



Maine Credit Union League

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Written Testimony from the Maine Credit Union League

Neither for Nor Against LD 788, Resolve, Directing the Treasurer of State to Review and Develop Options for Meeting the Banking Needs of the Cannabis Industry

March 22, 2023

Senator Bailey, Representative Perry, and Distinguished Members of the Joint Committee on Health Coverage, Insurance and Financial Services,

My name is Robert Caverly and I serve as the Vice President of Advocacy & Outreach at the Maine Credit Union League. The League proudly represents Maine's 50 credit unions and more than 725,000 members statewide. Please accept our testimony neither for nor against LD 788; Resolve, Directing the Treasurer of State to Review and Develop Options for Meeting the Banking Needs of the Cannabis Industry.

As this committee is aware, Maine was an early state to legalize any form of cannabis, starting with the legalization of medical cannabis by citizen's referendum back in 1999. From the very beginning of legalization, it has been a challenge to provide financial services to cannabis-related businesses (CRB). However, since 2014 a small number of credit unions have consistently offered CRB accounts to their members.

Recently those credit unions offering CRB accounts were informed by their federal financial regulators that a new interpretation of existing guidance required a change in how CRB accounts were managed to remain in compliance. After significant research, the League found that those increased standards were consistent with requirements imposed on credit unions across the country. However, it represented a significant and unforeseen change to Maine credit unions and CRBs alike. Prior to this increased scrutiny, Maine credit unions offering CRB accounts successfully operated programs in the field. Considering this, on January 26th of 2022, the Maine Credit Union League advised legislative leadership and other interested parties on this issue:

This stricter interpretation also represents a move towards standardization of [CRB] compliance for financial institutions across the country. However, given Maine's [CRB] landscape, a 'one size fits all' approach may lead to more Maine [CRBs] operating without a financial partner, a consequence that ill serves the industry and the general public.

It is critical to clarify that an increasing number of Maine credit unions continue to offer the necessary banking services to our CRB partners in both the medical and adult use industries. Although the new interpretation from regulators has necessitated the adoption of more costly services to comply with the federal guidance, our credit unions are committed to making banking services available to CRBs. The unfortunate effect of this is increased fees being passed along to

the CRBs. Credit unions cannot operate their CRB programs at the expense of the rest of their membership.

The changes to CRB accounts because of the new regulatory interpretation has understandably created angst, concern, and sometimes distrust within the CRB community, specifically medical marijuana businesses. To implement the required adjustments, credit unions with medical CRB members had to impose a temporary moratorium on accepting any new members until the new regulatory expectations were in place and applied to their current membership. The required moratoriums are gradually lifting, along with additional credit unions launching their own CRB programs, meaning that access to financial services for CRBs is slowly increasing. Compounding the relationship between CRBs and their credit unions is the substantive differences between what CRBs are required to report and track to operate as a licensed medical provider in Maine, and what is required to be reported to maintain a depository account with their credit union. The League believes that closer alignment of those differing regulatory requirements would encourage greater participation in CRBs establishing bank accounts.

Despite the challenges listed above, many Maine credit unions remain eager partners and are ready to take steps to extend financial services to complying CRBs. We believe that any nationwide study of cannabis banking would result in Maine credit unions being recognized as market leaders, offering needed services to their members at competitive rates and fees.

Moreover, as the committee considers how to move forward on this important issue, we strongly encourage the involvement and consultation of the Bureau of Financial Institutions (BFI) as a key partner in this endeavor. The Bureau is well positioned to report on the current state of banking and to identify challenges faced by Maine financial institutions in the cannabis space. Though this issue is, at its root, a federal one, BFI can provide some insight into how federal regulators look at financial institutions operating in the cannabis space. Maine credit unions have a long history of cooperating with BFI to ensure that our members receive the best service available, and we believe their consultation in any study in this area is crucial to its success.

As this committee likely knows, the final solution to address the challenges surrounding cannabis banking in Maine resides in action being taken at the federal level. The League has long advocated for and will continue to advocate for policies like the SAFE Banking Act, which aims to create a safe harbor for financial institutions to bank CRBs. Maine's entire congressional delegation supports this policy change, but it has yet to be brought to the floor of the United States Senate for consideration. It is important to know that the SAFE Banking Act is not a silver bullet, more policy considerations will be needed to fully normalize CRB banking, but it is an important first step.

Thank you for the opportunity to offer testimony on this important topic. If the League can be of any assistance during the deliberations of this bill or others similar, please do not hesitate to contact us.