

Why North Bay Credit Union Is Offering Banking to Local Cannabis Businesses

We want the North Bay to be a safe, thriving place as we adapt to the realities of modern culture which includes the legal consumption of cannabis. After California voters passed Proposition 64 in 2016 approving the recreational use of cannabis, an underground economy emerged into the sunshine. North Bay Credit Union recognized early on that the region's large cannabis industry was going to grow exponentially, as were the risks of dealing with the cash generated from the sales of cannabis. A very big problem needed a solution.

Although cannabis is now legal in California, it remains illegal at the federal level. As a result, banks have refused to provide services to industry operators because they could be in technical violation of federal law by facilitating the operation of an "illegal" enterprise. This means that legal businesses in the state that need to remit taxes, make payroll for their employees and pay operating expenses such as rent and utilities, have to do so in cash because they cannot get a bank account.

Transporting large amounts of cash around our community, and storing cash in homes and unprotected businesses creates an incentive for both crime and violence. A business owner should not be walking city streets with a duffle bag full of cash to pay her bills. The local media regularly reports on home invasions, armed robberies and carjackings that are designed to steal cash that should be handled safely in a financial institution. Bank's refusal to take the cash has created a public safety issue.

Rather than be part of the problem, NBCU wants to be part of the solution. Credit unions were created to solve problems and serve people that traditional banks could not, or would not. As the oldest credit union in Sonoma County, founded by farmers in 1948, we have an affinity toward ag producers, including those in the forefront of the county's evolving agrarian landscape. The new cannabis economy has suffered from a banking void that a credit union such as ours can fill. There are thousands of employees working in cannabis enterprises in the North Bay that provide economic growth and stability to our local cities. Our community prospers, both economically and a safety-wise, when financial institutions support legal local businesses.

We've gone out on a limb to do this. We are completely transparent with our credit union regulators and law enforcement entities about our activities. We've had to create an entire infrastructure to ensure we are monitoring the activities and transactions of the businesses we serve. It hasn't been easy. We do not accept cash from cannabis operations at our branches. Cash is picked up the customer's place of business via armored car and delivered to our account at the Federal Reserve Bank. We've enhanced our security systems. We perform reviews of every sales transaction to ensure it represents a state legal sale to an authorized individual or licensed company. We submit voluminous reports to federal agencies and are the de facto eyes and ears of law enforcement for the movement of funds through the accounts.

Despite our valuable contributions toward monitoring accounts and identifying potential illegal movement of funds, we are still at risk of federal prosecution. The state of California investigated the potential for a public cannabis bank only to conclude that the issues were too complex and the risks too high. What is needed is not a new government run bank but rather federal legislation to protect existing

banks and credit unions – those with the infrastructure already in place to handle the activity – from prosecution for providing services that benefit both legal industry operators and law enforcement officials. Also what is needed is public support for financial institutions willing to take on this challenging endeavor. People should support the institutions that are striving to make their communities a better place to live. Knowing the public is on our side helps steel our resolve to fight the good fight.

And I'm glad to see a groundswell is happening at the state level. Last August, a coalition of the top financial regulators in 13 states sent a letter demanding Congress take appropriate action to protect financial institutions serving cannabis businesses.

The demand for these services is overwhelming. Our small credit union alone cannot handle all the needs of the multi-billion dollar industry that exists in the North Bay. We encourage other financial institutions to follow our lead and take a stand for making our communities safer and economically vibrant as we acknowledge the fact that legal cannabis is here to stay.

A head-in-the-sand attitude won't serve our communities. We believe addressing this need head-on is a better approach. The founding mission of credit unions is "people helping people" and I can't think of a better example than helping North Bay residents and businesses safely manage their funds.

A handwritten signature in black ink, appearing to read "Chris Call". The signature is fluid and cursive, with a large initial "C" and "C".

Chris Call, CEO