

Cannabis Banking Reform Faces Roadblock in Lame-Duck Session

Cannabis Banking Reform Stalls Amid Political Shifts in Washington

With six weeks remaining in 2024, the possibility of significant federal marijuana reform appears increasingly unlikely. Despite earlier optimism spurred by President-elect Donald Trump's seemingly supportive stance and an outgoing Democratic Senate majority, cannabis industry advocates are bracing for another year of legislative inaction.

A Missed Opportunity in the Lame-Duck Session

The current Congress, set to expire on January 3, 2025, has made little progress on marijuana banking reform, leaving stakeholders disheartened. Advocates and industry insiders had pinned hopes on the passage of the SAFER Banking Act—a measure designed to address financial challenges facing the \$32 billion U.S. cannabis industry.

Morgan Paxhia, principal of cannabis hedge fund Poseidon Asset Management, voiced the widespread frustration.

Before Election Day, there was a glimmer of hope that Senate Majority Leader Chuck Schumer could attach the SAFER Banking Act to a must-pass piece of legislation. However, the sweeping victories by Republicans in congressional races shifted the legislative priorities of Democrats, who now face a packed agenda with little room for cannabis reform.

Congress Faces Urgent Deadlines

Congress has more immediate tasks, including passing budget bills to avoid a government shutdown by December 20. Senate Democrats are also focused on confirming judicial appointments and other critical matters before ceding control to Republicans in January.

Even outspoken cannabis reform advocates, like Sen. Cory Booker of New Jersey, have conceded that marijuana banking is “not a priority right now.” According to Michelle Rutter Friberg, director of government relations at the National Cannabis Industry Association, Democrats have “a very limited number of legislative days to get their ducks in order before a new administration and unified GOP control of Congress comes in.”

Republican Leadership Signals Challenges Ahead

As Republicans prepare to take the reins, the outlook for cannabis reform dims further. U.S. Sen. John Thune of South Dakota, a known skeptic of marijuana legalization, will replace outgoing Senate Republican Leader Mitch McConnell, another reliable opponent of cannabis-related legislation.

This leadership change complicates the prospects of the SAFER Banking Act, as noted by Shanita Penny, senior vice president at Forbes Tate Partners. “I don’t see a world where something like SAFER Banking is such a priority,” Penny remarked, adding that lobbying for cannabis reform could even backfire by making advocates appear “tone-deaf” in a tense political climate.

The Status Quo Persists

The continued absence of federal banking protections places cannabis businesses in a precarious position. Limited banking options and restricted investment opportunities are likely to frustrate operators who already face significant regulatory and market pressures.

The SAFER Banking Act received its first-ever Senate markup hearing under Schumer’s leadership, but it was never brought to the floor for a vote. The House of Representatives, under Republican leadership, has also shown little interest in advancing the bill.

Mike Johnson, the new Speaker of the House, has historically opposed cannabis reform measures, including the SAFE Banking Act and a marijuana research initiative signed into law by President Joe Biden. Johnson’s preference for a “clean” budget bill further diminishes the chances of cannabis-related provisions being included in year-end legislation.

Implications for the Cannabis Industry

The inaction in Congress has real-world consequences for cannabis businesses. Many are already struggling to survive in a competitive and highly regulated market. The lack of federal reform exacerbates these challenges, as companies remain unable to access traditional banking services or secure much-needed investment capital.

Poseidon’s Paxhia expressed concern about the industry’s sustainability without federal reform. “We’ve already seen companies going bankrupt,” he said. “I don’t know how that won’t continue by the time Congress can get something done.”

Looking Ahead to 2025 and Beyond

With the clock running out on the current Congress, cannabis reform advocates are turning their attention to the incoming Trump administration and the next GOP-controlled legislature. However, uncertainty surrounds Trump’s stance on marijuana policy.

Grassroots Advocacy and Alternative Strategies

While federal action stalls, advocates are exploring alternative avenues for reform, including state-level initiatives and grassroots campaigns. Industry groups are also calling for greater unity and coordination to ensure that cannabis reform remains a visible and pressing issue.

A Pivotal Moment for the Cannabis Industry

As 2024 draws to a close, the cannabis industry faces a pivotal moment. Federal reform remains elusive, and the challenges of operating in a fragmented regulatory environment persist. However, advocates remain determined to push for change, even as the political landscape grows more complex.

The coming months will be critical in determining whether the industry can weather another year of inaction or if new strategies will emerge to overcome the barriers to federal reform.

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