

LA Pot Bank Is a Pipe Dream

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LA WATCHDOG--One of the major arguments that the proponents of establishing the municipally owned Bank of Los Angeles is that this new financial institution will service the pot industry by taking deposits and facilitating credit card transactions. But it seems that their judgment has been clouded by smoking too much dope.

The supporters of the Bank of Los Angeles are trying to leverage the inability of the marijuana industry to use the banking system. Under federal law, pot is classified as an illegal substance. Therefore, banks have been unwilling to provide services to the cannabis industry because they could be subject hefty fines, criminal liability, and/or the loss of their banking licenses. Hence, the need for the Bank of Los Angeles and its willingness to service local pot shops, distributors, and growers.

In reality, the Bank of Los Angeles will not be able to open its doors for several years as it will need regulatory approval from both state and federal agencies. It must also raise the necessary capital to fund its operations, including its initial operating losses, and to establish reserves for loan losses. And if the Bank of Los Angeles wants to serve the cannabis community, it will take considerably longer based on the conclusions contained in a legal memo prepared for the proponents of a public bank in San Francisco.

By that time, there is high likelihood that Congress and the Federal government will relax the rules on the banking of the pot industry.

According to a letter sent by 19 state attorneys general to the Congressional leaders of both parties, 29 states have legalized the use of medical marijuana and 8 states and the District of Columbia allow recreational use. Furthermore, 64% of Americans are in favor of recreational pot according to a recent Gallup poll. As a result, Congress may be willing to remove the legal barriers to cannabis banking without facing serious repercussions.

Washington may also be spurred into action because this cash intensive industry will be a magnet for criminal activity because it is unable to deposit its mounds of cash in banks. All it will take is a few high profile incidents and Congress and the Administration (including Attorney General Sessions) will be forced to relax the laws surrounding marijuana and the banking system.

Furthermore, if the industry has access to the banking system, federal, state, and local governments will be better able to enforce the many laws surrounding marijuana. By tracking deposits and credit card transactions, taxing authorities will have access to better information. This will facilitate the collection of taxes. The government will also be better able to enforce money laundering laws and other regulations involving growers, distributors, and retailers.

Finally, if the Bank of Los Angeles receives approval to bank the pot industry, other commercial banks will also be permitted to service the industry. And these commercial banks will be in a much better position to accommodate industry participants as they have better systems, experienced employees, and an extensive network of well situated branch offices and ATMs that would be financially impossible for the new Bank of Los Angeles to duplicate.

The next time that you hear the members of our City Council and other proponents of the Bank of Los Angeles spouting off about how the Bank of Los Angeles is going to serve as the bank and a lifeline for the cannabis industry, ask them what they are smoking.

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