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CANNABIS, CASH & CRIMINALS: HOW MRBS CAN AVOID BECOMING A CRIME STATISTIC



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Cannabis entrepreneurs in California are projected to make \$5.2 billion in 2018 – and the state will reap the benefits to the tune of nearly \$1 billion in marijuana-related taxes – but according to a recent article by Forbes, there are “almost no banks to put it in.”

With banking options severely hindered, marijuana-related businesses (MRBs) often have no choice but to store and transport hundreds of thousands of dollars in cash. The lack of banking opportunities greatly exposes businesses, employees, drivers and customers

to the vile activities of greedy criminals.

The situation has become so dire that California State Treasurer John Chiang released a report in November of 2017 that outlined the dangers of a cash-only cannabis industry.

“It is unfair and a public safety risk to require a legal industry to haul duffle bags of cash to pay taxes, employees and utility bills,” Chiang said in the report. “The reliance on cash paints a target on the back of cannabis operators and makes them and the general public vulnerable

to violence and organized crime.”

To understand the unique challenges facing MRBs and the State of California, one must first comprehend the current banking challenges, the dangers of consistently possessing vast amounts of cash and why marijuana-driven businesses desperately need the *assistance and guidance of an experienced security solutions team* to safely navigate the often confusing financial aspects of the cannabis industry.

ROADBLOCKS FACING BANKING INSTITUTIONS AND MRBS /

Despite Proposition 64 voter approval in 2016, which legalized commercial sales of recreational cannabis products on January 1, 2018, conflicts between state and federal law are forcing MRBs to take a wild west approach to finances by stashing and transporting massive sums of cash – often via unsafe vessels like duffle bags and suitcases.

Despite the passing of the proposition, federal law still lists marijuana as a Schedule 1 controlled substance similar to LSD, cocaine and heroin. Because banks are federally regulated, they are hamstrung in their efforts to provide MRBs with loans, establish credit or even accept deposits to safely store legally attained revenue.

Banking options currently available to cannabis businesses range from dicey at best to downright illegal at worst. Owners attempting to deposit business revenue into personal accounts are at a high risk of running afoul of the Bank Secrecy Act (BSA) that requires individuals to disclose cash deposits of over \$10,000. Because the BSA keeps tabs on large deposits through a Currency Transaction Report, repeated deposits of \$10,000-plus can easily place an MRB on the government's watch list as a high-risk enterprise.

Other unsatisfactory options include money laundering in which an MRB opens a business account with a local bank under a fake business name. While this could enable large sums of cash to be deposited temporarily, the individual(s) doing so would be under the constant threat of criminal penalties.

Lastly, and independent of the violations and concerns previously mentioned, federal and state restrictions are in place regarding comingling undisclosed business revenues with personal monies regardless of the industry.

50% CHANCE OF GETTING ROBBED /

According to the Bubulyan Consulting Group, a thief can steal anywhere from \$20,000 to \$50,000 in cash from cannabis dispensaries in a single heist. That number dwarfs the \$7,500 typically stolen from a bank and the \$769 taken from a convenience store by criminals.

Money isn't the only thing taken from MRBs during these invasions. Kidnapping resulting in ransom demands have occurred everywhere from Washington State all the way down to Southern California. During these hostage-like situations, information is extracted from the victims who have no choice but to disclose the home address of her or his MRB owner(s), which leads to home invasions of owners who have no option other than to store their cache of cash inside their place of residence.

The extreme dangers to employees, customers and the California legal cannabis industry will only continue to grow in accordance with industry scale.

HOW MRBS CAN STAY SAFE /

While MRBs can always attempt to navigate these rocky and dangerous financial waters alone, there are experienced teams of professionals currently providing guidance to help ensure MRBs remain compliant, steer clear of regulatory and Department of Justice actions, properly and securely transport, deposit and transfer large sums of cash, as well as assist with additional risk factors.

Operational Security Solutions (OSS) has **established compliance systems and practices** tailored to the unique needs of the cannabis industry via ongoing due diligence and risk-based monitoring to ensure a safe environment for customers and business owners alike. These initiatives include state-

of-the-art on-property vaults and digital monitoring technology to ensure that cash, products, property and employees are not exposed to unnecessary risks.

One of the major benefits for MRBs working with OSS is the company's established and trusted relationships with law enforcement officials, local community leaders, regulators and private lenders that desperately want to work with MRBs but avoid the threat of federal penalties. **OSS** are also compliance experts with a focus on client profitability while averting risks at the federal, state and individual level.

A key differentiator for **Operational Security Solutions** is their Know Your Customer (KYC) and client account monitoring services designed specifically to help MRB clients secure banking relationships and avoid asset forfeiture scenarios. One of the ways OSS does this is by being California's first and only U.S. Treasury FinCEN and state-registered MRB-specific money services business.

Additional services provided by OSS to keep MRBs safe and compliant include employee criminal background checks, facility guard services (both armed and unarmed), good neighbor watch plans and best practices for on-site surveillance and access control.

Bloomberg predicts that the cannabis industry will be worth approximately \$50 billion by 2026. With so much cash, inventory and individuals exposed to this full spectrum of risks, MRBs are well advised to take action with the backing and support of experienced and trusted industry veterans to avoid becoming yet another data point in cannabis-related crime statistics.

