

BANKING BUD

February 2024



THE CANNABIS LANDSCAPE OF 2024

There are many new and exciting things to anticipate regarding cannabis as we look forward to this new year. This landscape is ever changing and keeps us on our toes! Read more about what we can expect this year on page 2.

New year , new legislation

OHIO LEGALIZES CANNABIS

Ohio becomes 24th state to legalize cannabis both for medical and recreational use Page 3

SAFER BANKING ACT

How to become compliant in an ever-changing landscape Page 6

UPCOMING EVENTS

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What to look for in 2024

Every new year in the U.S. brings with it new ideas, challenges, and legislation as we work on continually updating the country to be more in line with the will of the people. Since the legalization of adult-use cannabis in Washington and Colorado in 2012, the cannabis market has readily expanded year after year. There are now 37 states with a legalized medical program, and 24 states with a legalized recreational program- the newest state to enact this measure being Ohio, whose program is set to roll out later in 2024 (check out our article on page 5 for more on this).

While Ohio was the only state with a new recreational law on the books at the start of this year, there are potential ballot measures we will be keeping an eye on come November: Idaho is considering a ballot measure to introduce a medical program to their state for the first time, Florida aims to expand from medical marijuana into the recreational market, and Nebraska is considering a measure to introduce both medical AND recreational!

While some of these measures may have to hurdle several obstacles before they even reach the ballot, one thing remains clear: the cannabis market continues to expand across the US.

With more and more people climbing on board the cannabis train, this also helps the push for things like workers' rights- as Oregon will be voting on requiring cannabis and liquor businesses to agree to the labor peace agreement prior to renewing their license- and funding for cannabis research. The FDA recently made a statement wherein they believe marijuana meets the classification for a lower schedule of drug.

24 States now allow adult, recreational use of marijuana

February Course Calendar	
ACBA RiskScout Research	Feb 2, 2024 2:00 pm ET
Cannabis Technology Trends: Enhancing Banking Operations and Customer Experience	Feb 13, 2024 1:00 pm ET
Cannabis Bankers' Quarterly: A Webinar Hosted by the ACBA and Shield Compliance	Feb 13, 2024 3:00 pm ET
BSA Compliance in Cannabis Banking: Fundamentals and Updates	Feb 19, 2024 1:00 pm ET
Ethical Considerations in Banking Cannabis	Feb 21, 2024 1:00 pm ET
Know Your Customer, Secure Your Future	Feb 23, 2024 1:00 pm ET
From Cash Crop to Cash Flow: Streamlining Financial Operations for Cannabis Businesses	Feb 27, 2024 1:00 pm ET

The increased number of states expanding from medical to both medical and recreational continues to put compliance pressure on financial institutions in **all** states. Interstate movement of money in the form of cannabis revenue and employee pay, as well as possibly banking third party suppliers to CRBs, exposes banks and credit unions in other states to the risk of violating FinCen guidelines due to regulatory misunderstanding and lack of education.

In alliance with RiskScout, the ACBA released its latest research capturing insights into how bankers and credit union professionals feel about the cannabis industry, banking cannabis, and compliance demands. This study, while not scientific, reflects many of the concerns, opportunities, risks and challenges they see today and in the years ahead.

You can watch the full recap of this study in [this free webinar](#), but here are several key findings:

- **There has been a marked increase in banker support for Recreational Cannabis:**

In the 2021 study, 44% of respondents indicated they only supported Medical cannabis versus 31% only supporting recreational (25% uncertain). This year, those figures rose sharply with only 10% saying they only supported Medical or Recreational, but 58% reporting they support BOTH medical and recreational. That shows the melding of the lines between the two categories.

- **Institutions generally feel their monthly CRB account fees are comparable to competition:**

Much has been reported on the high fees that Cannabis Related Businesses must confront, but 63% of bankers generally feel they are comparable to the industry, while 21% say they're 'somewhat' or 'much' lower and 16% say 'higher'.

- **Smaller institutions express greater optimism for growing CRB businesses in 2023:**

When asked about expectations for growing the institution's cannabis businesses this year, 45% of banks and credit unions with less than \$5B in assets responded it's "Extremely Likely" whereas 49% of those with more than \$5B said "Neutral or No Change".

This reflects the continued strength and commitment that many community banks and state-chartered institutions have for serving the industry currently.

- **Concerns about the future still focused on regulations:**

Respondents are clearly anticipating regulatory relief from DC in the form of SAFE/SAFER Banking (more on that found on page 6), or ideally full legalization. 29% of those who do not bank cannabis, as well as 30% of those who do identify regulations as the number one concern. Other worries for those not banking CRBs include compliance and regulatory risks, while those who do bank cannabis have concerns from logistics and fraud, to competition and growth opportunities.

- **More institutional support for ‘Seed-to-Sale’:**

As the industry has matured, so has the interest bankers have in supporting more elements of the production cycle. Respondents who do bank cannabis on any level now indicate that 50% bank seed-to-sale, a 22% increase from 2021 report where the majority of institutions only banked dispensaries.

- **Importance of Cannabis Related Business insurance not reinforced:**

More CRBs are either voluntarily seeking business insurance or are required to provide proof for financial institutions, but there is more work required. 57% of respondents said they don’t know if they do or don’t, while another 14% said they do NOT require insurance. Only 27% actually require proof.

- **How long institutions have banked cannabis remains largely unchanged:**

Since the earlier 2021 Study, the length of time that institutions have banked cannabis remained almost the same, with 14% banking it longer than 5 years versus 12% in 2021. That similarity is consistent with under one year (20.4% this year versus 19% two years ago). This would appear to reflect a steady flow of new players but some longer-term institutions may be scaling back or dropping out altogether.

For additional information on this study, contact Michael Beird, Mike@TheACBA.org, or Kristin Parker, Kristin@RiskScout.com

In November 2023, the Ohio public voted to approve the use of medical marijuana in their state, making it the 24th state (including DC) to do so. However, the process to get a recreational program up and running is not a simple or straightforward one. While the voters made their voices heard, the government has the ability to amend the legislation as they see fit. According to the Ohio Department of Commerce, the Department of Cannabis Control has up to nine months to solidify the rules and licensing process for any non-medical dispensaries. Therefore, the state likely won't see recreational dispensaries pop up until later in the year.

While the state has not yet started selling marijuana to adults without a medical exemption, the law does allow for some leeway. People may not be able to buy weed through regulated channels, but possession of marijuana up to 2.5oz is now legal throughout the state, and adults are allowed to grow up to 6 plants each in their own home.

Another key point in this new law is the 10% tax to be taken from sales. This aim of this tax is to help things like the local government, education, and job training. And finally, it is important to note that Ohio is taking steps towards social justice and the unjust prior criminalization of marijuana possession in minority communities. However, with some of the oldest decriminalization laws in the nation- dating back to 1975- there is clearly still a lot of work to be done to rectify the punishment of minor offenses, particularly for communities of color.

With more and more recreational dispensaries popping up around the country, learning how to bank cannabis-related businesses is a MUST.

Check out our webinars and certifications on safely banking CRBs at www.theacba.org.

For cannabis bankers, the Secure and Fair Enforcement (SAFER) Banking Act represents a potential turning point. This critical legislation, currently awaiting its fate in the US Senate, carries the promise of alleviating the significant financial roadblocks impeding the legal cannabis industry. Yet, this uncertainty demands a nuanced understanding of the Act's current state and its potential ramifications.

Despite ongoing legalization at the state level, cannabis remains classified as a Schedule I drug under federal law. This incongruity creates a Catch-22 for financial institutions: serving the federally prohibited industry carries risk.

Consequently, banks remain hesitant, forcing cannabis businesses to operate largely in cash, presenting security and logistical challenges.

The SAFER Banking Act aims to offer safe harbor to financial institutions serving state-licensed cannabis businesses. By removing the threat of federal penalties, it could expand the service landscape.

With the safe harbor in place, doors open to various financial services beyond just basic banking:

- **Loans and Lines of Credit:**

Access to capital would become easier, fueling business growth and expansion.

- **Merchant Payment Processing:**

Businesses could accept electronic payments more easily, streamlining transactions and reducing fraud risk.

- **Payroll Services:**

Streamlined payroll processing would improve efficiency and ensure employee rights.

- **Investment Opportunities:**

The industry could attract wider investment through traditional financial channels.

- **Enhance Security and Transparency:**

Potentially replacing cash with digital transactions would improve security, provide valuable data for tax collection, and enhance regulatory oversight.

- **Fuel Economic Growth:**

Increased access to capital could stimulate business expansion, job creation, and tax revenue generation. Despite the ambiguity, cannabis bankers can adopt a proactive stance:

- **Stay Informed:**

Actively engage with legislative updates. Advocate for the Act by communicating its benefits to your elected officials, emphasizing its positive impact on businesses, employees, and the community.

• **Prepare for Potential Change:**

While awaiting the Senate's decision, implement robust compliance procedures, cultivate partnerships with reputable cannabis businesses, and educate your staff on evolving regulations.

It's crucial to remember that the SAFER Banking Act is just one step in a broader journey towards comprehensive cannabis reform at the federal level. Long-term solutions necessitate continued advocacy for responsible and equitable reform at the policy level, in collaboration with industry groups and stakeholders.

The cannabis banking landscape remains dynamic, demanding astute analysis and strategic adaptation. By embracing a proactive and well-informed approach, cannabis bankers can navigate the current state of uncertainty and pave the way for a secure and prosperous future within the burgeoning industry. By working together, we can cultivate a financially secure and responsible future for the cannabis industry, one informed decision at a time.



FI Memberships

Annual Membership for banks and credit unions that already bank cannabis or are looking for answers. Membership provides access to ALL employees!

Membership includes:

- Webinars and Certifications
- Industry Advisory Council (Fis ONLY)
- Ask the Expert
- "High 5" Briefings
- And MUCH more!

\$5,000 for 12 full months



Corporate Memberships

Annual Membership for cannabis-related businesses such as consulting firms, fintech, vendors, associations and other related firms. Membership provides access to ALL employees!

Membership includes:

- Webinars
- Certifications
- Ask the Expert
- "High 5" Briefings
- And MUCH more!

\$7,500 for 12 full months



Individual Memberships

Annual Membership for individual professionals from banks, CUs, consulting firms, and vendors seeking their own self-paced educational programs into Cannabis Banking.

Membership includes:

- Webinars
- Certifications
- Ask the Expert
- "High 5" Briefings
- And MUCH more!

\$995 for 12 full months

Cannabis is often viewed as a “high risk, high reward” industry. However, by getting involved, learning about the regulatory challenges, and bolstering your FI’s compliance program, that risk level diminishes and you can feel confident when banking CRBs.

Upcoming Events



Q1 Cannabis Bankers' Quarterly

Tuesday, February 13

1-2 pm EST

Join us for our FREE event hosted by the ACBA and Shield Compliance as we explore the changes to the cannabis landscape and what the future holds for this industry.

Know Your Customer, Secure Your Future

Friday, February 23

1-2 pm EST

Whether your state has legalized cannabis or not, it is critical to be diligent in your KYC protocols. Contrary to popular belief, the cannabis industry reaches beyond state lines. And because of this, due diligence is your best friend for ensuring compliance.



Introduction to Cannabis Banking

Tuesday, March 26

1-2 pm EST

Banking cannabis businesses creates challenges that can be daunting due to the lack of federal oversight. In this webinar, we break down some of the obstacles and explain what you can do to lessen the risks and, conversely, learn about opportunities that are presented when taking on these clients.

Need more content? We offer memberships that give you and your organization access to all of our webinars!

We also offer certifications to ensure you are kept up to date in this ever-changing industry.