

Business of pot revolution needs regulation

By Steve Janjic

By all accounts, America's emerging cannabis industry is shaping up to be the country's biggest business experiment of the 21st century.

But the mushrooming niche sector could quickly become an unnavigable morass of conflicting state and federal laws, with banks reluctant to touch the industry's abundance of money and a patchwork of state and local laws governing everything from transporting to selling the marijuana derivative.

While many entrepreneurs are eager to put business plans into action if and when legalization occurs in their state, the nature of marijuana legalization on the local, state and federal levels creates problems for buyers, sellers and users.

We will soon hit the tipping point, when state after state legalizes some form of cannabis sale and use.

What's the best way to ensure a legal, fair and accountable business model for the young industry? The solution is a Wall Street-like forum that allows commerce in a fully-disclosed and transparent marketplace, he says.

Here are the benefits of such a system on the industry:

- Ensure regulatory and tax-agency accountability and reporting: One of the benefits touted by cannabis legalization proponents is increased tax revenue, but will an understaffed IRS be able to track the money flow? A digital commodities exchange system would monitor, track and audit orders, activities and transactions of all market participants in a simple, online user-interface or automated reporting format.

Growers and retailers could calculate, apply, debit and credit taxes and related fees in real-time at the point of transaction.

- Helps cultivators, distributors and retailers stay connected to market trends, ensuring a fair and open market and business success: A Wall Street-like model would provide cultivators and vendors a central electronic platform to sell/buy their inventories anonymously, so that only product, quantity and best-available pricing are shown, creating a transparent, neutral and non-manipulated free market. Under such conditions, supply and demand are the only factors affecting price discovery.

- Forces the industry to self-regulate: The more states that allow for cannabis usage, whether for medical or recreational purposes, the bigger the industry will get. The longer the industry endures without a unifying and orderly structure like a commodities exchange, the more exposure to scrutiny it's likely to receive. An automated system would avert unnecessary criticism by allowing all parties to monitor, track, account and audit every aspect of every transaction for every participant within the intra-state network.

- Ensures fair and orderly transactions, efficient dissemination of pricing, market trends and more: A Wall Street-like model should display the full depth of market with live, executable prices and associated quantities per a given product or strain. A real-time interface would provide market access to participants using prevailing best sell/buy prices. Goals of such a model should include a diverse base of clients within the market, true price competition, tailored solutions to suit the needs of all participants and 24/7 access over the Internet.

Steve Janjic is CEO of Amercanex, founded to provide a transparent, neutral and non-manipulated marketplace for institutional cannabis-industry participants, including

growers and retailers.