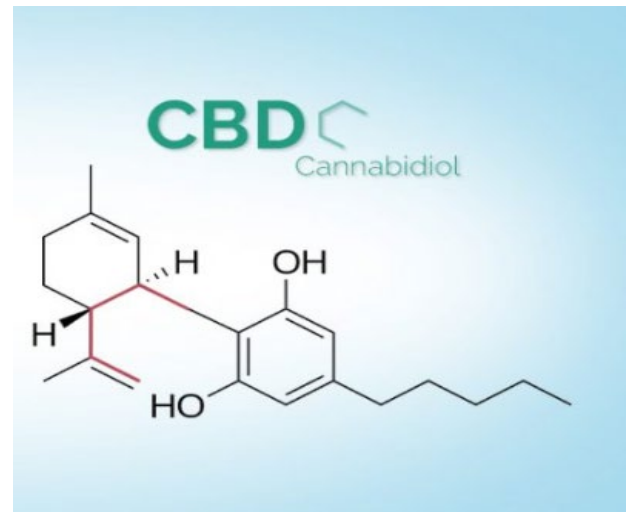
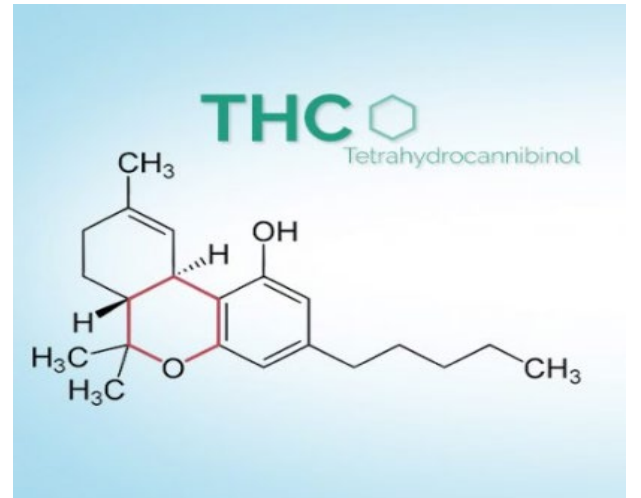
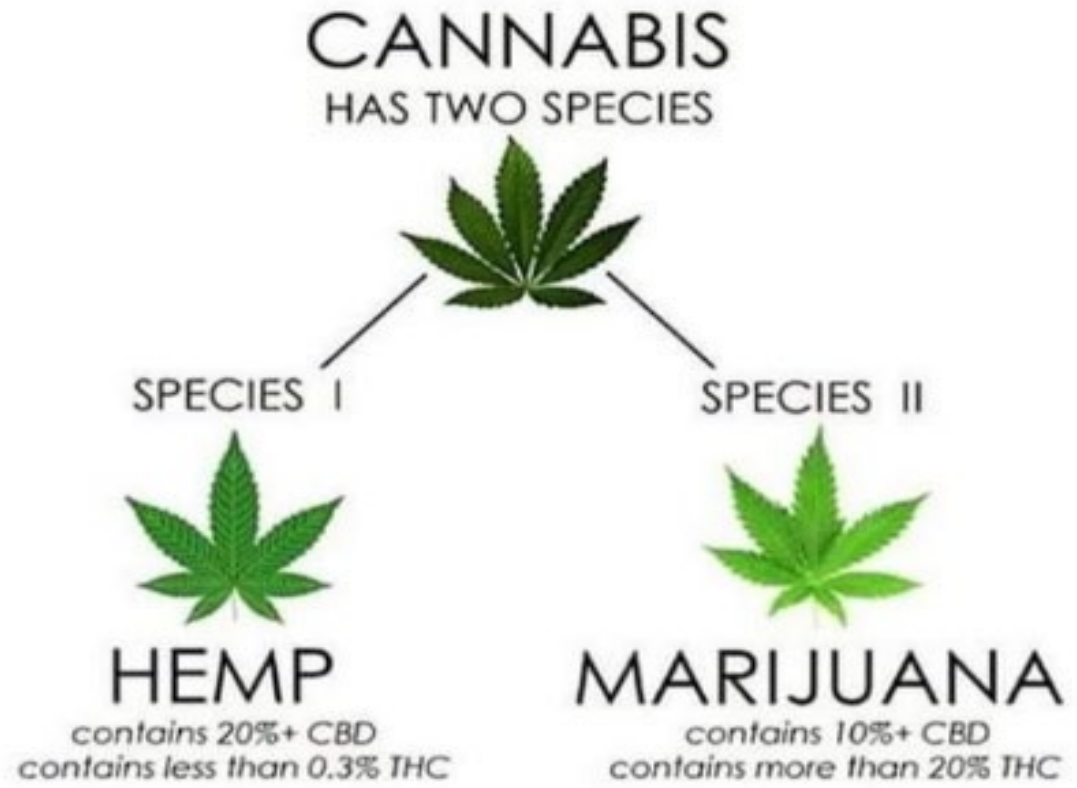


# CANNABIS BANKING

Association of Credit Union Internal Auditors

# A Science Lesson

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A Science Lesson

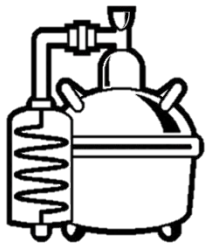
# CBD Oil Risks

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## CROSS CONTAMINATION

THC Residue



## DISTILATION PROCESS

“Clean”? CBD



## CROSS POLINATION

“Rooster in the Hen House”

# Regulatory Outlook

## 2018 FARM BILL EFFECT

Under the 2018 Farm Bill, hemp has been removed from the Controlled Substances Act (CSA) and is now considered an agricultural product.



HEMP-DERIVED  
CBD IS LEGAL



HEMP FARMERS  
CAN APPLY FOR  
CROP INSURANCE



BANKS WILL BE  
WILLING TO WORK WITH  
HEMP COMPANIES



HEMP INDUSTRY  
GROWTH

**\$1.3**  
BILLION  
BY 2022

HEMP-DERIVED  
CBD PRODUCT SALES

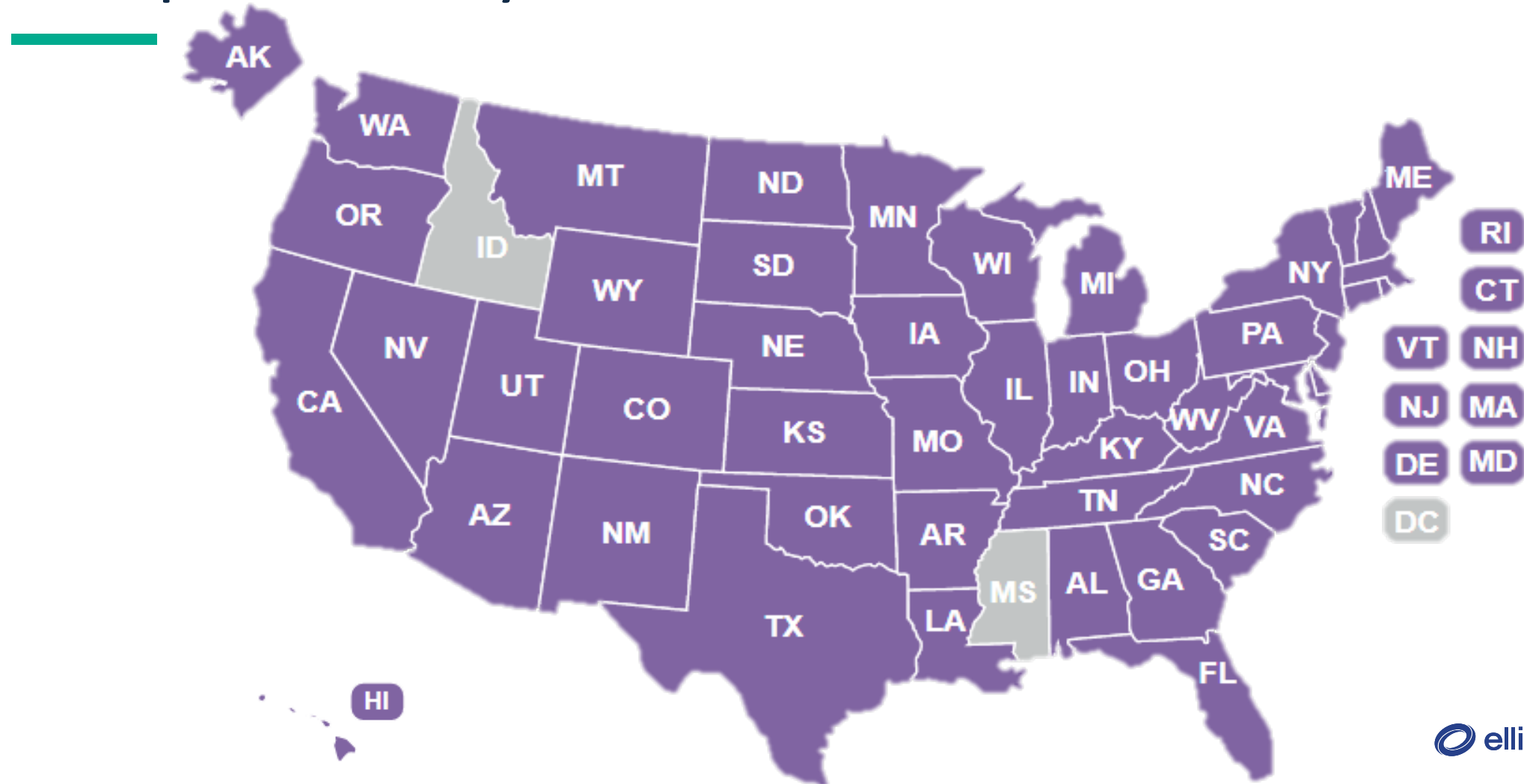




Allows for the cultivation of hemp.

Regulatory Outlook

# Hemp Stance by State







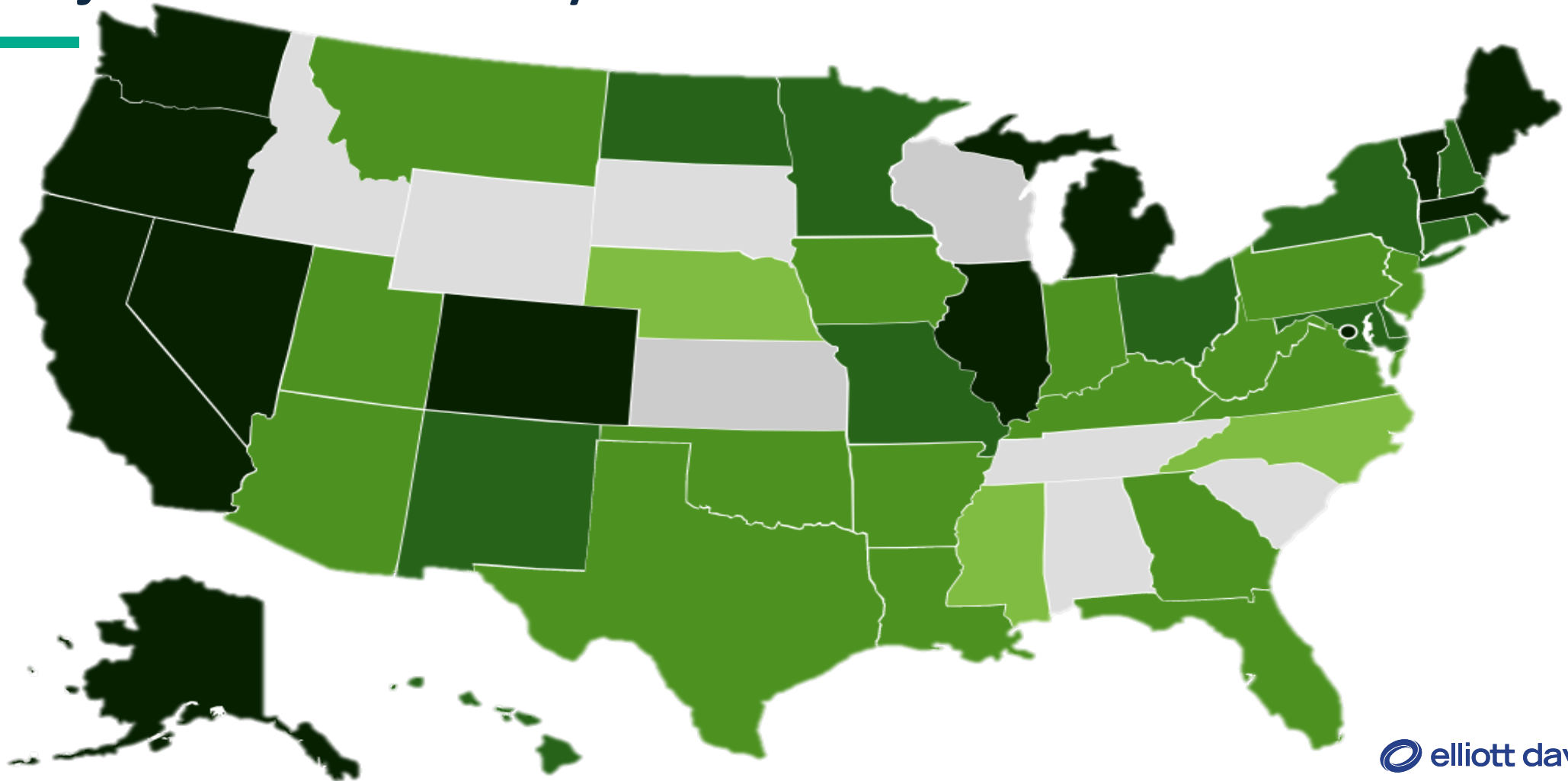
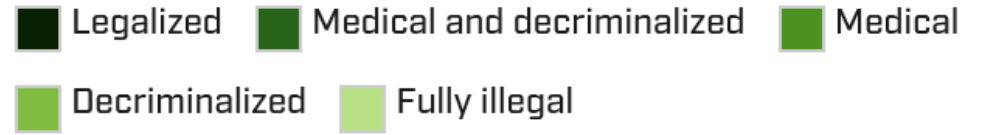
Regulatory Outlook

# What About CBD?

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# Marijuana Stance by State



# 2020 Legalization Outlook

## Signature Drive

Arkansas  
North Dakota

## 2020 Ballot

Arizona  
New Hampshire  
New Jersey  
South Dakota

# Virginia

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- Decriminalization
  - Up to one ounce; effective July 1, 2020
- Medical Use
  - CBD and THC-A rich medical cannabis
  - Approval for 25 dispensaries



# FinCEN's 2014 Guidance

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**“How Financial Institutions can provide services to marijuana-related businesses”**

- Assess your risk
- Customer Due Diligence
  - State licensure and registration
  - Information about the business and related parties
  - Expected activity
  - Products sold and customer base
  - Suspicious activity monitoring reflecting the red flags

**“ ... should enhance the availability of financial services for, and the financial transparency of, marijuana-related businesses.”**

# FinCEN's 2014 Guidance

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## Suspicious Activity Reports (SAR) Requirements

- Required for all marijuana-related businesses
  - Within 30 days of onboarding or detection
  - Ongoing SARs required every 90 day period (30 days to file)
- Reliance on Cole Memo priorities
  - Limited vs Priority

- **Marijuana Limited**

- Does not implicate one of the Cole Memo priorities or violate state law
- Use of “MARIJUANA LIMITED” in SAR narrative

- **Marijuana Priority**

- Implicates one of the Cole Memo priorities or violates state law
- Use of “MARIJUANA PRIORITY” in SAR narrative

- **Marijuana Termination**

- For use when terminating a relationship
- Use of “MARIJUANA TERMINATION” in SAR narrative



Regulatory Outlook

# SAFE Banking Act

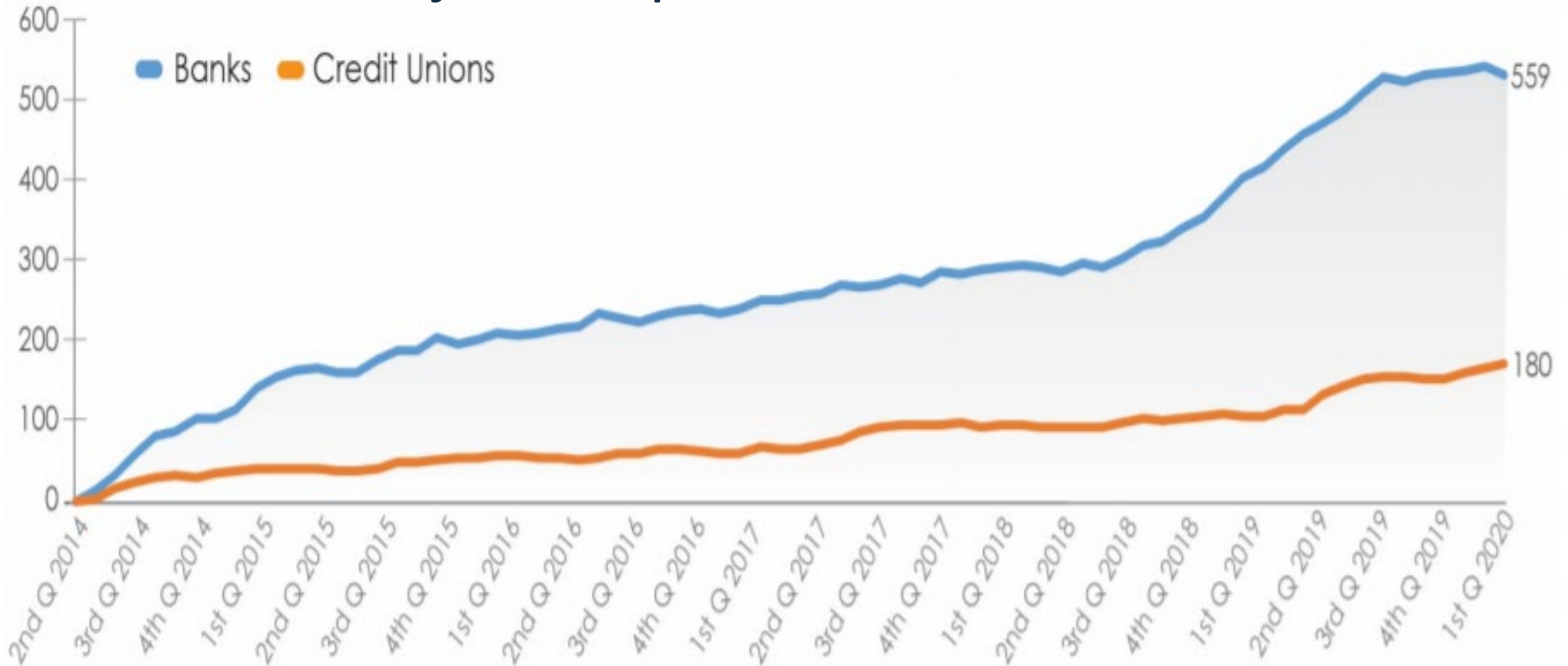
## Highlights:

- Safe Harbor from:
  - Prosecution
  - Loss of Insurance
  - Examiner Intimidation
- Development of “uniform guidance and examination procedures”

Introduced → Passed House → Passed Senate → To President → Became Law

CARES ACT 2.0

# FinCEN's Marijuana Updates: Institutions



# FinCEN's Marijuana Updates: SAR Breakdown

**122,013**

Total SARs Filed

**70%**

Non-Priority

85,193 "Marijuana Limited" SARs

8,795 "Marijuana Priority" SARs

28,025 "Marijuana Termination" SARs

# Regulatory Enforcement



# Southwest Capital Bank

(\$326 Million in Assets)  
Albuquerque, New Mexico

November 2018

“Marijuana  
- Related  
Businesses”



- Compliance Plan
- Quarterly Progress Reports
- Board Ownership

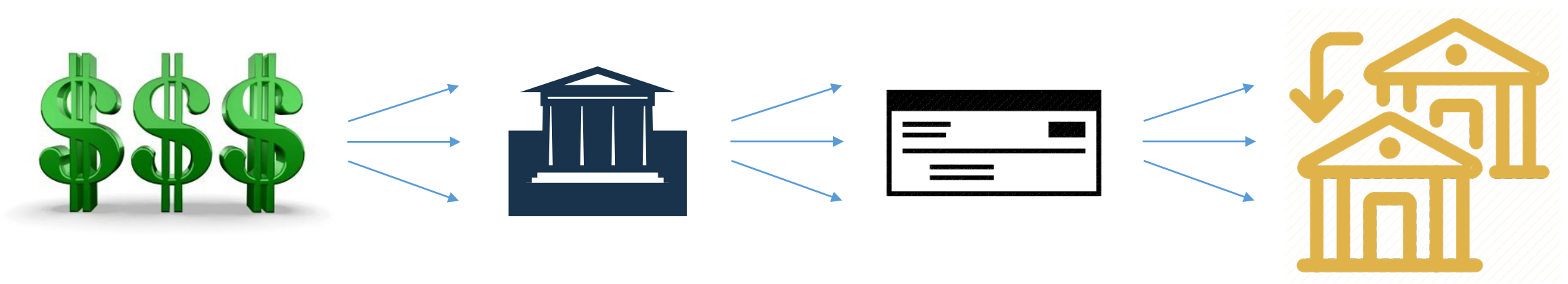
## Call For a Do-Over:

- BSA Officer and Staffing
- Internal Controls and Suspicious Activity Monitoring
- Customer Due Diligence
- Independent Testing
- Strategic Planning

Regulatory Enforcement

# Money Laundering 101: Drug Cash for Bank Checks

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Newark, NJ

November 2019



Regulatory Enforcement

# Hemp Facade

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**Kern County, California Sherriff: “Hemp fields determined to be cannabis”**

- 11 Fields | 459 Acres of Land
- Approximately 10 million marijuana plants seized
- Estimated \$1 billion in value
- Initial testing determined THC levels are well above the legal limit



**Arvin, CA**

**October 2019**

# Program Expectations

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# Cannabis Program

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- Policy and Procedures
  - CU's stance is adequately documented
  - Controls are documented
- Program Risk Assessment
- Tailored Training
- Customer Due Diligence
- Internal Monitoring
- SARs

## Cannabis-Related Businesses

- Dispensaries
- Farms
- Labs
- CBD Oil Retailors
- Businesses receiving payment from a marijuana-related business

# No Risk, No Problem?

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- Policy and Procedures
  - CU's stance is adequately documented
  - Controls are documented
- Address in Risk Assessment
- Tailored Training
- Customer Due Diligence
- Internal Monitoring
- SARs – “Terminated Marijuana”

## Cannabis-Related Businesses

- Dispensaries
- Farms
- Labs
- CBD Oil Retailors
- Businesses receiving payment from a marijuana-related business

# STAY IN TOUCH

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# Thank you!

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