

Has the time finally come to bring the cannabis industry into the financial services mainstream?



Marco Hegyi
GrowLife CEO

April 23, 2018

I recently interviewed Marco Hegyi, GrowLife CEO. GrowLife is a publicly traded company that has been providing indoor growing solutions for the cannabis industry since 2012. I asked Marco how the conflicting federal and state laws regarding marijuana impacts his company and its clients when it comes to getting basic banking services and he said, "The national banks have been steering clear of the cannabis industry due to the conflicting state and federal laws, making it difficult for the people that are in the business to get basic financial services, even when it comes to getting personal mortgages. There are cases where cannabis company employees have been turned down on their mortgage applications by national banks, leaving only state chartered community banks and credit unions to service them." Marco went on to say, "Some of GrowLife's cannabis cultivation customers face considerable challenges in financial transactions who wind up in many cases, are holding a lot of cash and even have to pay their taxes in cash."

In the United States there are currently nine states and the District of Columbia that allow recreational marijuana use and 30 allow for medical use. The industry took in nearly \$9 billion in sales in 2017. California opened its retail market in January and it is estimated that 2018 sales will top \$11 billion in 2018, and \$21 billion by 2021. At last count there are 9,397 active licenses for marijuana businesses, including cultivators, manufacturers, retailers, dispensaries, distributors, deliveries and test labs.

House Democrats introduced a bill last week to legalize marijuana at the federal level and to expunge federal convictions for marijuana use or possession. The bill, introduced by Reps. Barbara Lee and Ro Khanna of California and sponsored by 12 House Democrats, is a companion to Sen. Cory Booker's Marijuana Justice Act, introduced in the Senate last year. Sen. Cory Gardner said that he received a commitment from President Donald Trump that the Department of Justice's rescission of the Cole memo will not impact Colorado's legal marijuana industry. "Furthermore, President Trump has assured me that he will support a federalism-based legislative solution to fix this states' rights issue once and for all," Gardner said in a prepared statement.

If the idea of lifting federal prohibition seems farfetched, it is exactly what Canada is doing. Canada plans to have its retail market for cannabis up and running by July 1, opening a multi-billion-dollar market. It is time for U.S. federal lawmakers and the financial services industry to solve the problem once and for all by bringing the legal cannabis business out of shadow banking and into the financial services mainstream.

A. Lyle Elias
ATMIA Founding Director