



PAUL COHEN'S *Marijuana Hub*

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BANKING AND ILLEGAL TRADE IN THE MARIJUANA INDUSTRY

- ▶The fundamental legal and illegal problems in the industry are reflected in the inability of companies to find banks to do commercial banking including stashing cash in a bank.
- ▶The Denver Post reported that Mbank pulled out of the lending business a week after it announced it would provide services to the marijuana industry in various states. Mbank was immediately inundated. The Post was quoted as:
 - ▶“...the retreat was pressed by federal banking regulators who stepped in late last week to tell Mbank executives that crossing several states to work with an industry that remains illegal under federal law was simply too risky.”
 - ▶The Post went on to say that “inquiries in Oregon, Washington and Colorado were so overwhelming that the bank did not have the infrastructure to support all of the customers”. Infrastructure in my view was only one problem.
 - ▶Mbank’s CEO stated that “Colorado is the farthest from our market area and the most difficult to provide the quality customer service to.”
 - ▶Let us take this a step further. Suppose Mbank or any other bank lends to a California company that sells oil. The legalities and illegalities of producing or vending oil in California, let alone transporting it across borders are complex. Some of the law prohibits the practical commercialization of oil.
 - ▶Taking that example to the fact that banks want no part of this industry, their problems are more than the Feds breathing down their necks. They cannot take a chance that a marijuana client company is trafficking in anything illegal.
 - ▶Banks do not have the sophistication to know which of their clients is legal or not. The whole banking issue is most serious for the entire cannabis industry. It will be interesting to see how it plays out in 2015.