

MARIJUANA BANKING

The Pros and Cons



Considerations for Credit Unions

Given the uncertainty in the regulatory and political arenas as well as the courts, many credit unions may see entering the marijuana banking business as unnecessarily risky. It is nonetheless important to consider the big picture and weigh the present risks against the likelihood of benefits in the future once more flexible guidance is released. To help your credit union make an informed decision, here are some pros and cons of entering the marijuana banking business:

MARIJUANA BANKING PROS

- By choosing to bank a marijuana-related business (MRB), a credit union would be serving a member need and providing financial services to a largely unbanked population. MRBs have been targeted by criminals because they are a cash business, so offering financial services could also help to provide a public service by taking some of this cash off the streets.
- Banking marijuana businesses, at least in the short term, can be highly lucrative from a fee income perspective due to premiums on risk and accounting for the labor required to serve these accounts within the parameters of Financial Crimes Enforcement Network (FinCEN) guidance.
- The potential for millions of dollars in deposits from these businesses could help credit unions with liquidity needs and boost their net worth ratios.
- Establishing strong relationships with marijuana advocates now could ensure credit unions are early to the game and more likely to maintain those member relationships and accounts once marijuana banking becomes fully permitted and competition increases.
- Credit unions may determine their level of involvement and just what type(s) of MRBs they may be willing to serve based on internal risk calculations. Because this is a relatively new area of banking, there is a substantial level of flexibility afforded to depository institutions seeking to enter the market.

MARIJUANA BANKING CONS

- Marijuana is still illegal on the Federal level, so due diligence and Suspicious Activity Report filing requirements could subject a credit union to federal scrutiny, prosecution, or potential penalties for aiding illegal drug businesses.
- Although, the NCUA does not currently have a written policy on marijuana banking, providing financial services to such businesses could make NCUA examinations more complicated overall. In practice, although examiners look for compliance with FinCEN guidance on banking MRBs, this may change and the NCUA could penalize a credit union by requiring it to divest itself of deposits. Additionally, this could potentially cause a credit union to lose its share insurance coverage.
- Legal complications related to banking marijuana businesses could potentially lead to losing access to a Federal Reserve master account.
- The cost of properly training employees, adding more staff, if necessary, and acquiring software or other equipment to keep members and the credit union safe and compliant with FinCEN guidance might be prohibitively expensive.
- Some members, vendors, and other affiliates may oppose a credit union's involvement in the marijuana industry, so the credit union runs the risk of losing those relationships and tarnishing its reputation. This risk could be heightened if the banked MRB runs afoul of state marijuana laws.



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