

Cannabis Banking

Heather Trew | htrew@aba.com | 202-663-5151

Anthony Pardal | apardal@aba.com | 202-663-7628

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Issue Update

All but two states, Kansas and Idaho, have legalized cannabis in some form for medical purposes. Approximately half of states have approved cannabis for recreational, or adult use. This has meant that many state-licensed businesses were operating in violation of federal law, even if they were complying with the laws of their state. However, after the President's Executive Order 14370 last December, on April 22, 2026, the Justice Department rescheduled *state-licensed medical marijuana* from a Schedule I to a Schedule III substance under the Controlled Substances Act. This April order also initiated a new process to consider rescheduling marijuana more broadly (which otherwise remains a Schedule I substance). Effective April 29, state-licensed medical dispensaries and other providers have a 60 day window to register with the Drug Enforcement Administration (DEA) to seek a license, and registration allows state-licensed businesses to operate lawfully under federal law, in addition to the law of their state. This order has been challenged in court, but thus far, the safe harbor for medical operations is still in effect. Treasury intends to issue tax guidance to such businesses, to allow them to seek deductions and credits. Adult-use businesses are still operating in violation of federal law, pending the outcome of this new rulemaking process.

In addition, as of November 2026, CBD and other THC-containing products will be reclassified under federal law as marijuana, and these products, which are currently widely available for purchase, will become either Schedule I or Schedule III substances, depending on state law.

Why It Matters

Given the nearly nationwide prevalence of cannabis businesses, and the upcoming legal changes to widely-available CBD products, it is not realistic for banks to avoid cannabis-derived funds or transactions. However, many of these transactions may still potentially violate federal law. Furthermore, given this legal and regulatory uncertainty, many cannabis businesses choose to avoid the regulated banking system, and the businesses that serve them may be concerned about acknowledging the source of their income. This is a bad policy outcome, and places banks in a very difficult position. Without banking services, such businesses operate in cash or other forms of payment outside the regulated banking system, are not screened for potentially suspicious activity, and may be ripe targets for violent crime.

Recommended Action Items

Urge Congress to move quickly to enact the Secure and Fair Enforcement Regulation (SAFER) Banking Act, which passed the Senate Banking Committee with bipartisan support last Congress and enjoys support from the Administration. A previous version of the bill, the SAFE Banking Act, passed the House seven times with broad bipartisan support. The bill would:

- Allow banks to serve cannabis-related businesses;
- Specify that handling proceeds from cannabis-related businesses' legitimate transactions does not violate any provision of federal law; and
- Require federal banking regulators to provide explicit, clear, and uniform expectations regarding the treatment of all cannabis-related accounts.