

Cannabis Banking Legal Update

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Cannabis Banking Legal Update

Why Bank Cannabis

Membership Growth

Asset Growth

Fee Income

Community Safety

Growing Industry

Annual U.S. Sales

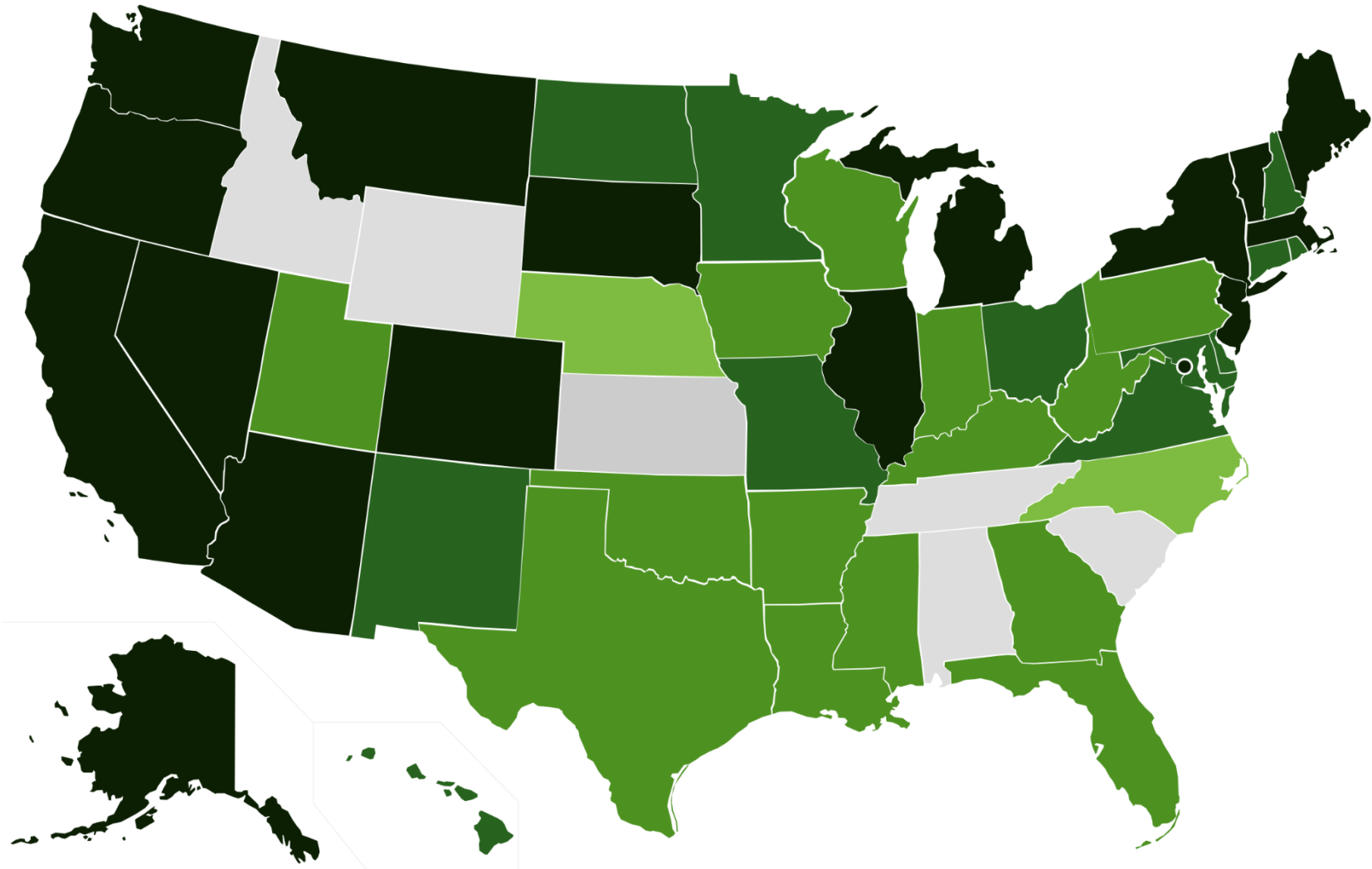
\$17.5 Billion in 2020

\$40 Billion in 2024

\$80 Billion in 2028

Current Legalization Status

Legalized Medical and Decriminalized Medical Decriminalized Fully illegal



New Administration

Merrick Garland, Attorney General

Non-violent cannabis crimes not a priority
Defer to DEA on listing cannabis

Maintain Status Quo

Safe Banking Act

Ed Perlmutter introduce in the House

Jeff Merkley introduce in Senate

Sherod Brown Chair of Senate Banking
Committee

– Likely to Pass this administration

MORE Act

Jerry Nadler to Introduced in House

Chuck Schumer, Ron Wyden and Cory Booker
to introduce legalization bill in Senate

- Less likely to pass

Safe Banking Act

Federal Regulators May Not:

Solely Because

Law Enforcement May Not:

Solely Because

Collateral not subject to Forfeiture:

Safe Banking Act and/or Legalization

FinCEN will determine BSA requirements
for cannabis banking programs

Lower due-diligence standard?

Marijuana SARs

Hemp legalization

Trends

Lending

Mortgage loans for W-2 Employee (2/2020)

Member Business/Commercial Lending

NCUA Consent Order

NCUA: Stipulation and Consent to Cease and Desist Order

Implement automated compliance software

Not required for all Financial Institutions

Third-Party Validation of software

File SARs and CTRs

Cease opening new MRB accounts

Additional requirements related to MSBs

Passage of SAFE Banking Act would have no impact

Community First Credit Union



- Located in Northern California, approximately 50 miles north of San Francisco.
- Corporate offices in Santa Rosa, CA.
- Community-charter credit union with locations in Sonoma, Marin, Napa, Lake and Mendocino Counties. Mendocino County is part of the infamous Emerald Triangle.
- \$695m in assets with 60k members.
- Some MRB Program statistics:
 - Average account balances in the MRB program increased just over 70% from 2020 to 2021.
 - Account balances in the MRB program comprise almost 1% of the credit union's total deposit balances.
 - MRB employees have opened personal deposit accounts and obtained personal lines of credit, auto loans and real estate loans.

Why “bank” cannabis?



- We were already banking it. With two branches located in Mendocino County, which is a part of the Emerald Triangle, we had members who were banking cash for years from their cannabis-related activities.

Some background information:

- What is the Emerald Triangle?

The Infamous Emerald Triangle.



- The Emerald Triangle is the tri-county cannabis cultivation region in Northern California comprised of Humboldt, Trinity and Mendocino Counties.
- It became a destination place in 1967 during the “Summer of Love” in San Francisco.
- The region produces more cannabis than any other place in the United States.
- It wasn’t referred to as the Emerald Triangle until the late 80’s.

Interesting facts about the Triangle.



- **Croptober** is the local nickname for the month of October when the season's harvest is in full force.
- **Trimmigrants** arrive in Croptober from outside the region to assist with the harvest and prepare the cannabis for shipment.
- **Cannabis cultivators** have bred many unique cannabis strains in the Emerald Triangle, such as Desert Diesel by Humboldt Seeds and Black Water by the Cali Connection.
- **Weed trees** are a phenomenon in the fertile Emerald Triangle where some marijuana plants soar to heights of more than 15 feet.

Information resource: Weedmaps

Other reasons to bank cannabis.



- How do you want to spend your time?
- Compliance as a Profit Center.
- Deposit growth, loan growth and membership growth.
- Supporting an industry in change.

If you're thinking of banking cannabis..



- Read and understand the Cole Memo Priorities and FinCEN guidance and the associated risks of banking cannabis.
- Do research. Find out about your local cannabis market. Is it primarily retail, distribution, manufacturing, or cultivation?
- Understand “why” you want to bank cannabis.
- Hire a consultant & attorney that specializes in cannabis banking.
- Risk assessments, policies, procedures and vendors.
- Get the right people on the bus.
- Don't rush the process.



Q&A



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