connection with servicing cannabis businesses. Almost all U.S. banks, including state banks, are federally-regulated by either the Federal Reserve or the Federal Deposit Insurance Corporation, which makes it difficult for cannabis businesses to access traditional banking services, such as opening and using checking accounts, accepting credit or debit cards as a form of payment, and issuing checks to pay taxes and fees. In effect, cannabis merchants are often forced to deal primarily in cash. Beyond the commercial impracticalities that result from having to operate all-cash businesses, public safety issues have also given lawmakers a motive to take legislative action, as cannabis businesses have become the target of crime.

If SB-930 is enacted into law by the California legislature, it would allow for the creation of state-chartered banks to supply stable banking services to licensed cannabis businesses. Such state-chartered banks would be regulated at the state level by the California Department of Business Oversight (California's financial regulator), which would provide them with certain protections from being prosecuted under U.S. federal law.

The development in California is another example of a positive shift in policy relating to cannabis in the U.S. As noted in [our post from April 18, 2018](#), politicians south of the border are increasingly progressing their views on the cannabis industry.

### We Can Help

For more information on how Cassels can assist your business, please contact a member of our firm's cross-disciplinary **Cannabis Group**.

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