

Phillips Murrah Director addresses banking issues with medical marijuana industry

A [Journal Record article](#) published on August 30, 2019 features Phillips Murrah Director [Jason M. Kreth's](#) participation on a recent panel discussing issues facing the banking industry with regards to the introduction of the medical marijuana industry in the market.



From left: Journal Record Editor Russell Ray, Phillips Murrah Director Jason Kreth, CRF Accounting Solutions owner Christina Ferguson and First Fidelity Senior Vice President Charles Griffin discuss challenges faced by medical marijuana businesses seeking to obtain basic banking services.

Imagine running a business, or even your personal life without a bank.

What would it be like to navigate the modern world without a

checkbook, a bank card and a credit card? How would you pay bills, pay taxes, order products and supplies or even buy a plane ticket?

That's not a problem most people face, but many businesses associated with Oklahoma's fastest-growing industry have found themselves locked out.

The state's burgeoning medical marijuana industry has generated tens of millions of dollars in local and state tax revenues since Oklahomans voted to legalize the industry last summer. But the federal government still considers marijuana a banned substance, which creates significant legal liabilities for banks, which have largely turned their backs on medical marijuana businesses.

While the rest of the state enjoys split-second financial transactions at the touch of button or the swipe of a smartphone, most businesses associated with medical marijuana operate on a cash basis, storing money in lockboxes, safes, bank bags and even shoe boxes. The most basic convenience of opening a bank account is off limits to them.

An attorney, banker and accountant came together Thursday to share their experiences with the medical marijuana industry. The discussion was part of an ongoing series of roundtables sponsored by *The Journal Record* and broadcast by KOSU radio.

The professionals work with clients within the legal marijuana industry and they shared their unique views and answered questions from a studio audience largely composed of people with medical marijuana businesses.

"Without a bank account, we're dealing with cash, which is very difficult to track. It's like having \$100 in your purse, and you wonder where it all went a couple days later," said Christina Ferguson, owner of CRF Accounting Solutions, which serves several clients in Oklahoma's medical marijuana industry.

Ferguson said her clients keep cash logs, which require meticulous record keeping after each transfer and transaction. Some disburse cash among as many as four safes as well as bank bags that function as bank accounts.

“Where a bank account is taking out human error, a cash log is allowing human error to come back in, and people make mistakes, but that’s the best we we’ve found so far,” she said. “It is very time-consuming, and you must stay on top of it.”

While Oklahoma has a few financial institutions exploring the possibility of offering services to medical marijuana businesses, First Fidelity Bank may be the first in the state to welcome the industry, but even at that, its relationship with marijuana businesses is at arm’s distance.

The bank’s first experience with the marijuana industry came five years ago when Arizona legalized it, said Charles Griffin, director of retail banking for First Fidelity Bank in Oklahoma and Arizona.

In Arizona and in Oklahoma, serving marijuana businesses is the right thing to do, Griffin said.

“It’s very important to serve the community, and these are legitimate businesses with legitimate needs. They need to be able to do the same things that everyone else does.”

These businesses make a lot of money and providing banking services allows them to deposit their money into the Federal Reserve, where it should be and where it will not be vulnerable to crime and pose a danger to the businesses and their employees, Griffin said.

But Griffin said the banking industry takes on significant risk and liability by working with marijuana, and First Fidelity is painstaking in its approach to monitoring businesses through rigorous documentation requirements and

background checks.

It is a labor-intensive service that requires significant staffing to look out for money laundering operations and bad actors, he said.

First Fidelity requires marijuana retailers, growers, labs and other businesses that directly handle marijuana to pay fees as high as \$1,000 per month to maintain accounts. The bank also requires significant fees from other companies that don't handle marijuana directly, but serve the industry, such as equipment suppliers, accounting firms and other vendors.

Because of federal laws against marijuana and the banking industry's exposure to heavy federal regulation, there is significant risk involved in serving the medical marijuana industry, Griffin said.

"I equate opening a new account for a medical marijuana business to underwriting a commercial loan," he said.

That doesn't stop the bank from bringing in more clients, however. Griffin said First Fidelity has about 60 medical marijuana clients, and he expects that number to grow higher through the coming months.

Panelists are optimistic there is relief in the future, but there is no certainty when that might come.

The SAFE Banking Act is pending in Congress, and if it were to become law, it would prevent federal regulators from taking adverse action against banks, said attorney Jason Kreth of the law firm Phillips Murrah.

It appears the bill has enough votes to pass the U.S. House of Representatives, but there's doubt it would pass the Republican controlled Senate and be signed by President Trump, Kreth said.

"It's inevitable that some piece of legislation down the road

will accomplish what the SAFE Banking Act is trying to do," Kreth said. "There's a sea change in public opinion in regard to the use of legal cannabis, so I think we will get something that clarifies these laws."

"If I had to put odds on it, I would say it's doubtful it would pass the Senate, but, at some point in the future, I expect something like this will pass."

Meanwhile, Oklahoma's medical marijuana businesses are searching a scarce landscape for the financial services they need to manage growing revenue streams.

"I have money in a shoebox in my closet," said Peter Fulmer, owner of FulMed Labs.

Fulmer, who attended Thursday's roundtable, said his business is likely to get much busier now that the Oklahoma Medical Marijuana and Patient Protection Act is now in effect. Among other things, the act requires all marijuana to be tested and graded for content by a certified lab before it can be sold to the public.

Fulmer said his lab will see more activity this fall, and he's been looking for banking services to help manage the surge in cash flow.

"I've gone to 15 banks, and I've been turned down by all but one," he said. "The one bank is charging \$1,250 per month and they want 0.7% of every transaction."

He said he's still looking, and he's open to ideas as he waited in line after the meeting to speak with Griffin about opening an account at First Fidelity.

"There's a lot of variability in what everybody is doing," he said. "It's all over the board."