

Blockchain Finance Subcommittee Meeting
January 17, 2020
Cannabis Payments via Blockchain

Blockchain Enabled Cannabis Payments

There may be an opportunity to apply blockchain technology to the cannabis industry. Even though marijuana was legalized here in California, it remains unsupported at the federal level and is associated with many illegal transactions today. As a result, federally licensed banks are prohibited from accepting marijuana money. Legal cannabis businesses are left to conduct cash-only transactions, thwarting California's goals of revenue generation, and public safety.

With existing cryptocurrency payment options, businesses may have access to non-cash payment options. **Blockchain technology can also help by maintaining a transparent, publicly accessible, immutable ledger, containing records of every transaction, with real time notification, and automated remittance.**

People interested in legally buying cannabis can conduct a transaction using a cryptocurrency on a given blockchain platform. The digital nature of the ledger permits a regulatory institution to verify the transaction's legality by reading the blockchain. The public ledger could increase business safety and regulatory compliance.

For Example -

A dispensary in the City of Emeryville recently became the first to host a cannabis transaction via a stable coin. At the point of transaction, the buyers information was recorded and made available for compliance purposes, and the sales tax automatically made to the local jurisdiction.

This example highlights cryptocurrency's ability to address the unbanked condition of a large proportion of the cannabis industry. Additional details regarding the platform used and scalable potential can be found here: <https://medium.com/universalprotocol/taking-crypto-to-new-highs-33672aa87f0d>.

Who do we need to hear from: expert testimony, resources, and examples?

For further insight about industry obstacles and other considerations, I propose we hear from leaders of the top legal cannabis dispensaries in California, advocacy groups, and tax collection agencies. A few such individuals include:

1. California Cannabis Industry Association Executive Director Lindsay Robinson
 - a. <https://www.cacannabisindustry.org/>

2. Barbary Coast Sunset General Manager Jesse Henry
 - a. <https://barbarycoastsf.com/>
3. A Green Alternative CEO Zachary T. Lazarus
 - a. <https://www.agreenalternative.org/>

To further illustrate the potential of Blockchain application in this sector, I would like to point towards the following resources:

1. "Why Marijuana Businesses Still Can't Get Bank Accounts" by Sophie Quinton
 - a. <https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2016/03/22/why-marijuana-businesses-still-cant-get-bank-accounts>
2. "Why Weed Companies Are Embracing Blockchain" by Chris Chafin
 - a. <https://www.rollingstone.com/culture/culture-features/weed-companies-blockchain-cryptocurrencies-760151/>

There is currently an example of Blockchain application working business to lead and show how business practices can be implemented:

1. "California City Official Uses Bitcoin Cash to Purchase Cannabis" Jamie Redman
 - a. <https://news.bitcoin.com/california-city-official-uses-bitcoin-cash-to-purchase-cannabis/>

State Legislation regarding CryptoBanking has already been introduced

1. "[AB 953 Cannabis CryptoBanking](#)" Assemblymember Phil Ting
 - a. <https://drive.google.com/file/d/1yVppBTyGt0rM0aLaWolH2XOqnLEIP3K0/view?usp=sharing>
 - b. <https://a19.asmdc.org/press-releases/20190305-ting-proposal-allows-cannabis-businesses-make-tax-payments-cryptocurrency>

Questions for the subcommittee/working group and public:

1. Are there alternatives to cryptocurrency for protecting businesses given the national government's position on marijuana?

Additional questions that need to be considered:

1. What are the current applications of Blockchain in the cannabis industry? If applicable, how successful have they been and/or what obstacles have such initiatives encountered?
2. Are we prepared for an additional change in Blockchain governance, and able to implement a flexible solution for cannabis dispensaries?