



February 3, 2025

The Honorable Tim Scott
Chairman
Committee on Banking, Housing, and Urban Affairs
Washington, DC 20510

The Honorable Elizabeth Warren
Ranking Member

Dear Chairman Scott and Ranking Member Warren:

Thank you for your leadership in investigating the issue of debanking under Operation Chokepoint 2.0 and including Flowhub's testimony in the written record. As a federally legal operator that has been unjustifiably debanked on account of its customer base, we applaud this effort and the possibility of realizing banking reforms that regulated industries desperately need.

By way of background, Flowhub Holdings, Inc. (Flowhub) is a technology and software company that provides a compliance-based retail management platform designed specifically for highly regulated industries. Flowhub is built to ensure strict compliance with state regulations and integrates seamlessly with regulatory platforms including Prescription Management Platforms (PMPs) and state regulatory and enforcement bodies such as the Montana Cannabis Control Division (CCD), Ohio Division of Cannabis Control (DCC), the Florida Department of Health, Office of Medical Marijuana Use (OMMU), Mississippi State Department of Health (MSDH), Colorado Marijuana Enforcement Division (MED), the Missouri Department of Health and Senior Services (DHSS), and the Oregon Liquor and Cannabis Commission (OLCC), along with 32 other state regulatory bodies.

Since its inception in 2015, Flowhub has raised \$50 million in venture capital from investors like PayPal, Kraft Heinz (Evolv Ventures), and Headline, along with other respected firms. Flowhub is a proud American business with nearly 100 employees, many of whom bring senior-level experience from companies like Wayfair, Uber, and HubSpot.

Notwithstanding Flowhub's status as a well-funded, federally legal business, we have suffered discrimination by banks on account of servicing customers in the state-legal cannabis industry. For example, in January 2025, one of Flowhub's Senior Engineers was denied a mortgage by a credit union simply because of the source of his income. This discrimination almost cost his family the home he was purchasing. Like many other federally legal industries that support the \$32 billion dollar¹ state-legal cannabis industry (e.g., accountants, lawyers, insurance carriers, healthcare providers and many more), Flowhub and its employees and customers suffer daily discrimination by banks, including:

- Personal and business account closures;
- Mortgage denials;
- Mortgage refinancing denials;

¹ <https://businessofcannabis.com/us-cannabis-sales-to-hit-32bn-this-year-as-industry-continues-record-growth/>

- Home Equity Loan denials;
- Foreclosures;
- Usurious banking service fees and rates;
- Usurious and predatory lending terms; and
- Asset seizures.²

Flowhub itself has been debanked multiple times, and in more than one instance suffered major business disruptions, including nearly missing payroll, as we scrambled to implement temporary stopgap solutions. Now in 2025, despite other companies being able to accept credit cards, many of our customers are forced to remit payment to Flowhub by money order, because traditional financial institutions refuse to provide basic depository services, despite the fact that Flowhub is not a cannabis operator. This outdated system doesn't just hinder our operations—it also complicates doing business for our customers, many of whom face the same constraints.

These challenges highlight the systemic barriers faced by businesses in highly regulated sectors, and unfortunately, debanking incidents for companies like Flowhub, which provide ancillary services to the state-regulated cannabis industry, are commonplace. Organizations that simply exercise their First Amendment rights by advocating for drug policy changes have been debanked, irrespective of the fact that the organizations are not cannabis operators.³ Even state governments with regulated cannabis industries have faced challenges in maintaining financial services.⁴

The root of the problem is that discrepancies between U.S. state and federal cannabis laws leave this \$32 billion dollar industry without stable banking access. Like the industries that service them, state-legal cannabis businesses are routinely debanked and excluded from access to basic financial services, leaving hundreds of thousands of Americans—from executives down to part-time workers—denied home loans or mortgages, and even having family members' accounts frozen due to perceived involvement with the cannabis industry.⁵

The impacts of banking discrimination against the cannabis industry, including debanking, are not isolated to the industry but rather have proven far-reaching adverse effects on communities due to the large number of all-cash transactions necessitated by the lack of traditional banking.⁶ Senator Daines identified the public safety risk in debanking the regulated cannabis industry in his advocacy for the Secure and Fair Enforcement Regulation (SAFER) Banking Act in 2024, which, as described in detail below, would specifically provide banking and Operation Chokepoint relief to state-regulated cannabis and all regulated industries. Senator Daines aptly described SAFER Banking as “a public safety bill,” stating: “It’s not about cannabis, it’s about safety and the crime that is exploding in our communities.”⁷

² Flowhub has provided detailed accounts of banking discrimination of its employees and customers, including debanking, separately.

³ <https://www.cincinnati.com/story/news/2017/07/13/card-denied-marijuana-advocacy-groups-bank-account-terminated/471637001/>

⁴ <https://cnsmaryland.org/2023/04/05/federal-banking-rules-make-funding-maryland-cannabis-industry-tricky/>

⁵ <https://www.businessinsider.com/cannabis-executives-and-employees-cant-get-mortgages-accounts-2022-6>

⁶ <https://abc3340.com/news/local/cannabis-cash-rise-in-robberies-as-banks-wont-take-money-from-medical-marijuana-businesses-alabama-gadsden-crime>

⁷ <https://bankingjournal.aba.com/2023/03/sen-daines-defends-reg-reform-law-in-remarks-to-aba-summit/>

Fortunately, as Senator Daines advocated, SAFER Banking provides a turnkey legislative solution that ends Operation Chokepoint and provides a pathway for the regulated cannabis industry to access traditional banking and mitigate the need for cash transactions.

In summary, the SAFER Banking Act, introduced as H.R. 1996 in the 117th Congress, is a legislative proposal designed to protect financial institutions that provide services to state-legal cannabis businesses. The act aims to resolve the conflict between federal and state laws by ensuring that banks and credit unions can offer financial services to cannabis-related businesses without facing federal penalties. By providing a safe harbor for financial institutions, the SAFER Banking Act seeks to reduce the risks associated with cash-only operations in the cannabis industry, enhance public safety, and promote financial inclusion for cannabis businesses operating within the legal frameworks of their respective states. The SAFER Banking Act would amend the Bank Secrecy Act and other relevant federal statutes to provide explicit legal protections for financial institutions serving cannabis businesses, facilitating safer and more efficient financial transactions in the cannabis industry. The Bill was passed by the House of Representatives on April 19, 2021, with a bipartisan vote. However, it has faced challenges in the Senate, where it has not yet been brought to a vote. Under this Congress, the SAFER Banking Act has the opportunity to provide safe harbor to U.S. stock exchanges to list state-regulated cannabis operators. Ironically, U.S. law permits Canadian cannabis operators to list on U.S. stock exchanges, while barring American operators who are forced to list exclusively on Canadian exchanges.

Initiatives like the SAFER Banking Act would create a financial safe harbor for state-legal cannabis businesses and employees, but would also end Operation Chokepoint by requiring regulators to have actual valid reasons for account termination rather than perceived risk. Critically, the SAFER Banking Act provides relief only to state-legal cannabis operators and does not open banking to illicit industries, including trafficking of illicit cannabis, fentanyl, and other substances. Further, the SAFER Banking Act does not federally legalize cannabis; it does not change criminal penalties associated with conduct related to cannabis; and it does not require banks to service regulated cannabis businesses. The SAFER Banking Act merely *allows* financial institutions to service state-legal and licensed businesses and those interacting with state-legal industries, like Flowhub, without fear of retribution.

As Senator Daines explained, the SAFER Banking Act is about “reducing the risk of crime and providing much-needed clarity for law enforcement officers. It’s also about protecting legal business’ access to financial institutions. Whether it’s a legal cannabis business, a legal gun manufacturer, or a legal energy company, no [business] should be shut out of banks or credit unions because of ideological differences.”⁸

The economic case for ending Operation Chokepoint and providing banking relief to the cannabis industry—and ancillary companies like Flowhub—is clear. The state-legal cannabis industry operates in 39 states, employs over 440,000 workers nationwide (who remain uncounted in the U.S. Employment Situation Summary without reform), and generated over \$32 billion in revenue in 2024.⁹

⁸ <https://www.daines.senate.gov/2023/09/27/daines-safer-banking-act-is-headed-to-the-floor/>

⁹ <https://www.newsweek.com/us-marijuana-industry-all-time-high-jobs-sales-1891143>

Yet despite its rapid growth and economic contributions, the industry remains stifled by banking discrimination. As President Calvin Coolidge famously said, “The business of the American people is business.” With fair access to traditional financial services, the state-regulated cannabis industry could fully embody this principle, unlocking its true potential.

This Congress has the opportunity to fulfill President Trump’s campaign commitment by advancing banking reform and ending Operation Chokepoint for American businesses like Flowhub. President Trump has explicitly endorsed state-legal cannabis banking reform, and, in this “Promises Made, Promises Kept” and “Revolution of Common Sense” administration, Flowhub is optimistic that Congress will deliver meaningful relief to the state-legal cannabis industry, the ancillary businesses that support it, and their collective hundreds of thousands, if not millions, of American workers.

Sincerely,

A handwritten signature in black ink, appearing to be 'KS' followed by a horizontal line and a small loop.

Kyle Sherman
Founder & CEO Flowhub