

Date: March 25, 2019

To: Members of the House Financial Services Committee

From: James Ballentine, Executive Vice President, Congressional Relations & Political Affairs

Re: Support for H.R. 1595, the Secure and Fair Enforcement Banking Act (SAFE) Banking Act of 2019

The American Bankers Association (ABA) is pleased to express our support for H.R. 1595, the Secure and Fair Enforcement Banking Act (SAFE Banking Act) of 2019, which is scheduled for consideration before the House Financial Services Committee on Tuesday, March 26.

This bipartisan legislation, sponsored by Committee members, Ed Perlmutter, Denny Heck, Steve Stivers, and Warren Davidson, along with over 140 members of the House, is long overdue for consideration before the Committee. H.R. 1595 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 urges members of the Committee to approve H.R 1595.