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Treasurer Announces Next Steps in Exploring Creation of a Public Bank to Serve State's Cannabis Industry

SACRAMENTO – California State Treasurer John Chiang today announced next steps in determining the potential of a public bank to service the cannabis industry in California.

The Treasurer, along with the Attorney General's Office, will conduct a methodical and disciplined evaluation structured as a two-part feasibility study. The Treasurer's Office will handle the operational portion of the study. The Attorney General's Office will handle the legal portion.

The completed study will answer questions about costs, benefits, risks, and legal and regulatory issues, including the needs for capitalization, deposit insurance, and access to interbank transfers of funds.

The Treasurer took the first step in this process by issuing a Request for Information, or RFI, to get the expert help needed to establish the scope of the feasibility study. ([Click here to read the RFI](#)).

Below is a transcript of the Treasurer's prepared comments delivered to media at Tuesday's teleconference phone call.

Good morning ...

The idea of a public bank is not a new one. Public banks have a long history – both in our country and internationally.

In the early 15th Century, the first well-known public bank was established in Genoa, Italy. Its mission was simply, "to eradicate certain bad practices of bankers, who are so devoted to their own interest that they barely blush as they ruin the public good."

Today, the interest in public banks is gaining traction for many of the same reasons that hooked the people of Genoa 600 years ago.

We see deepening public dissatisfaction and cynicism over the private banking system – a dissatisfaction that can be traced to the financial excesses of Wall Street, which triggered the worst recession since the Great Depression. Untold numbers of people lost their homes, their jobs and their retirement savings.

And ... this bad behavior by banks has continued up to the present date.

Wells Fargo's wanton greed and institutional negligence victimized 3.5 million people who saw bogus accounts opened in their names.

But Wells Fargo is not the only bad actor. There have been too many recent instances of banks manipulating markets, aiding and abetting tax evasion, excluding entire segments of the population, and predatory lending.

And the beat goes on ...

It should surprise no one that more and more Californians are seeking a better alternative. One that puts their interests first, rather than last. History suggests that people support the idea of a public bank whenever private banks fail to serve community interests.

That was the case in 1919 when the Bank of North Dakota was founded. Private banks failed to promote agriculture, commerce and industry in the rural state, so the public bank was created.

We find ourselves in a similar state today. We are contending with the emergence of a multi-billion dollar cannabis industry that needs banking services, and a private banking industry that is stymied by federal law in meeting the needs of the new industry.

As happened in North Dakota, this failure to reckon with unmet needs could well turn out to be the catalyst that vaults public banking into a reality here in the Golden State.

We all know that the lack of banking services affects government taxes and forces the cannabis industry to operate in cash. This creates hardships and poses dangers to cannabis entrepreneurs, their employees and the general public.

It was with this in mind that I created the 18-member Cannabis Banking Working Group a little more than a year ago.

The group held six public meetings throughout California between December 2016 and August 2017 and heard from nearly 50 panelists.

In each of these meetings, we also heard from the public. The response was overwhelming. A dominant topic of conversation was the idea of creating a public bank.

Today we are taking the next steps in determining the practical considerations that could lead to the creation of a public bank. Is there a solution there? Maybe. Or is it like a potato chip? It tastes good going down, but is ultimately of no nutritional value.

The next steps involve a methodical and disciplined evaluation structured as a two-part feasibility study. The Attorney General's Office has agreed to do the legal portion of the study. My office will handle the operational portion.

The completed study will answer questions about costs, benefits, risks, and legal and regulatory issues, including the needs for capitalization, deposit insurance, and access to interbank transfers of funds.

We want California to get the most bang for its buck. So today I am issuing a Request for Information, or RFI, to get the expert help we need to establish the scope of our feasibility study.

I want to thank the Attorney General's Office for agreeing to perform the legal portion of this study. We need answers to legal issues surrounding the regulation of a state bank for cannabis, such as whether establishing such a bank would provide greater protection for the institution and its customers.

The operational portion will need to answer several questions, including whether the bank should be an eBank or brick-and-mortar and how will the bank be funded?

I want to conclude by saying that California -- and other states -- will need to lead when it comes to bringing the cannabis industry out of the shadows so that it can be properly regulated to prevent sales to minors, to protect the public's health

and safety, and ensure cannabis businesses behave as legitimate, tax-paying members of our economy.

Attorney General Jeff Sessions made this crystal clear when he said earlier this month that he would scrap Obama-era cannabis guidelines that essentially remove cannabis from the list of federal drug enforcement priorities. The current administration is out of step with the will of the people ... not only those in California, but the 29 states that have legalized either or both medicinal and recreational-use cannabis.

The recent action taken by Attorney General Sessions threatens us with new national divisiveness and casts into turmoil a newly established industry that is creating jobs and tax revenues.

Until the slow, clunking machinery of the federal government catches up with the values and will of the people it purportedly serves, states like California will continue to both resist, and more importantly, to lead.

The action we are taking today is the next step in that leadership role for California.

Thank you.

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