



## Medical Cannabis and Banking – Hawaii Solution

### **What is the Hawaii solution?**

The state has identified a Colorado credit union to provide limited financial services for Hawaii medical cannabis dispensaries on a temporary basis, and for a vendor to process point of sale transactions at the dispensaries.

A retail dispensary consumer would need to sign up with CanPay, a debit payment mobile application. When making a purchase, the consumer would use the mobile application to generate a QR code to facilitate payment from the patient's checking account to the dispensary. The QR code is for one-time use and will expire after 30 minutes.

The financial institution has agreed to perform limited financial services until a Hawaii-based institution is willing to conduct business with medical cannabis dispensaries.

### **What makes this solution unique?**

This solution would establish the first cashless system for cannabis related services in the nation.

This process utilizes financial technology ("FinTech") and a financial institution to help deliver services in a manner that is fast and safe for consumers. It also addresses public safety in making the transactions cashless so that consumers and retailers do not need to handle and store cash for product. The system establishes a safer environment for medical cannabis-using patients and businesses to operate.

Hawaii could be the sandbox to test this type of payment system as a safe way for consumers to buy product, and for cannabis dispensaries to use traditional financial services to legally conduct transactions such as paying wages and vendors, including taxes.

### **What is the advantage of this banking solution?**

While determining a banking solution, the State of Hawaii Division of Financial Institutions first and foremost ("Division") focused on safety—for patients, employees, dispensaries, as well as the wider community.

The Division participated in discussions and met with officials from across the country to understand and assess the varying issues encountered with the initiation of cannabis operations. With public safety as a primary concern, the state sought a cashless solution to address the issue consistently cited with increased crime committed against cash based operations.

The patient will not have to carry cash to purchase product. The dispensary does not have to store cash on site or in self-owned vaults sited elsewhere. Dispensaries will be able to pay

employees by direct deposit and vendors through ACH transactions (automated clearinghouse).

The Division also believes that this system will make it more difficult to move cash originating from unlawful activities into the dispensaries' accounts. Purchases at retail dispensaries occur through the mobile application and other financial transactions would be recorded by the financial institution.

**Does the Colorado credit union need a license in Hawaii?**

No, the arrangement with the mainland credit union is temporary until a Hawaii based financial institution is willing to open accounts for the dispensaries. The Colorado credit union is not offering financial services to Hawaii's community in general, it is only offering limited financial services to the cannabis related businesses (dispensaries and laboratories who could not otherwise open an account in Hawaii).

**Does CanPay need a money transmitter license to operate in Hawaii?**

No. CanPay does not need a money transmitter license, as it was determined that the mobile application company does not transmit funds between the consumer and retailer. The mobile application company sends ACH instructions from a patient's checking account to the retailer's checking account (like other retail transactions using a debit card). Once the account is validated, the consumer can use the mobile application to purchase product at a dispensary. The consumer will see a QR code, which will be for one-time use to pay for product at a dispensary.

For more information about CanPay, visit: <https://www.canpaydebit.com/>

**How does the federal regulator allow the credit union to offer and operate these transactions?**

Credit unions are regulated by the National Credit Union Administration ("NCUA"). Typically credit unions are not-for-profit financial cooperatives that do not pay state or federal taxes. They are run by member-owners on a one member-one vote system. Under this structure, members agree on all of the cooperative's decisions together.

Credit unions are set up by people with a common interest, called field of membership. The NCUA has allowed a wide field of membership to allow membership crossing state lines. The regulators have examined credit unions that have opened accounts for cannabis related businesses, both recreational and medical. It appears that as long as the credit union complies with federal laws, it has been allowed to continue operating.

**Is this mobile application safe to use with my checking account?**

The QR code does not have any personal identifiable or banking information. The QR code is invalidated once it is used and will expire in 30 minutes. The QR code enables instructions to pay the dispensary from the patient's account.

Patients will maintain full control of their CanPay accounts. The simplest method for making changes to their account is to go to the CanPayDebit.com website and click "Manage Account" to update their banking information or suspend their CanPay account by clicking "un-enroll."

For patients without a checking account, an alternative ACH pre-paid stored value card may be an option shortly.

Because the payment transactions will occur electronically between the patient account and the dispensary's account, patients should be sure of have adequate funds in their account for the transaction. The Division recommends that consumers check with their financial institution about overdraft protection to avoid any overdrafts and overdraft fees.

**What is the cost for the mobile app, CanPay?**

CanPay is free for patients/customers to use. There are no fees to download or make payment using CanPay at a dispensary.

**Can I print the QR code and bring it to the dispensary?**

No. A consumer cannot print the QR code for use. The QR code must be presented to the dispensary to scan into their payment terminal.

**What happens if I don't have a smart phone?**

We recognize there will be patients that do not have a smart mobile phone. Dispensaries intend to set up an in-store tablet (device) that will allow a patient to use their email address and security PIN to login to their CanPay account to generate the single-use payment QR code. Patients would need to register for an account online at the CanPay website.

**Will bank statements show the name of the dispensaries?**

Yes. Patients will see the name of the dispensary on their checking account statements so one may review and verify transactions.

**When will this cashless system be available for use?**

The cashless system is available now. The target date for all cashless sales is October 1, 2017.

**Why can't I use my charge card at a dispensary?**

The charge card companies, such as VISA and MasterCard, previously announced that they will not permit their charge cards to be used to purchase cannabis or marijuana-related products.

**About Hawaii's Medical Cannabis Dispensary Program**

The Medical Cannabis Dispensary Program was established for the purpose of regulating a statewide dispensary system to ensure the safe and legal access to medical cannabis for qualifying patients.

Effective January 1, 2015, Hawaii's Medical Use of Cannabis Program was transferred from the Department of Public Safety to the Department of Health, pursuant to Act 177. Act 178 amends sections of Chapter 329, Hawaii Revised Statutes [HRS] Part IX, and provides for the medical use of cannabis. On July 14, 2015, Act 241 was signed into law, codified as Chapter 329D HRS.

The Hawaii Department of Health's Office of Health Care Assurance has regulatory responsibility for Hawaii's dispensary licensure program to ensure patient safety, public safety, and product safety, and to ensure licensees' compliance with state law. This includes statewide oversight of the laboratories that test the safety and quality of the cannabis and manufactured cannabis products, and onsite inspections and monitoring of licensed dispensaries that grow, manufacture, and sell medical cannabis products to qualifying patients.

More information available at <http://health.hawaii.gov/medicalcannabisdispensary/>.