



BANKING OPPORTUNITY CHECKLIST: MARIJUANA-RELATED BUSINESSES

The burgeoning U.S. cannabis industry is reshaping the investment landscapes, and lenders should be prepared to recognize opportunities for growth. Medical marijuana has been approved in more than 30 states and about a third of those states have also legalized recreational use.

Marijuana-related businesses (MRBs) are gaining a foothold in these markets and looking for funding and traditional banking services. Financial institutions should anticipate how their services, compliance obligations and strategies could be adapted to adequately service the industry.

This checklist identifies key issues that shape a financial institution's investment and compliance strategy for delivering services to MRBs.

Investment Landscape*

486 lending institutions are providing MRB services

- 375 of 4,687 Banks (8%)
- 111 of 5,530 Credit Unions (2%)

Why Bank With MRBs?

- Public Safety
- Compassion
- Opportunity (asset and deposit growth)

*Figures are drawn from the *Fall 2018 FinCEN Guide*

Planning

- Business Planning* – Analyze the business case for providing services – the costs, risks and charges.
- Operations* – What challenges affect the development, communication and delivery of your services?
- Compliance* – How are compliance obstacles addressed?
- Exit Strategy* – What is it and would the institution need one?
- Should services be housed/segregated in a separate division?
- Who is best suited to lead and oversee the compliance and overall performance of the program?
- What staff resources would be needed? Technology/cash pick-up/delivery/counting?
- How many professional staff are needed and what experience should they have?

Delivery

- How will your services be communicated to your:
 - Customers?
 - Shareholders?
 - Employees?
 - Primary Regulator?
- Establish relationship with MRB regulators.

Due Diligence

- Who will conduct due diligence and at what level? Will vendors be utilized?
- What technology is available for due diligence and compliance?
- Profile of service delivery and target customers (recommend quiet).
- Insurance coverage.
- Market analysis of target customers.
- Separate/Different Account Agreements – Should address cooperation with due diligence and compliance obligations of the institution as well as the institution's ability to terminate the relationship at the institution's sole discretion.

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