

REGULATED GREEN INVESTIGATES • PART 1 OF 2

# 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** • February 12, 2026 • 20 min read

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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. If you are an industry participant with knowledge of the practices described, contact our investigative team at [tips@regulatedgreen.com](mailto:tips@regulatedgreen.com).

## SECTION 01

### 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—typically between 1% and 3% of the transaction amount. 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. Neither the customer, the dispensary, nor the McDonald's knew it was happening.

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

## SECTION 02

# \$7 Billion and Counting: The Scale of the Scheme

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. Cannabis dispensaries processed over \$30 billion in total transactions in 2024. Before the December 2022 crackdown by NCR's Columbus Data Services, cashless ATM transactions accounted for approximately **25% of all U.S. cannabis sales**—roughly \$6.25 billion to \$7.5 billion annually.

That's \$6.25 billion in transactions on which Visa and Mastercard collected **zero interchange revenue**.

ATM withdrawals operate on completely different economics than retail purchases. By miscoding a **retail purchase** as an **ATM cash withdrawal**, the cashless ATM operators are siphoning the interchange revenue that would normally flow to the card networks and issuing banks—and redirecting it into their own pockets.

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*“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

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### SECTION 03

## How the Gig Works: ISOs, Phantom ATMs, and Ported Terminals

The mechanics rely on **Independent Sales Organizations (ISOs)**—middlemen that connect merchants to the payment network through sponsor banks.

**Step 1 — The Pitch.** An ISO approaches a dispensary, claiming to install five 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.** The terminal rounds the transaction up. The dispensary gives change. The bank statement shows a “cash withdrawal.” The miscoding from retail purchase to MCC 6011 is the fraud—whether the address is masked or not.

**Step 4 — The Skim.** Because the transaction is coded as an ATM withdrawal, **no interchange fee flows to Visa or Mastercard.**

**Step 5 — The Kickback.** Sources estimate the **industry-average kickback at approximately \$1.80 per transaction.** At 400 daily transactions, that’s \$259,000 per year—per location.

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*“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

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#### SECTION 04

## 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**

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

**The Round-Up.** A \$20 round-up on a \$12.50 purchase means **60% of the charge has nothing to do with the product.**

**The ATM Surcharge.** Typically \$2.50 to \$3.50 per transaction—**28% of product price** on our test.

**The Out-of-Network Fee.** \$1.00 to \$3.00. **Never disclosed. Never consented to.**

**The Balance Inquiry Fee.** \$1.00 to \$3.00. **Never disclosed. Never consented to.**

| WHAT HIT THE BANK STATEMENT        | NORMAL RETAIL  | RG FIELD TEST  | DISCLOSED?  |
|------------------------------------|----------------|----------------|-------------|
| Product Price                      | \$12.50        | \$12.50        | Yes         |
| ATM Withdrawal (rounded up)        | N/A            | <b>\$20.00</b> | At terminal |
| Surcharge (inside withdrawal)      | \$0.00         | <b>\$3.50</b>  | On screen   |
| Cash change returned               | N/A            | -\$7.50        | At counter  |
| <b>Out-of-Network Lookup Fee *</b> | \$0.00         | <b>+\$3.00</b> | <b>NO</b>   |
| <b>Balance Inquiry Fee *</b>       | \$0.00         | <b>+\$3.00</b> | <b>NO</b>   |
| <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> | —           |

| WHAT HIT THE BANK STATEMENT | NORMAL RETAIL | RG FIELD TEST | DISCLOSED? |
|-----------------------------|---------------|---------------|------------|
| Non-Consented Fees          | \$0.00        | \$6.00        | —          |
| Effective Fee Rate          | 1.5–3%        | 48%           | —          |

\* NOT DISCLOSED AT POINT OF SALE. NO CONSENT GIVEN.

NOTE: If the \$3.50 surcharge was a separate debit on top of the \$20.00 withdrawal, the effective fee rate rises to 76%.

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

— Regulated Green field test notes

SECTION 05

# The Legal Framework They’re Breaking: Regulation E and EFTA

Under EFTA Section 904(d)(3) and Regulation E §1005.16, an ATM operator must disclose fees **before the consumer is irrevocably committed**. Under Regulation E §1005.7(b)(5), **all fees** must be disclosed. In our field test, \$6.00 in fees were never disclosed. Under the EFTA, an operator **may not charge a fee if disclosures are not provided**.

SECTION 06

# The SAR Gap: Where Is the Reporting?

Cannabis is one of the most compliance-heavy industries in America. Every gram tracked. Every dollar reported. Every banking relationship

documented with SAR filings.

**The cashless ATM obliterates all of this.** The sponsor bank does not know it is processing cannabis transactions. There are no Marijuana Limited SARs. The transactions appear as routine ATM withdrawals.

#### THE FORGERY QUESTION

Sources tell Regulated Green some ISOs present sponsor banks with bank transparency letters misrepresenting the nature of ATM deployments. If knowingly false, these may constitute fraud under 18 U.S.C. § 1344.

#### SECTION 07

## The Tax Ghost: Kickbacks as Untaxed Revenue

Under Section 280E, cannabis operators face effective tax rates of **70% or higher**. Multiple sources said kickbacks are structured as “ATM placement revenue” to avoid 280E—an *“uncounted revenue stream.”*

#### SECTION 08

## No Other Industry Acts Like This

No other industry routes retail purchases through ATM codes. No other industry maintains a parallel kickback economy funded by diverted interchange. And no other industry hits consumers with **non-consented fees that appear days after purchase**.

#### SECTION 09

## The SDNY Precedent: Eaze and the First Domino

The SDNY prosecution of Eaze Technologies established the template: **disguising cannabis transactions to deceive banks constitutes bank fraud under 18 U.S.C. § 1349**. Hamid Akhavan received **30 months** and forfeited \$17.1 million. Ruben Weigand received **15 months**. Former CEO James Patterson pleaded guilty.

## SECTION 10

# Visa Strikes Back: Secret Shoppers and \$950,000 Fines

Visa's **secret shopper program** identified over 100 Trulieve locations using cashless ATMs. Visa fined Pueblo Bank & Trust **\$950,000**. Switch Commerce sued Trulieve in February 2025, alleging fraud and racketeering. **149 terminals had already been terminated** before the audit began.

## SECTION 11

# Whispers of Indictments: What's Coming Next

Multiple sources pointed to the **DOJ Bank Integrity Unit** and investigations into forged bank transparency letters. Civil discovery from Switch v. Trulieve is creating a paper trail.

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*“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, quoted in American Banker

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

- The specific ISO and ATM operator networks—and what they told us when we asked.
- Sponsor banks identified in civil litigation.
- Forensic breakdown of interchange economics.
- Consumer class action potential under EFTA and Regulation E.
- Responses from Visa, Mastercard, and industry stakeholders.
- Tax implications of “rebate” income under 280E.
- Federal statutes: bank fraud, wire fraud, money laundering, BSA violations.
- DOJ Bank Integrity Unit, FBI Financial Crimes, FinCEN enforcement.
- What indictments could mean for cannabis banking.

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## SOURCES AND CITATIONS

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**Switch Commerce v. Trulieve** — Maricopa County, AZ, Feb. 19, 2025.

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

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