

# Closed-loop Payment System Proposed for Ohio Medical Marijuana Program

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Two identical bills (“Bills”), H.B. 495 and S.B. 254, were introduced in the past week by Representative Seitz and Senator Terhar that would require medical marijuana entities (cultivator, processors, dispensaries, and testing laboratories), patients, and caregivers to use a designated financial institution for virtually all transactions. Importantly, the Bills require the Department of Commerce to ensure that entities, patients, and caregivers have access to a financial institution, a challenge in many jurisdictions in which marijuana is either medically or recreationally permitted under state law, but it also grants the authorized financial institution a de facto monopoly over banking activities in Ohio for all marijuana related transactions. Under existing law, the director of commerce is permitted, but not required, to adopt rules to establish a closed loop payment system.

If it becomes law, the Bills amend Ohio Revised Code 3796.031 by mandating the use of a cashless closed loop payment processing system to “monitor and facilitate the financial transactions of medical marijuana entities and registered patients and their caregivers and the financial transactions between medical marijuana entities and their employees, independent contractors, sellers of goods and services, and other medical marijuana entities.”<sup>[1]</sup>

As set forth in the Bills, the system shall: (1) establish the means for entities/patients/caregivers to activate accounts; (2) require entities to deposit money other than money directly generated from the sale of marijuana into an authorized financial institution and use the system card for all transactions described in the Bills; (3) require that patients/caregivers deposit money into an authorized financial institution and use the closed loop card to purchase marijuana products; (4) require all “financial transactions” between entities, patients, and caregivers and their employees, contractors, and providers of goods and services be conducted via the system.<sup>[2]</sup>

“Financial transactions” include the following: 1) purchases of marijuana products at retail dispensaries; 2) payroll; and 3) payment for goods and services acquired by marijuana entities.<sup>[3]</sup>

Under Ohio law, the medical marijuana program is scheduled to be fully operational by September 8, 2018.<sup>[4]</sup> The Bills were introduced in the past week and will be referred to their respective committees for hearings. With a limited session schedule and looming operational date, action on the Bills should be swift.

**For more information on this topic, please contact:**

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[1] H.B. 495 and S.B. 254, 132<sup>nd</sup> General Assembly, Regular Session 17-18, O.R.C. 3796.031(A)(3).

[2] Id. at (B)(1-4).

[3] Id.

[4] O.R.C. § 3796.03(A)(2).