

Tuesday, September 2, 2015

## Making Marijuana Cash Free



It's a busy afternoon at Longview's Freedom Market as customers stream in to pick up their evening weed. Within 15 minutes, more than 10 customers peruse an array of pot varieties such as "Animal Cookie" and "Sour Diesel." Every one of them hands over cash.

Pot is predominantly a cash-only business because federal regulations make it difficult for banks to handle money from marijuana, which remains illegal under federal law. That leaves customers unable to use debit or credit cards. And it burdens businesses with high security costs, such as using armored vehicles and security guards.

But customers at Freedom Market now have another option, thanks to a new service called PayQwick that offers a cash-free alternative for marijuana businesses and customers.

The Kenmore-based company uses a PayPal-like system that allows customers to connect their bank accounts with PayQwick to pay for products with a card or (coming soon) a smartphone app. Businesses also can send money to other businesses using the system for a small fee.

PayQwick founder and CEO Ken Berke is a Los Angeles-based attorney who said he got the idea when he saw how the fledgling marijuana industry was struggling to access all the necessary services needed to make a business work.

“I looked at the marijuana industry and what was happening, these guys need normal business practices, they need H.R. services, they need legal services, and they weren’t getting any. They certainly need a bank,” said Berke, saying he chose Washington because marijuana retailing here is tightly regulated.

Berke said he struggled to find a bank to process PayQwick’s business transactions.

“We had to go up there basically in suit and ties and establish our own credibility: that, no, we’re not potheads, we’re not stoners, we’re a business that really sees an opportunity here,” he said.

PayQwick recently completed testing its service at six locations throughout the state — including the Freedom Market in Longview.

Freedom Market owner Kathy Nelson says besides the convenience and rewards program, PayQwick also offers an added measure of privacy for customers. Instead of the marijuana shop’s name appearing on a bank statement, PayQwick’s name does.

“Privacy is an important in this industry, and this services gives (customers) that benefit,” Nelson said Monday. “It’s a win-win.”

More businesses that work with marijuana companies are starting to turn to PayQwick, too, because they don’t want to deal with the “awkward and dangerous” complications of cash-only transactions, Berke said.

So far, there about 20 to 30 Washington businesses (out of hundreds) using PayQwick, with 700 individual customers registered.

Under federal law, it’s technically illegal for any institution that relies on the Federal Reserve System money transfer system to accept money from marijuana sales.

Last year though, the U.S. Treasury Department issued rules to give banks some protection in servicing legal marijuana businesses. And the U.S. Justice Department encouraged attorneys to avoid prosecuting banks that follow a strict set of eight guidelines, such as not selling to minors.

But some financial institutions say the regulations are too onerous to make doing business with marijuana shops tenable.

“The resources required to service these accounts under full compliance of our regulators and the law is too costly and not a good use of our cooperative membership’s dollars,” said Amy Davis, vice president of marketing at Red Canoe Credit Union.

Larry Hoff, CEO of Longview-based Federal Fibre Credit Union, agreed.

“It is just too much a risk, and then it’s still against the law,” Hoff said Monday. “There’s no win for financial institutions at this point, but I think the tide is turning again.”

Hoff said he would support legislation that could provide a safe harbor for banks working with legal marijuana retailers. There is a bill in Congress that would protect banks from prosecution, sponsored by Democrat Congressmen Denny Heck of Washington and Earl Perlmutter of Colorado.

Other banks have moral opposition or are wary of how federal guidelines will change under a new administration, said Neil Zick, CEO and President of Longview-based Twin City Bank. Zick questioned whether those federal guidelines would change, now that marijuana is legal in some form in 23 states.

Twin City Bank now offers services to 20 marijuana-related businesses in Cowlitz County, including Freedom Market. However, the bank is not yet offering loans to those companies.

Zick said the bank charges a flat fee to cover the extra costs associated with serving marijuana businesses and heightened monitoring, such as site visits and tracking daily transactions.

“It is technically illegal (under federal law), but I think the situation is worse if they don’t get to bank because of the cash that flows through those businesses,” he said.

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