

Testimony

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Examining Cannabis Banking Challenges of Small Businesses and Workers

Committee on Banking, Housing, and Urban Affairs

United States Senate

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Chairman Brown, Ranking Member Scott and the esteemed members of the Committee, my name is Michelle Sullivan, and I am the Chief Risk & Compliance Officer for Dama Financial. I am honored to testify before this committee to share my experiences and lessons learned in cannabis banking as well as my opinion on the SAFE Banking Act, S. 1323. I have spent my career in banking, risk management and compliance, most recently with a regional bank in Kansas City, Missouri before joining Dama in 2017.

Dama is the largest and the first end-to-end provider of banking and payment solutions for legal cannabis businesses in the United States. Today, we partner with banks which allows our clients a single relationship with multiple financial solutions. This includes everything from access to banking and merchant services to cash management, payments, POS, and inventory management solutions.

Dama was founded in 2016 to provide banking access to licensed cannabis-related businesses with a compliance first approach following the provisions outlined in the “Cole Memo” of February 14, 2014 as well the FinCEN Guidance, BSA/AML requirements and all applicable federal and state laws.

Dama partners with banks that would like to provide access to banking but do not always have the resources or expertise to run a high-risk, cash extensive cannabis banking program on their own.

Dama has developed the gold standard of compliance frameworks to ensure we know our customers through enhanced onboarding, due diligence, and continued oversight. We do so in a safe and sound manner to minimize the risk of money laundering by preventing illegal operators and illicit cash from creating vulnerabilities in our financial eco-system.

To understand the true source of funds, Dama goes beyond the high-risk banking requirements of federal law by doing the following: Drilling down to 10% of ownership under the UBO rule and performing onsite inspections & risk assessments that encompass inherent and residual risk throughout the life cycle of the relationship. We reject a fair number of businesses from qualifying for our services because they are not transparent with us and/or they don't meet our diligent standards.

Because of these experiences, we believe the SAFE Banking Act should be stronger and encompass a more stringent statutory framework. We can't simply rely on existing guidance without more robust legislation from Congress. It is quite possible that banking standards will be more lax after the passage of the SAFE Banking Act than there is today.

If Congress gives financial institutions a "Safe Harbor" to provide services to Cannabis Related-Businesses (CRB), it must provide a tougher framework than existing guidance. At a minimum, a financial institution should follow enhanced rules regarding board approved risk limits and deposit ratios and reporting criteria when limits are approached or breached with required technology and staffing expertise. We must also include enhanced due diligence and ongoing monitoring requirements, especially as it pertains to cash deposits and legacy cash.

We also believe there is serious potential for confusion in the banking industry following the passage of this legislation. Will the cash truly get out of the system? Credit card companies have policies against banking illegal products which may prohibit cannabis transactions running on those rails even after the SAFE Banking Act passes. Without solving the larger decriminalization issues, we worry that the passage of the SAFE Banking Act alone could make problems worse by giving us a sense of resolution while huge conflict in federal law still exists. This will still make it difficult for some financial institutions to proceed.

Lastly, as Congress wrestles with this issue, we think it should do so with a clear understanding of the opportunities for cannabis banking today. This problem is not the urgent one that it once was. According to FINCEN, there are over 700 financial intuitions that work with legal cannabis businesses. Every company that meets the risk standards we've laid out should already be able to access a banking solution in America. In my opinion, we should pause and provide more teeth to the existing bill to protect the financial and banking industry as a whole.

We are happy that Congress is having this hearing today. We believe that Congress should study these issues very carefully before moving forward. We look forward to answering your questions and working with Senators from both parties to resolve the cannabis banking issues facing our country.