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Colorado Credit Union CEO Writes the Book on Marijuana Banking

Sundie Seefried tells would-be pot bankers to document everything and mind the law

A Colorado banking executive wrote a book to help others navigate marijuana banking. Above, an employee trims away unneeded leaves from pot plants. *PHOTO: ASSOCIATED PRESS*

By Gabriel T. Rubin

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A Colorado credit-union executive who set up a pioneering program to offer banking services for marijuana businesses has written a guidebook to help other financial institutions avoid the potholes she faced.

Sundie Seefried, chief executive officer of Partner Colorado Credit Union and its marijuana-focused subsidiary, launched a pilot program in June 2014 to serve Colorado's budding recreational marijuana businesses. Six months after marijuana was legalized in the state, cash was pouring into these businesses but the companies had little or no access to financial services.

The subsidiary, Safe Harbor Private Banking, now has about 70 customers, she says.

Most financial institutions, including debit- and credit-card firms, are loath to establish banking relationships with businesses that sell a Schedule 1 drug, which is how federal authorities classify marijuana along with heroin, LSD and ecstasy. As a result, many legal marijuana businesses operate on a cash-only basis, an environment ripe for robberies and money laundering.

“My CPA made me read ‘Orange Is the New Black’ before she would meet with me,” Ms. Seefried jokes in her self-published book, “Navigating Safe Harbor: Cannabis Banking in a Time of Uncertainty.” “Orange Is the New Black” is a best-selling book and popular television series about a woman who was convicted of money laundering and drug smuggling.

Ms. Seefried’s mantra: Document everything and mind the law.

Before launching Safe Harbor, Ms. Seefried says, she and her board recognized that they could run afoul of federal anti-money-laundering and racketeering laws, potentially leading to criminal prosecution if they didn’t follow the strict federal guidelines for working with marijuana businesses. Even small lapses in compliance—undocumented cash transactions, for example—could result in the loss of the institution’s charter or criminal charges for the bankers involved.

The guidebook lays out a step-by-step process for financial institutions looking to set up a marijuana-banking program. Ms. Seefried says it requires a hands-on approach from the firm’s management and board and a deep knowledge of customers’ businesses, from extensive interviews with potential clients to visiting their facilities. The financial institution, she says, must be able to understand how a cultivation center might hide unregistered crops or a how a retail operation might conduct illegal transactions on the side.

“Sometimes our familiarity with the product created amusing situations, such as the time I returned to the office reeking of cannabis,” she writes.

She also urges financial firms that are considering a marijuana-banking program to meet with their regulators regularly.

“Regulators are NOT the enemy; they are protecting the consumer, and their vigilance is more than merited," she writes.

Colorado legalized recreational marijuana use in January 2014, and sales for both recreational and medical use have jumped to more than $1 billion annually, according to Colorado sales-tax data.

Federal agencies have made allowances for businesses and financial institutions in states where marijuana is legal. In 2013, the Justice Department said it wouldn't challenge state laws unless they interfered with law-enforcement priorities, such as illegal-drug trafficking, and the Treasury Department's Financial Crimes Enforcement Network in 2014 implicitly let financial institutions serve legal marijuana companies—if they file regular "suspicious activity reports" detailing the transactions.

No matter where they bank, marijuana businesses could run afoul of laws that prevent "structuring," or deliberately keeping deposits under $10,000, the threshold that triggers federal reporting requirements.

Ms. Seefried estimates that marijuana programs at Safe Harbor and other small financial institutions now handle around $600 million of the state's $1 billion marijuana industry.

Among Safe Harbor's customers is Terence Fitch, CEO of Super Farm LLC, Colorado's largest wholesale provider of marijuana flower. Mr. Fitch says Super Farm continuously tracks its product, from seed to sale, and figures he spends 40% of his time on compliance compared with 5% when he ran Coca-Cola Enterprises' Western U.S. business.

"People who don't understand compliance will not survive in this business," Mr. Fitch says.

Without banking services, even businesses that understand compliance face major challenges.

Tripp Keber, CEO of Dixie Brands, which makes marijuana-infused products such as chocolates, used to don body armor and a carry a gun to deposit his cash in ATMs around Denver. The business still operates on a cash basis, but he now delivers his cash directly to Safe Harbor.

There has been significant progress, but the cash problem is by no means solved, says Andrew Freedman, director of marijuana-policy coordination for Gov. John

Hickenlooper, who is a Democrat. “Having any portion of the industry unbanked allows for black-market and money-laundering activities to survive,” he says.

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