

Breakout 2: Cannabis Banking, Unlocked

Brought to you by: **BankDirector.**

#FXT23

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Cannabis Banking Unlocked

Tony Repanich
President and CEO, Shield Compliance



Business Opportunity



Low-Cost Deposits



Non-Interest Income

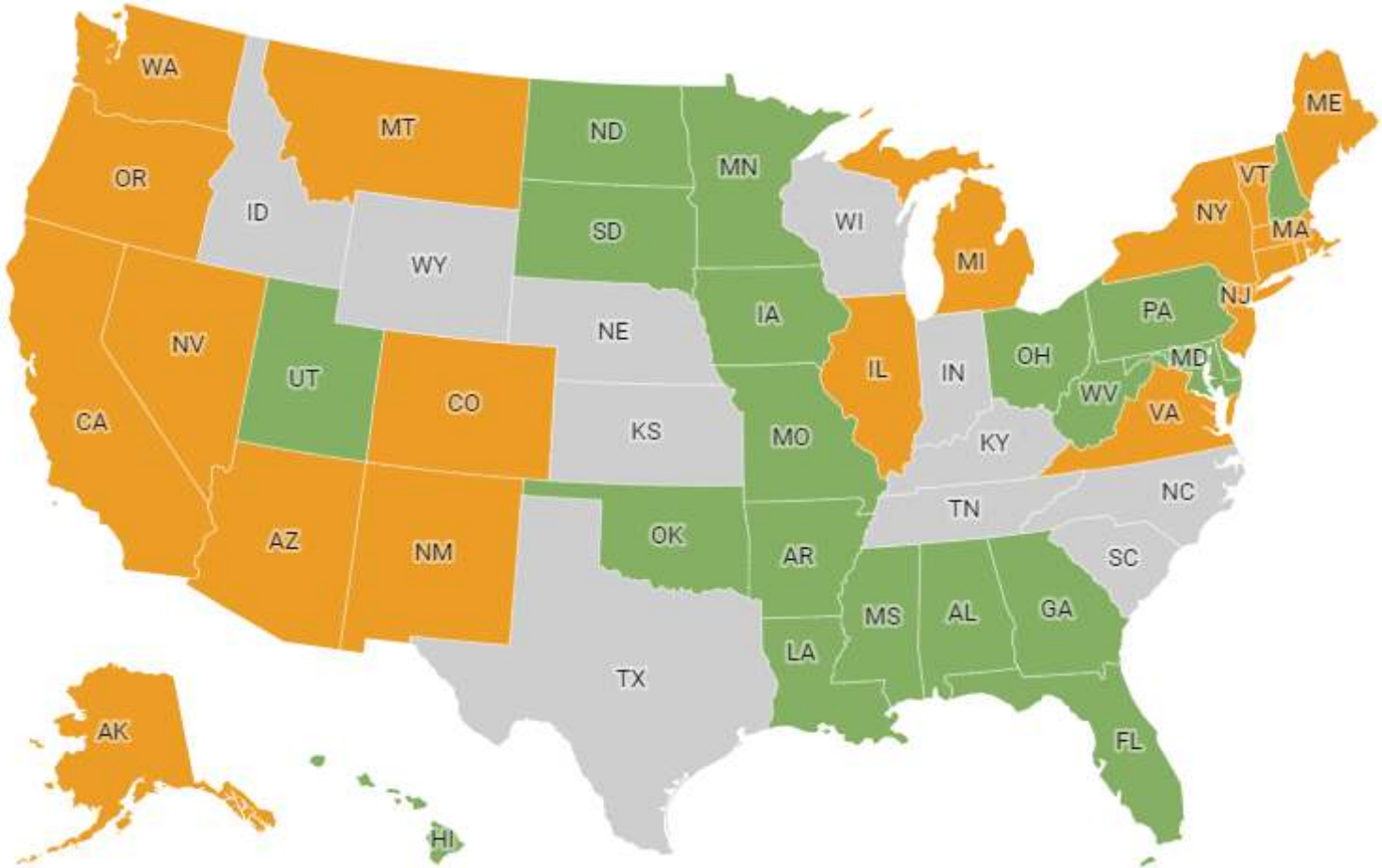


Earning Assets



Banking as a Service

Where is Cannabis Legal?



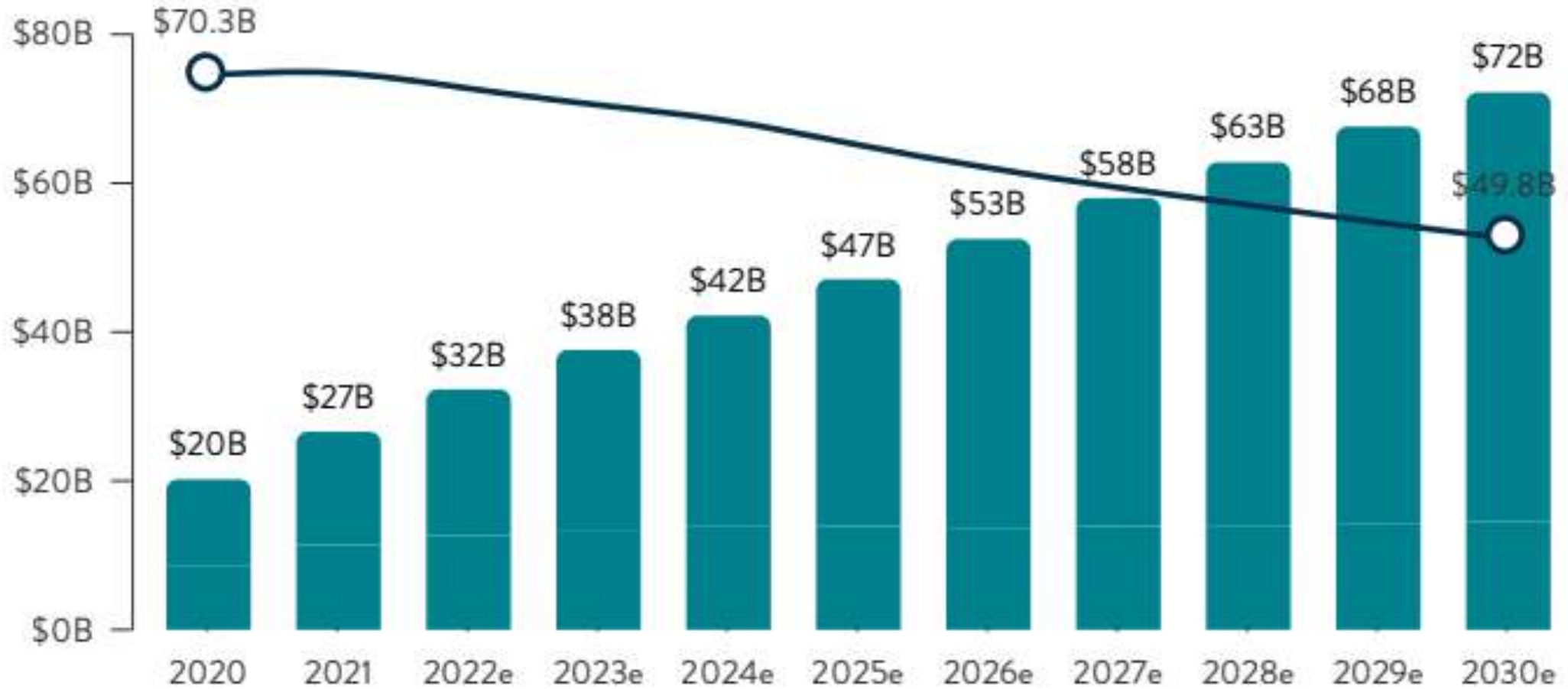
Legalized states
■ Recreational/Medical ■ Medical ■ None

Legal vs. Illicit Sales

With activation of new expected state markets by 2030; \$USD billions

● Total Legal Market

● Illicit Market



Market Conditions Always Changing



- Whole prices plummet in many markets.
- MSOs seeking access to NY market as adult use begins.
- NJ lifting caps on cultivation.
- Washington issuing new retail licenses for the first time in five years.

Legal and Compliance Considerations



Federal Drug Laws

- Schedule 1 drug at the federal level

Federal Banking Guidance

- Original Cole Memo
- Guidance from Treasury

Persistent BSA\AML Risk

- Core BSA\AML\KYC risk today and tomorrow

Risks Are Known and Manageable



Compliance



Liquidity (ALCO)



Reputation



Counter Party

Playbook Essentials



Risk Assessment

Policy Development

Product and Business Development

Operational Execution



Practical FinCEN Expectations



Know the People

Owners
Controlling People
Vendors?



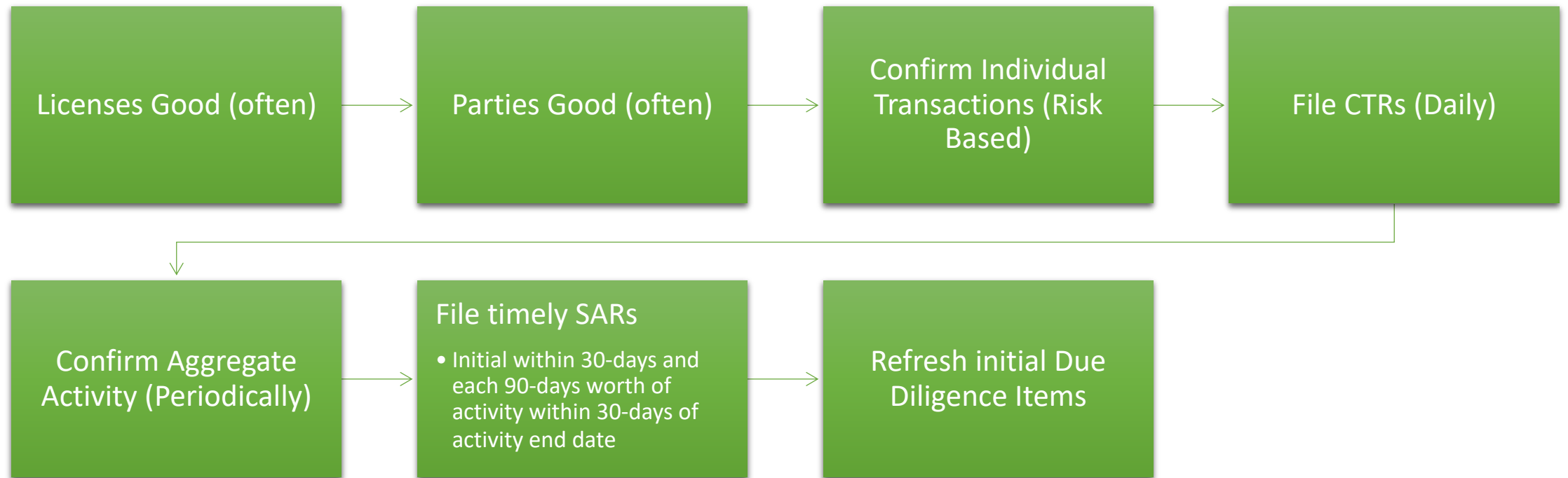
Understand the Business

State Licensing
Sales/Expected Activity
Related Parties



File Limited and Priority SARs

The Cannabis Banker



Data-Driven Activity Ripe for Fintech Innovation



- Automate the routine
- Enable exception-based processing with a periodic comprehensive review
- Engage customers in the compliance process
- Develop business insights



Federal Recognition

SAFE Banking

- Difficult in the current legislative environment
- Enhanced certainty and regulatory clarity
- Few, if any, changes to underlying compliance requirements



Action Plan



Crawl, walk, run



A playbook exists; work with experts



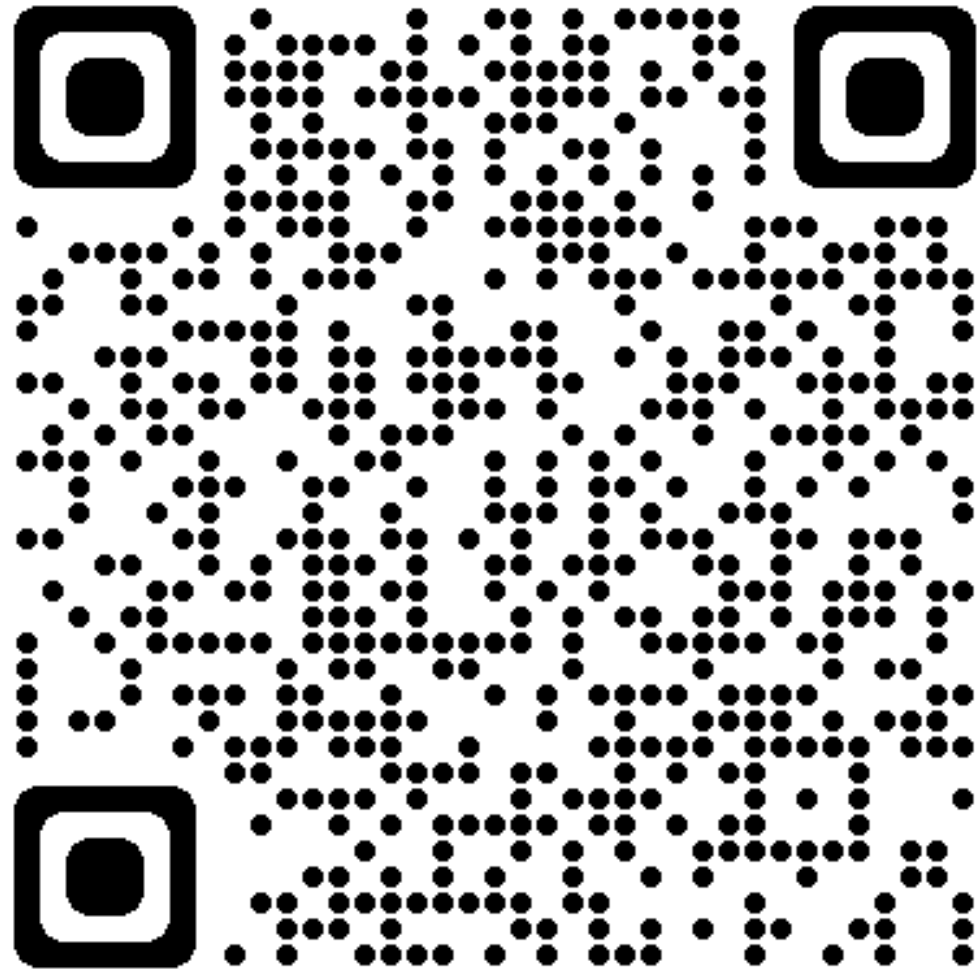
Consider the impact beyond BSA department



Build for today, plan for tomorrow



Download
the Cannabis
Banking
Playbook



Contact Us

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compliance**