The Pot Hole
Marijuana in the News

The New York Times

The First Bank of Bud: Marijuana Industry in Colorado, Eager for Its Own Bank, Waits on the Fed

MATT RICHTEL | FEB. 5, 2015

Medical marijuana has been legal in Colorado since 2001, and recreational marijuana use became legal a year ago. But marijuana businesses have had limited, if any, access to banking services. The federal government considers marijuana illegal and so traditional banks, fearing prosecution for aiding and abetting illegal drug dealers, have shut down pot-business accounts and declined to give loans. Some banks have ferreted out pot entrepreneurs by sniffing their bills, leading to a countermove: bills sprayed with air freshener.

Without a bank account, pot businesses deal in cash, lots of it, held in safes, handed out in clipped bundles on payday, carried in brown paper bags and cardboard boxes to the tax office and the utility company, ferried around the state by armored vehicles and armed guards. And without access to essential banking services — from credit cards to electronic transfers to loans — those businesses pay a huge premium. The reality in Colorado is that it is legal to grow pot but extremely hard to grow a pot business.

The Fourth Corner partners saw a need and a business opportunity. State accreditation in hand, the partners took a step this November that typically goes off without a hitch: they applied to the Federal Reserve Bank for a “master account.” This is the account they would use to deposit funds and transfer them electronically with other banks — the lifeblood of commerce.

Mr. Mason could not find a case of a state accredited financial institution being denied a master account. Usually, approval comes in days, he noted. But it has been nearly three months since the application was filed and there has been no answer, just a letter in early January saying the request was under review. Mr. Mason said the application was on the desk of a specialist in bank risk, a guy named Ryan Harwell in Kansas City, Mo., the Fed’s Midwest regional office that oversees the Denver branch.

While the Federal Reserve declined to comment — as a matter of policy, its officials don’t comment on pending applications — Mr. Mason suggested a reason the Fed may be wary of granting the account.

“This legitimizes the marijuana industry to the extent it’s never been legitimized before,” he said. If Fourth Corner gets approval, businesses would have a place to deposit and to borrow. Other institutions might well follow, and the federal government “would become complicit, and the walls start tumbling down.” ■

Rest of the New York Times article here: http://goo.gl/XWvo7A

OPPOSE the Decriminalization of Marijuana SB 753 & HB 218

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