

Testimony of Tyler Klimas, Principal Leaf Street Strategies
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Subcommittee on Financial Institutions and Consumer Protection
Senate Banking Committee
Ensuring Fair Access to Banking: Policy Levers and Legislative Solutions

Chairman Tillis, Ranking Member Cortez Masto, and members of the committee. My name is Tyler Klimas, and I appreciate the opportunity to testify today on the issue of fair access to banking. I am the Founder of Leaf Street Strategies, a consulting and regulatory affairs firm specializing in cannabis policy. I previously served as chief regulator of Nevada's medical and adult-use cannabis industry and co-founded and served as president of the Cannabis Regulators Association, a nonprofit organization representing cannabis regulators across the U.S., Canada, and Europe.

Because this hearing is about ensuring fair access to banking, I believe no discussion of this issue is complete without addressing the challenges facing the cannabis industry and the role policy solutions like the SAFER Banking Act can play in addressing them. As Nevada's former chief regulator overseeing a billion-dollar retail market, my job was to implement compliance programs designed to prevent diversion, ensure product safety, and protect public trust and confidence through transparency across the industry. Each of those responsibilities was made more difficult by the lack of access to traditional banking services.

Today, 40 states and territories have developed regulated cannabis markets, supporting hundreds of thousands of jobs and generating billions in state tax revenue. Yet many of these state-legal businesses continue to struggle to access basic financial services. As a result, they remain cash-intensive, creating a significant public safety risk and an economic burden on small and medium-sized businesses that already operate on thin margins.

The SAFER Banking Act would provide the certainty financial institutions need to serve this growing industry, while also making communities safer and improving transparency and accountability in the marketplace.

I. Current State of the Legal Cannabis Industry and Banking Access

More than half of Americans now live in a state where adult-use cannabis is legal, and the industry is projected to generate over \$44 billion¹ in revenue in 2025. Despite this growth, banks and other financial institutions remain reluctant to serve cannabis businesses due to ongoing regulatory uncertainty. While some banks and local credit unions do service legal cannabis businesses, the universe is small. According to FinCEN Data from the fourth quarter of 2024 (the most recent year data is available), only 507 banks, 182 credit unions, and 127 non-depository institutions filed Marijuana Priority or Marijuana Limited Suspicious Activity Reports under the 2014 FinCEN Guidance on Marijuana Banking.² For comparison, there are more than 4,300 FDIC-insured banks³ and over 4,300 federally insured credit unions nationwide.⁴

Even when financial institutions do enter the space, they take on risk due to that uncertainty, risk that results in high administrative and compliance costs. These costs are then passed on to cannabis businesses in the form of high fees. And for the cannabis businesses that do find banking partners, many must look outside of their state to do so. In many cases, the full suite of banking services a normal business would expect, like lending and credit products, are unavailable to cannabis banking customers, despite the high cost of fees.

These challenges are not limited to cannabis operators alone. Businesses that support or engage with the cannabis industry, like industrial suppliers, agriculture vendors, commercial and industrial real estate firms, and even automotive dealers, fall victim to many of the same banking challenges because of their association with cannabis.

Employees of these cannabis businesses are also impacted. Workers have reported challenges in obtaining home or auto loans, and have had personal accounts closed. In Nevada, the state's leading cannabis advocacy organization is on its third bank account in five years.

¹ <https://mjbizdaily.com/us-cannabis-sales-estimates/>

² <https://www.fincen.gov/frequently-requested-foia-processed-records>

³ <https://www.fdic.gov>

⁴ <https://ncua.gov/files/publications/analysis/quarterly-data-summary-2025-Q3.pdf>

Even state governments have challenges with banking if they are one of 40 states that have a cannabis program. In Nevada, our regulation of cannabis risked disrupting the state's entire relationship with its banking partner, forcing us to spend countless hours to find creative workarounds and issue guidance to the industry on what language to avoid putting on payment notices. Instances like these are common in other states.

For example, West Virginia has encountered delays in accessing \$34 million dollars in state tax revenue because of banking issues.⁵ In Maryland, they were met with similar challenges, and had to classify all transactions related to their adult-use marijuana program as "A Sale Subject to the 9% Rate under Senate Bill 516 of 2023"⁶

II. Impact on State Regulators and Regulatory Bodies

Without greater engagement by financial institutions, we are also left with a growing lack of insight and transparency into licensed operators in state markets. This, too, directly impacts public safety. In Nevada, we drew from our world-renowned gaming regulatory model, to implement one of the nation's most comprehensive cannabis investigations divisions. We understood the importance not only of compliance, but of understanding exactly who was operating in our state industry and ultimately who was profiting from it.

While states enjoy incredible insight into supply chains through mandatory tracking systems, reconciling that information with the financials of companies that have difficulty maintaining banking relationships, or deal mainly in cash, makes that job extremely difficult. As a result, this creates opportunity for bad actors to exploit the lack of transparency and challenges in oversight, simply because we have yet to fill this policy gap.

⁵ <https://mountainstatespotlight.org/2025/10/22/34-million-cannabis-fund-unspent/>

⁶ <https://marylandmatters.org/2023/08/19/more-notes-from-maco-politicians-who-write-a-weed-by-any-other-name-ai-ay-yi-yi-moco-term-limits-and-a-new-oc-attraction/>

I understand the desire to put effort behind a more comprehensive federal regulatory framework for cannabis. That is a goal shared with most in this industry. But each day we wait on commonsense measures like the SAFER Banking Act, we're hurting businesses, creating obstacles for employees trying to earn a living, and providing cover for bad actors to persist.

Furthermore, Congress's recent change to the definition of hemp puts even greater pressure and urgency on the need for legislation like the SAFER Banking Act. There are thousands of hemp companies that will be thrown into the same turmoil next November when the change in definition goes into effect.

III. Impact on Small and Medium-Sized Businesses and Reducing the Illicit Market

When small and medium-sized businesses are forced to operate predominately in cash, public safety risks increase. Robberies and break-ins are frequent occurrences at cannabis dispensaries nationwide,⁷ and due to conflicts in federal and state law, insurance providers are typically unwilling to work with cannabis businesses to help recover losses in the event of a burglary.

In Nevada, we dealt frequently with robberies of delivery drivers, an easy target given the cash payments upon delivery.

Creating a level playing field and ensuring fair access to normalized banking services allows legal cannabis businesses to realize cost savings and efficiencies just like any other business. In cannabis, cost savings and efficiencies for operators allows them to be more competitive in pricing, a key component in addressing the illicit market. As long as illicit market operators are able to exploit the unnecessary difficulties that legal operators face, we will continue to see unsafe and untested product available to consumers, and a significant loss of tax revenue to states and the federal government.

⁷ See e.g., <https://www.heraldnews.com/story/news/crime/2024/05/09/three-charged-with-heist-of-436000-in-marijuana-shop-profits/73631599007/>

IV. Rescheduling

The Trump Administration has signaled that cannabis may be rescheduled to Schedule III⁸ under the Controlled Substances Act. While this represents a monumental recognition of the medical benefits of cannabis and an opening of pathways to more research and better public health policy, rescheduling alone does not alleviate the current banking challenges nor does it have any impact on safe harbor for financial institutions.

Congressional action is still needed, perhaps now more than ever.

Conclusion

To conclude, allowing clear and certain access to the financial system for state-legal cannabis businesses does not amount to the federal legalization of cannabis. Legislation like the SAFER Banking Act enhances and strengthens regulatory oversight and allows financial institutions to rightfully serve businesses in their communities without unnecessary fear or uncertainty.

Thank you again for the opportunity to testify today.

Tyler Klimas

Principal/Founder, Leaf Street Strategies

Former Executive Director, Nevada Cannabis Compliance Board

Former President, Cannabis Regulators Association (CANNRA)

⁸ <https://www.washingtonpost.com/business/2025/12/11/trump-marijuana-reclassification-executive-order/>