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Treasurer Frerichs Warns Illinois' Cannabis Industry Could Collapse Unless Banking Rules Updated

**Leads Efforts at State, Federal Levels
To Protect Banks and Credit Unions Serving Cannabis Industry**

*\$136.5 Million in Legal Medical Cannabis Sales in 2018
as Lawmakers Consider Legalizing Recreational Use for Adults*

CHICAGO – Illinois' emerging cannabis industry could collapse if updates are not made to federal and state banking rules that threaten financial institutions with closure if they do business with the cannabis industry, Illinois State Treasurer Michael Frerichs said today.

Addressing the outdated banking prohibitions is critical because laws written decades ago to squeeze illegal drug cartels do not reflect today's reality that 33 states and the District of Columbia now legalize cannabis in some form.

The conflict between Illinois law on legal cannabis use and banking regulations has pushed Illinois' medical cannabis pilot program primarily into a cash-based business because most banks and credit unions refuse financial services to the cannabis industry. In 2018, there was an estimated \$136.5 million in legal cannabis sales in Illinois. That much cash in any industry is ripe for theft, fraud and tax evasion. The needless risks only will grow if Illinois lawmakers authorize recreational use for adults.

“We have a banking crisis in Illinois and across our country because rules built decades ago have not kept up with changes in acceptable behavior and law,” Frerichs said. “What we have today is a system that says it is ok for some people to use cannabis but it is not ok for those in the cannabis industry to use banks and credit unions to write checks, access loans, and deposit money. That defies common sense and needs to change.”

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In Illinois, legislation championed by Frerichs would prohibit the Illinois Department of Financial and Professional Regulation (IDFPR) from any action that would penalize or dissuade banks and credit unions from serving cannabis-related businesses. Meanwhile, at the federal level, Frerichs leads a bipartisan group from the National Association of State Treasurers seeking the same protections.

“I believe that access to banking services for legalized cannabis businesses will minimize illegal activities, increase safety and security for workers, and will bring tax compliance to legal cannabis industries in our state and to states around the country,” said **Duane Davidson, the Republican treasurer for the state of Washington.**

Sponsoring the legislation in the Illinois General Assembly are Rep. Jehan Gordon-Booth and Senator Toi Hutchinson. The bill numbers are HB 2980 and SB 2023.

“We have identified a problem, we have identified a solution, and we now must work together to bring clarity and safety to the cannabis-banking conundrum,” Gordon-Booth said.

“Giving banks and credit unions the confidence to work in this space will make Illinois safer, allow cannabis-related businesses to pay their taxes and fees, and allow them to thrive just like any other legal commercial venture,” Hutchinson said.

Frerichs is the state’s chief banking officer. Money paid to the state for licenses, taxes and fees is invested through the treasurer’s office. That is why Frerichs advocates action at the state and federal level to rectify this conflict.

About the Illinois Treasurer

As Illinois State Treasurer, Frerichs is the state’s Chief Banking Officer and actively manages approximately \$30 billion. The portfolio includes \$13 billion in state funds, \$11 billion in college savings plans and \$6 billion on behalf of local and state governments. The investment approach is cautious to ensure the preservation of capital and returns \$42 to the state for every \$1 spent in operations. Frerichs’ office protects consumers by safeguarding more than \$2 billion in unclaimed property, encouraging savings plans for college or trade school, increasing financial education among all ages, assisting people with disabilities save without losing government benefits, and removing barriers to a secure retirement. The Treasurer’s Office predates Illinois incorporation in 1818. Voters in 1848 chose to make it an elected office.

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