

REGULATED GREEN INVESTIGATES  
THE CANNABIS PAYMENT UNDERGROUND • A TWO-PART SERIES

# THE \$7 BILLION SKIM

*How Cashless ATM Operators Are Stealing Billions in Interchange Fees, Paying Dispensaries Under-the-Table “Rebates,” and Charging Consumers Fees They Never Consented To*

BY THE REGULATED GREEN INVESTIGATIVE TEAM

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**EDITOR’S NOTE:** This is Part 1 of a two-part investigative series. Requests for comment have been sent to Visa, Mastercard, the ATMIA, and multiple dispensary operators and ISOs cited herein. Responses will be published in Part 2. Contact: [tips@regulatedgreen.com](mailto:tips@regulatedgreen.com)

## THE MACHINE THAT LOOKS LIKE A CARD READER

Walk into almost any cannabis dispensary in America and you will see it: a sleek payment terminal sitting on the checkout counter, indistinguishable from the card reader at your local coffee shop. Swipe your debit card. Punch in your PIN. Collect your product. Simple, seamless, normal.

Except nothing about that transaction is normal.

That terminal is not processing a retail purchase. It is not sending a merchant transaction through the Visa or Mastercard network where those companies would collect their standard interchange fee. Instead, the transaction is being coded as **Merchant Category Code 6011**—the code reserved exclusively for legitimate ATM cash withdrawals. It is being routed through a sponsor bank, and it appears on the customer’s bank statement not as a purchase at a dispensary, but as a cash withdrawal from a generic ATM—sometimes at an address that has nothing to do with the dispensary at all.

Bloomberg reported that a purchase of pear-flavored THC chews at Theory Wellness in Great Barrington, Massachusetts showed up on a customer’s bank statement as an ATM withdrawal at the McDonald’s next door.

This is the cashless ATM—and it has quietly become one of the largest financial frauds in American retail history.

## \$7 BILLION AND COUNTING: THE SCALE OF THE SCHEME

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The numbers are staggering. According to Bloomberg’s reporting, cashless ATMs have processed **more than \$7 billion in payments** despite public warnings from the card networks. Before the December 2022 crackdown by NCR’s Columbus Data Services, industry analysts estimated that cashless ATM transactions accounted for approximately **25% of all U.S. cannabis sales**.

That’s billions in transactions on which Visa and Mastercard collected **zero interchange revenue**. By miscoding a retail purchase as an ATM cash withdrawal, the cashless ATM operators siphon the interchange revenue that would normally flow to the card networks and issuing banks—and redirect it into their own pockets.

— *“What keeps me up at night is that when, not if, one or more eager assistant U.S. attorneys decides to go after this, the ripple effects will be devastating.”*

— Nathaniel Gurien, CEO of Fincann, as quoted by Marijuana Moment

## HOW THE GIG WORKS: ISOS, PHANTOM ATMS, AND PORTED TERMINALS

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The mechanics of the scheme rely on **Independent Sales Organizations (ISOs)**—middlemen that sell or lease ATM equipment and connect merchants to the payment network through sponsor banks.

**Step 1 — The Pitch.** An ISO approaches a dispensary claiming they are installing ATM terminals. The dispensary signs an agreement for ATM placement.

**Step 2 — The Port.** No traditional ATMs arrive. The ISO configures the dispensary’s existing POS terminals to route transactions through the ATM network using MCC 6011.

**Step 3 — The Disguise.** When a customer swipes, the terminal rounds the transaction up, mimicking ATM denominations. The dispensary gives change. The bank statement shows an “ATM withdrawal.” Not every cashless ATM hides the dispensary’s address—some show the real address but still miscode the transaction type. The deception is not always about *where* the terminal is. It is about *what the terminal says it is doing*.

**Step 4 — The Skim.** Because the transaction is coded as an ATM withdrawal, no interchange fee flows to Visa or Mastercard. The ATM operator captures surcharge fees, float, and the spread.

**Step 5 — The Kickback.** Operators receive what the industry calls “kickbacks” or, in sanitized contract language, “rebates.” Sources estimate the industry-average kickback at approximately **\$1.80 per transaction**—more than \$259,000 per year per location at 400 transactions daily.

— *“Everyone in the industry knows about the kickbacks. The contracts call them ‘rebates’ to keep it clean, but it’s just how it works.”*

— Anonymous dispensary operator, speaking with Regulated Green

## ROBBING THE CUSTOMER AT THE COUNTER

The interchange skim steals from Visa and Mastercard. The kickbacks enrich dispensaries and ISOs. But there is a third victim who gets hit the hardest: **the consumer.**

### FIELD TEST — THE \$12.50 PRE-ROLL THAT COST \$18.50

At one dispensary, a single pre-roll priced at \$12.50 was rounded up to a \$20.00 “ATM withdrawal.” We received \$7.50 in cash change. The \$3.50 surcharge was disclosed on-screen. But two additional charges appeared on our bank statement days later: a \$3.00 out-of-network lookup fee and a \$3.00 balance inquiry fee. Total debited: \$26.00. Net cost: \$18.50. Effective fee rate: 48%. \$6.00 in charges we never authorized.

WHAT HIT THE STATEMENT	RETAIL	RG TEST	DISCLOSED?
Product Price	\$12.50	\$12.50	Yes
ATM Withdrawal (rounded up)	N/A	\$20.00	At terminal
■ Surcharge (inside)	\$0	\$3.50	On screen
■ Cash change returned	N/A	-\$7.50	At counter
Out-of-Network Fee *	\$0	+\$3.00	NO
Balance Inquiry Fee *	\$0	+\$3.00	NO
<b>TOTAL DEBITED</b>	<b>\$12.50</b>	<b>\$26.00</b>	—
<b>NET COST TO CONSUMER</b>	<b>\$12.50</b>	<b>\$18.50</b>	—
<b>NON-CONSENTED FEES</b>	<b>\$0</b>	<b>\$6.00</b>	—
<b>EFFECTIVE FEE RATE</b>	<b>1.5–3%</b>	<b>48%</b>	—

\* **NOT DISCLOSED. NO CONSENT GIVEN.** These fees appeared on our bank statement days later. We never authorized either charge.

**NOTE:** If the \$3.50 surcharge was a separate debit, total rises to \$29.50, net cost to \$22.00, effective rate to 76%. Confirming with our bank.

*“Our bank account was debited \$26.00 for a \$12.50 pre-roll. Six dollars in hidden fees appeared on our statement that we never consented to. This isn’t a payment solution. It’s a shakedown.”*

— Regulated Green field test notes

## THE LEGAL FRAMEWORK THEY’RE BREAKING

The Electronic Fund Transfer Act (EFTA) of 1978, implemented through **Regulation E (12 CFR Part 1005)**, requires ATM operators to disclose the specific amount of any fee **before the consumer is irrevocably committed** to completing the transaction. Under Regulation E §1005.7(b)(5), financial institutions must disclose **all fees** for electronic fund transfers.

Cashless ATMs systematically fail this requirement. In our field test, **\$6.00 in fees appeared on our bank statement that were never disclosed and to which we never consented.** Under the EFTA, an ATM operator may not charge a fee if the required disclosures are not provided.

## THE SAR GAP: WHERE IS THE REPORTING?

Legitimate cannabis banking requires a bank to file **Marijuana Limited SARs** with FinCEN within 30 days of onboarding and continuing SARs every 90 days. As of 2024, approximately 816 banks and 182 credit unions were actively filing, with nearly 350,000 total filings.

The bank issues a **bank transparency letter**—a formal acknowledgment that it understands it is processing MRB transactions, with established policy, protocol, and seed-to-sale reporting. This is not a side deal with a VP. This is an institutional commitment subject to regulatory examination.

Cannabis is, ironically, **one of the most buttoned-up industries in the world** when it comes to financial compliance. The cashless ATM obliterates all of this. No MRB letter. No due diligence. No SARs. The sponsor bank has no idea it is processing cannabis transactions.

### THE FORGERY QUESTION

Industry sources tell Regulated Green that some ISOs present sponsor banks with transparency letters that misrepresent the nature of the ATM deployments. If knowingly false, these may constitute forgery or fraud under bank fraud statutes (18 U.S.C. § 1344).

## THE TAX GHOST: KICKBACKS AS UNTAXED REVENUE

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Under Section 280E, cannabis operators face effective tax rates of **70% or higher**. Kickback payments—or “rebates”—are characterized as ATM placement revenue, potentially sheltering income from 280E. Several operators described this as an *“uncounted revenue stream.”*

## THE SDNY PRECEDENT: EAZE AND THE FIRST DOMINO

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In March 2020, the SDNY unsealed an indictment against **Hamid “Ray” Akhavan** and **Ruben Weigand** for conspiracy to commit bank fraud at Eaze Technologies—disguising \$150 million in cannabis purchases through phony merchants. Akhavan received **30 months** and forfeited \$17.1 million. Weigand received **15 months**.

Manhattan U.S. Attorney Audrey Strauss: “This massive fraud undermined the fundamental integrity of the U.S. financial system.”

## VISA STRIKES BACK: SECRET SHOPPERS AND \$950,000 FINES

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Visa deployed a **secret shopper program**, identifying 100+ Trulieve locations using cashless ATMs. Visa fined Pueblo Bank & Trust **\$950,000**. Switch Commerce sued Trulieve in February 2025 for fraud, racketeering, and conspiracy. The case revealed **149 prior terminal terminations**.

## WHISPERS OF INDICTMENTS: WHAT’S COMING NEXT

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The SDNY template is clear: **disguising cannabis transactions to deceive banks constitutes bank fraud under 18 U.S.C. § 1349**, carrying up to 30 years. The cashless ATM model adds interchange theft, consumer fee exploitation, and BSA reporting evasion.

— *“My advice to cashless ATM users is to coordinate with legacy banking institutions and regulators, and embrace best practices to avoid litigation, administrative action or fraud.”*

— Yuri Vanetik, legal advisor, Golden Ark, quoted in American Banker

## COMING IN PART 2: FOLLOWING THE MONEY — AND THE LAW

- Specific ISO and ATM operator networks across top cannabis markets
- Sponsor banks identified in civil litigation
- Forensic interchange economics: exact Visa/Mastercard losses
- Consumer class action potential under EFTA/Regulation E
- Responses from Visa, Mastercard, and industry stakeholders
- IRS position on “rebate” income under 280E
- Federal statutes: bank fraud, wire fraud, money laundering, BSA
- DOJ Bank Integrity Unit, FBI Financial Crimes, FinCEN enforcement
- What indictments mean for the cannabis banking landscape

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**LEGAL NOTICE:** This article is published for informational and journalistic purposes. The characterization of certain practices as fraud or illegal activity reflects positions taken by federal prosecutors, card networks, and regulatory bodies as cited herein, and does not constitute legal advice. Entities and individuals described are presumed innocent unless proven guilty. Regulated Green has made good-faith efforts to contact all parties for comment.