



STATE OF COLORADO



STATE OF WASHINGTON

October 2, 2013

The Honorable Jacob J. Lew  
Secretary of the Treasury  
Department of the Treasury  
1500 Pennsylvania Avenue NW  
Washington, DC 20220

The Honorable Ben S. Bernanke  
Chairman  
Board of Governors of the Federal Reserve  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, DC 20551

The Honorable Martin J. Gruenberg  
Chairman  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street NW  
Washington, DC 20429

The Honorable Thomas J. Curry  
Comptroller of the Currency  
Office of the Comptroller of the Currency  
400 7<sup>th</sup> Street SW  
Washington, DC 20219

The Honorable Richard Cordray  
Director  
Consumer Financial Protection Bureau  
1700 G Street NW  
Washington, DC 20552

The Honorable Debbie Matz  
Chairman  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314

Dear Secretary Lew, Chairman Bernanke, Chairman Gruenberg, Comptroller Curry, Director Cordray, and Chairman Matz:

We write to you regarding the need for flexibility in the federal banking regulations that will allow state-licensed marijuana producers, processors, and retailers access to the banking system. Colorado and Washington are in the process of implementing citizen initiatives permitting the production, processing, and sale of marijuana to adults for recreational use, in compliance with state law. Access to the banking system by these state-licensed businesses is a necessary component in ensuring a highly regulated marijuana system that will accurately track funds, prevent criminal involvement, and promote public safety. In order to achieve the mutual federal and state goal of establishing tightly-controlled marijuana regulatory systems, we urge you to issue inter-agency guidance that will allow legal, licensed marijuana businesses access to the banking system.

On August 29, 2013, the United States Department of Justice (USDOJ) issued a memorandum outlining federal priorities in the enforcement of the federal Controlled Substance Act, with regard to marijuana, in light of new state laws in Colorado and Washington. This memo emphasized eight enforcement priorities, which our states support and are adhering to as we

establish regulatory schemes. The regulatory systems in our states are designed to assure strict audit and tracking of supply chains of intra-state licensees, prevent access to minors, diversion to other states, and other criminal activity. The willingness of the USDOJ to exercise this flexibility in response to the will of the voters in our states demonstrates bold leadership by the President, Attorney General Holder, and the Administration.

We respectfully ask you as federal banking regulators to provide guidance consistent with the Administration's leadership and the eight enforcement priorities, to enable the banking industry to offer full banking services to state marijuana licensees. It is apparent through the work of our state regulatory agencies and testimony before the U.S. Senate Judiciary Committee that, absent a means to properly account for the significant amounts of cash generated by licensed marijuana producers, processors and retailers, our states' and USDOJ's interests in promoting public safety and preventing diversion of marijuana and criminal activity will be exceedingly difficult. For example, our states will soon be licensing hundreds of retail stores, each of which will, without a normal banking relationship, be forced to conduct business on an all-cash basis. This creates an unnecessary inviting target for criminal activity.

Action by federal regulators to allow state-licensed marijuana businesses to fully access the national banking system would promote public safety and provide a significantly better means of meeting the state and USDOJ enforcement priorities. Enabling marijuana producers, processors and retailers to accept Automated Clearing House (ACH) transactions (credit and debit cards), accept and deposit cash and checks, and pay third parties by ACH, check or wire transfer, would reduce the amount of cash in the system and lessen the threat of criminal activity. Permitting normal banking relationships for state marijuana licensees would also assure a means of tracking the flow of funds, and prevent diversion of marijuana proceeds to illegal activities and to states and foreign jurisdictions in which marijuana remains illegal.

USDOJ has acknowledged "that a tightly regulated market in which revenues are tracked and accounted for" is essential to fulfilling the USDOJ priorities set forth in its guidelines. We believe the best way to achieve this goal is by permitting state marijuana licensees controlled and monitored access to the U.S. banking system where their revenues can be accounted for and tracked.

The federal banking agencies, in collaboration with the Financial Crimes Enforcement Network (FinCEN), the Office of Foreign Asset Control (OFAC), and the Criminal Division of the Internal Revenue Service (IRS) have implemented and maintain a sophisticated system of anti-money laundering laws and regulations under the USA PATRIOT Act, Bank Secrecy Act (BSA), and associated Treasury Regulations (collectively, AML laws). Compliance with these AML laws is assured by use of IT auditing and tracking systems at both the government and private level, which can trace the flow of funds nationally and internationally. Businesses for which there is heightened risk of money-laundering (e.g., money transmitters and currency exchangers) are required, together with the bankers to whom they deposit their funds, to employ enhanced due diligence (EDD) procedures to assure AML laws are not violated.

We request that you work with the USDOJ, FinCEN, OFAC, and IRS to provide a highly controlled banking solution within the scope of present AML laws to help our states conform to the USDOJ enforcement priorities. In turn, our state regulatory agencies are committed to

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working with you in devising a system — also within the framework of existing AML laws — which will permit state marijuana licensees to bank revenues and use normal banking relationships to pay taxes and transfer funds to creditors (e.g. landlords, utilities providers, and others in the supply chain), just like any other small business. We believe an EDD program, which could include special BSA reporting procedures, can meet the letter and spirit of the AML laws and be maintained in cooperation with the state regulatory agencies of Colorado and Washington.

We understand a special EDD program for state marijuana licensees may require inter-agency guidance from you as federal banking regulators. Accordingly, we ask you to formally adopt inter-agency guidance recognizing that our respective states are diligently acting in good faith in overseeing state regulatory systems that satisfy the USDOJ enforcement priorities, and providing that banks and credit unions may provide normal banking relationships to state marijuana licensees and those persons with whom they do business.

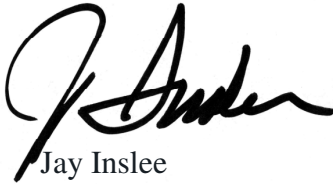
Presently, there are a host of banks and credit unions in Colorado and Washington that we understand are willing to provide normal banking relationships to state marijuana licensees, and who would submit to all special EDD requirements of applicable federal banking regulators under their compliance programs for AML laws.

We look forward to your consideration of this proposal, and we welcome communication from you at your earliest convenience.

Sincerely,



John W. Hickenlooper  
Governor of Colorado



Jay Inslee  
Governor of Washington