



# **Marijuana Banking Closed-loop Payment Processing System**

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NEVADA STATE TREASURER

# Background

## Assembly Bill 466

Signed by Governor Sisolak June 5, 2019

Establishes Pilot Program in the State Treasurer's Office for a closed-loop payment processing system.

Requires State Treasurer to contract with one or more qualified vendors to establish system(s).

Codified under NRS 226.300

Pilot Program expires July 1, 2023.

# Goals

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## Safe

Cash-based businesses create inherent public safety risks by holding, transporting, and distributing large sums of cash. These risks can be mitigated by a closed-loop payment processing system which will hold and distribute cash transactions internally.

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## Transparent

A closed-loop payment processing system will track and record every transaction so that users, law enforcement, and regulatory bodies know exactly when and where money is coming and going.

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## Efficient

Cash-based businesses create operational inefficiencies by demanding additional time and resources for processes such as ensuring accuracy in bill counts, securing cash, and transporting cash. A closed-loop payment processing system will eliminate or reduce these processes.

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## Lawful

A closed-loop payment processing system will discourage bad actors and criminal enterprises from taking advantage of the current cash-based business model.

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# Program Elements

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- Program participants / users;
- Closed-loop Payment Processing System;
- Cash vaulting services; and
- Bank account / banking services.

# Program Elements - Users

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- 3-5 MRBs in North and South participating.
- Goal is to include vertically integrated businesses and those that have pre-existing relationships.
- Will not include consumers.

# Program Elements - System

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- Both vendors will provide for the creation and application of an IT system that will allow for transactions within a closed-loop (i.e., the system design and build).
- The Program will function much in the way a casino chip. A user will deposit cash into a vault that exchanges cash for digital tokens, which will be used to purchase products from other system users. At the end of the cycle, following verification, system users will request redemption of their tokens for an equivalent amount of USD.

# Program Elements –Vaulting

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- Each system user will lease a cash vault, which will be housed at each user's location.
- Vaults used by both vendors will automatically schedule armored car pickups once the vaults hit a certain capacity (standard is 80% full; however, the capacity may be increased or decreased, depending upon a user's preference).

## System

Tokens used to purchase goods and services from other users on a system.



Final token user requests token redemption through system.



System verifies redemption request and user identity.



**User deposits cash into vault / systems create tokens.**



Subcontracted vendors, ATM Merchant Services and Vault Logic pick up cash from cash deposit machines.



Subcontracted vendors transport cash to banks via armored cars.



Banks holds cash until request for redemption is received.



**Tokens redeemed for USD / transmitted back to user.**

## Cash





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