



Cannabis Banking Survey

Summary of Findings

About this Survey

BankersHub, the leader in online Financial Services education and the first to launch its Cannabis Banking Professional certification, has joined forces with the Emerging Markets Coalition (EMC) to launch one of the industry's first surveys on Cannabis banking perspectives and experience.

With so many more states now entering the Cannabis market (Medical and/or Adult Use), the need for guidance and experience from others who have taken the plunge is more important than ever before. This touchpoint survey captures many of the challenges and concerns shared by banks, credit unions and other institutions nationwide. This sample group covers institutions of almost every size category, from community banks and CUs up to a large, money center bank. Geographical representation extends from coast to coast, in addition to Alaska.

We would like to thank everyone who participated in this survey, and we hope it generates open discussion, debate and concurrence from any institutions, bankers, executives and directors wondering if the growing Cannabis industry offers opportunities that outweigh real or perceived risks.

Thank you again for your interest and let us hear from you with your thoughts.

Executive Summary – Top 7 Key Findings from Survey

- 1. Banking Hemp and CBD Can Prepare Institutions for Cannabis:** Of the institutions that indicated they were not yet banking Cannabis businesses, 18% DID say they were banking CBD and/or Hemp businesses. While they differ from businesses that ‘touch’ the plant and/or distribute within the chain, setting up the compliance infrastructure and mindset with Hemp and CBD prepares the organization for Cannabis businesses in the future.
- 2. Training Sales Team and Frontline on Cannabis Can Attract New Business:** For those who cited reasons why MRBs transferred over to their institution, 50% cited “Better Knowledge of Cannabis Business” as the main reason for changing banks. This highlights the importance of educating frontline staff on all aspects of Cannabis regulations, business workflow, customer segmentation, and products offered. Understanding these elements is key for attracting new businesses.
- 3. Industry Experience is Understandably Lacking:** Since legalized Cannabis and related products are new within the last decade, depth of experience is understandably limited. In the study, half of the respondents banking Cannabis have been involved for 3 or more years. 44% had less than 3 years experience. This further enhances the importance of ensuring staff are experienced on bank regulations, BSA/AML demands, SARS reporting, and how the industry is evolving.
- 4. Mix of Medical vs. Recreational Businesses Still Leans to Medical:** With legalized Medical Cannabis gaining new grounds in 2020, it stands to reason that more banks (43.8%) reported banking only Medical and not Adult Use Recreational. Just 31.3% reported banking businesses involved in both products (25% chose to not answer or didn’t know).
- 5. Overall Good Satisfaction with Cannabis Programs:** Overall, institutions involved with banking MRBs gave relatively good scores to their organization’s satisfaction with their program (3.8 on 5-point scale). Ranking lowest was how respondents compared monthly fees charged to Cannabis customers vs the general business community (2.8 on 5-point scale).
- 6. Hurdles Differ for Working with MRBs in Future:** Institutions that have not ventured down this path see the first major hurdle involving BSA/AML regulatory compliance, product illegality, board objections, and operations impacts. Those already involved shift anticipate their future hurdle to include more traditional economic/financial challenges such as competitive players, profitability, and cash flow management.
- 7. Top Priority:** Regardless of whether an institution has already embarked on banking Cannabis or not, it is clear that the number one priority in every case to avoid making painful compliance and business mistakes, is to focus on

EDUCATION, EDUCATION, EDUCATION

MRB Products Banked by Respondents

Respondents were asked which types of products they bank with MRB customers. These can include:

▪ Cannabidiol (CBD) Oil –

- *“CBD is the second most prevalent of the active ingredients of cannabis (marijuana). While CBD is an essential component of medical marijuana, it is derived directly from the hemp plant, which is a cousin of the marijuana plant. While CBD is a component of marijuana (one of hundreds), by itself it does not cause a ‘high.’ (It) is readily obtainable in most parts of the United States, though its exact legal status is in flux. All 50 states have laws legalizing CBD with varying degrees of restriction, and while the federal government still considers CBD in the same class as marijuana, it doesn’t habitually enforce against it.”*
 - Harvard Health Publishing (<https://www.health.harvard.edu/blog/cannabidiol-cbd-what-we-know-and-what-we-dont-2018082414476>)

▪ HEMP –

- *At the federal level, the Agriculture Improvement Act of 2018, Pub. L. 115-334, (the 2018 Farm Bill) was signed into law on Dec. 20, 2018. Among other things, this new law changes certain federal authorities relating to the production and marketing of hemp, defined as “the plant Cannabis sativa L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis.” These changes include removing hemp from the Controlled Substances Act (CSA), which means that cannabis plants and derivatives that contain no more than 0.3 percent THC on a dry weight basis are no longer controlled substances under federal law.*
 - Food and Drug Administration (<https://www.fda.gov/news-events/public-health-focus/fda-regulation-cannabis-and-cannabis-derived-products-including-cannabidiol-cbd#farmbill>)

▪ Cannabis (THC) –

- *The Controlled Substances Act (“CSA”) makes it illegal under federal law to manufacture, distribute, or dispense marijuana. Many states impose and enforce similar prohibitions. Notwithstanding the federal ban, as of the date of this guidance (2.14.14), 20 states and the District of Columbia have legalized certain marijuana-related activity. In light of these developments, U.S. Department of Justice Deputy Attorney General James M. Cole issued a memorandum (the “Cole Memo”) to all United States Attorneys providing updated guidance to federal prosecutors concerning marijuana enforcement under the CSA. The Cole Memo guidance applies to all of DOJ’s federal enforcement activity, including civil enforcement and criminal investigations and prosecutions, concerning marijuana in all states.*
 - FinCen (<https://www.fincen.gov/resources/statutes-regulations/guidance/bsa-expectations-regarding-marijuana-related-businesses>)

MRB Products Banked by Respondents (Continued)

In their response to this question, even institutions indicating that they do NOT currently banking services to 'the Cannabis industry', still provide banking services for CBD oil and/or Hemp products.

For those that DO bank Cannabis, 81% said they support dispensaries and retail establishments as primary channels represented by their customers. CBD (69%) and Hemp (56%) are also supported at many of these institutions.

This indicates future opportunities for banks that currently support Hemp and CBD customers, but are not inclined to take on Cannabis businesses, either by choice, or because of state laws. As those state laws change to support the Cannabis industry and MRBs, many of those institutions will be in better positions to expand banking support into Cannabis from Hemp and CBD.

MRB Product	Currently Bank MRBs?	
	No	Yes
CBD (Cannabidiol)	6%	69%
Hemp	18%	56%
Cannabis	0%	81%
None/Unsure	82%	0%

**NOTE: Percentages tally to >100% as respondents*

may select multiple products



Length of Time Banking Cannabis

Half of the respondents who indicated they are currently banking Cannabis have been involved for several years, with half banking Cannabis for 3 or more years. 44% are relatively new to banking MRBs, with 2 or fewer years.

This indicates the challenge facing the banking industry where even ‘experienced’ institutions possess less knowledge, insights and best practices than you would find for most other industries. When combined with the 44% who have under 2 years in Cannabis, the need for institutions to have trusted, established and credible training and guidance will only grow with eventual Federal legalization.

Duration Banking Cannabis	% Replied
Less than 1 year	19%
1 - 2 years	25%
3 - 5 years	44%
More than 5 years	6%
(blank)	6%



Adult vs. Medical Cannabis

For banks that do currently bank Cannabis and MRBs, only 31% of financial institutions banked businesses involved in Recreational/Adult Use as well as Medical Cannabis, and these were just in the Southeast and West.

Almost 44% said they did bank Medical Cannabis, but did not indicate Recreational. This would imply that Medical Cannabis is likely to be perceived by bank management, directors, etc. as a safer and less risky alternative to banking businesses involved in the broader Recreational Cannabis industry.

A quarter of respondents either weren't sure of their banking status or chose not to reply.

REGION	Adult use (recreational)	Medical use	Unsure or No Reply	Grand Total
	Medical use			
Midatlantic		6.3%	18.8%	25.0%
Midwest		18.8%	6.3%	25.0%
South		6.3%		6.3%
Southeast	6.3%			6.3%
West	25.0%	12.5%	0.0%	37.5%
Grand Total	31.3%	43.8%	25.0%	100.0%



Products and Services Offered By Financial Institutions

For 81% of respondents that indicated they currently bank Cannabis-related businesses, DDA (Checking) accounts were the primary product offered. Of those, 70% couple the DDA with some other product or service, like Cash Management or Debit/Credit cards. The remaining 30% just offer Checking with no additional services.

The only other products or services provided without a Checking Account are for Compliance Services/Support as well as HR/Payroll services.

This illustrates just how large the cross/up-sell potential is when institutions feel comfortable with expanding the relationships (and reducing the risks) associated with these customers.

Product or Service Offered	% Response
DDA (Checking)	81%
Cash Management and Treasury Services	50%
ATM Card	38%
Line of Credit, REL or Mortgage	13%
Credit Card	6%
Compliance Services	6%
HR/Payroll	6%
Unknown	6%

**NOTE: Percentages tally to >100% as respondents may select multiple products*



Financial Services Satisfaction with Cannabis Program

For those institutions that currently bank Marijuana Related Businesses, satisfaction appears to be good, but not great.

The lowest satisfaction scores (2.8 average out of a 5-point scale) were given to the fee structures utilized for these businesses, reflecting offset pricing for increased risks, tracking and reporting, compliance monitoring and operational changes. While understandable, the lower rating may also portend concerns about future competitive pricing pressures from both banking and non-banking sources.

Highest scores, however, were given to how their organization felt in general about their Cannabis customers (3.8 average), indicating generally positive inclination towards this growth industry.

The other ratings, as reflected below, represent a fair assessment of satisfaction as it pertains to COVID and future expectations.

Questions on General Satisfaction with Cannabis program (only institutions banking Cannabis)	Average Score (5-point Scale)	
C1) How much has the COVID-19 crisis impacted your cannabis customers' business?	3.2	5 = Very Positive
C3) Given the COVID-19 crisis, identify your expectations for your customers' overall cannabis sales over the next 12 months.	3.5	5 = Best
C4) Indicate your organization's level of satisfaction with your cannabis customers.	3.8	5 = Highly Satisfied
C5) How would you compare the monthly fees charged to your cannabis customers versus other business customers?	2.8	5 = Much Lower
C6) What are your expectations for increasing your cannabis-related customers through 2022?	3.5	5 = Much Better

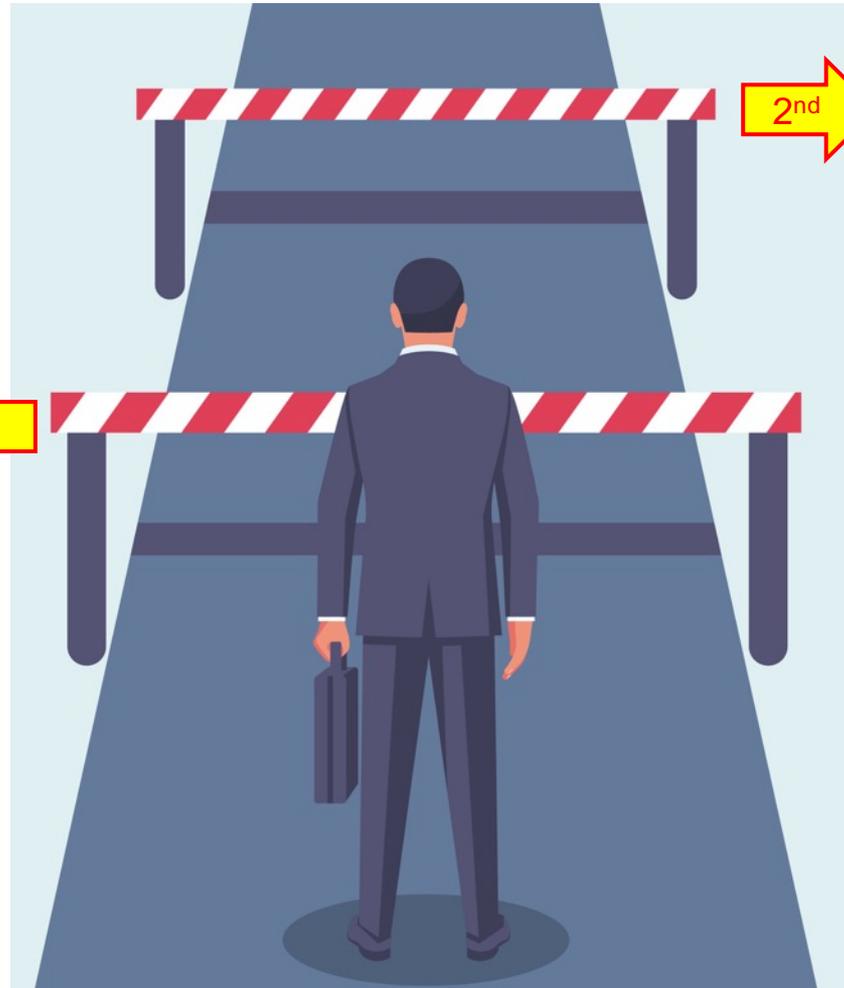
Primary Hurdles Working With MRBs in the Future

Future hurdles expressed by respondents differ significantly depending on the current status of the institution with respect to banking Marijuana Related Businesses (MRB).

Institutions That **Do Not** Bank Cannabis (MRBs)

For institutions not yet banking MRBs, concerns were heavily weighted to the legality, regulations, compliance and risk hurdles that lie ahead.

- Illegality
- Compliance Challenges
- Board Objections
- BSA Risks
- Archaic Banking System
- Increased Scrutiny
- Regulations
- Overhead Costs
- Education/Training



Institutions That **Already Do** Bank Cannabis (MRBs)

For institutions that already cleared the primary hurdle and now bank MRBs, future hurdles still include regulatory concerns, but also emphasize business, finance and operational challenges

- Competition once legal
- Profitability and fees
- Increased regulations
- Medicinal vs Recreational use MRBs
- Cash flow management
- Monitoring local/town ordinances
- Managing access to Fed services (ACH, Wire, etc)
- Education/Training

Geography of Respondents

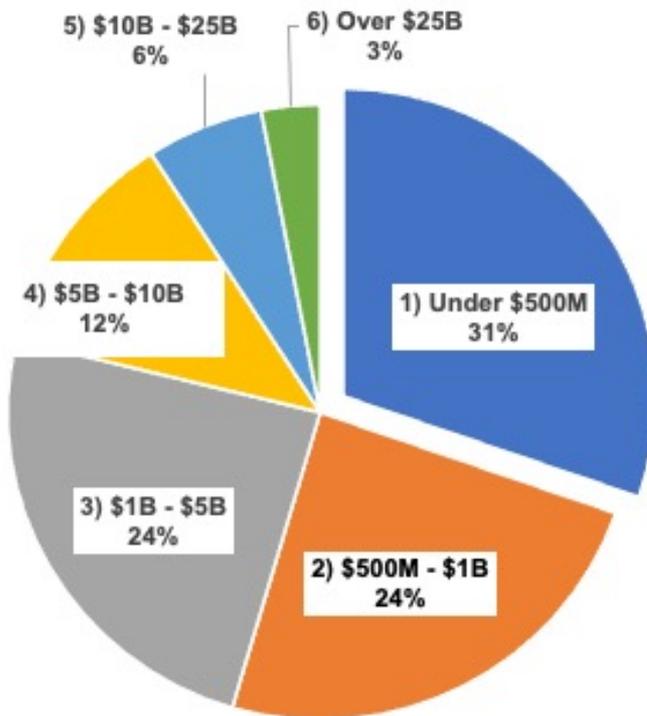
- 42% of respondents were split evenly between just 2 regions, the Mid Atlantic and the Midwest.
- Pacific states have 18% or the third largest regional representation.
- The split on institutions that do and do not offer Cannabis services is almost 50/50 in this survey. Note that in the Northeast region, only institutions that do NOT offer services responded.

A6) Do you provide services to the cannabis industry?

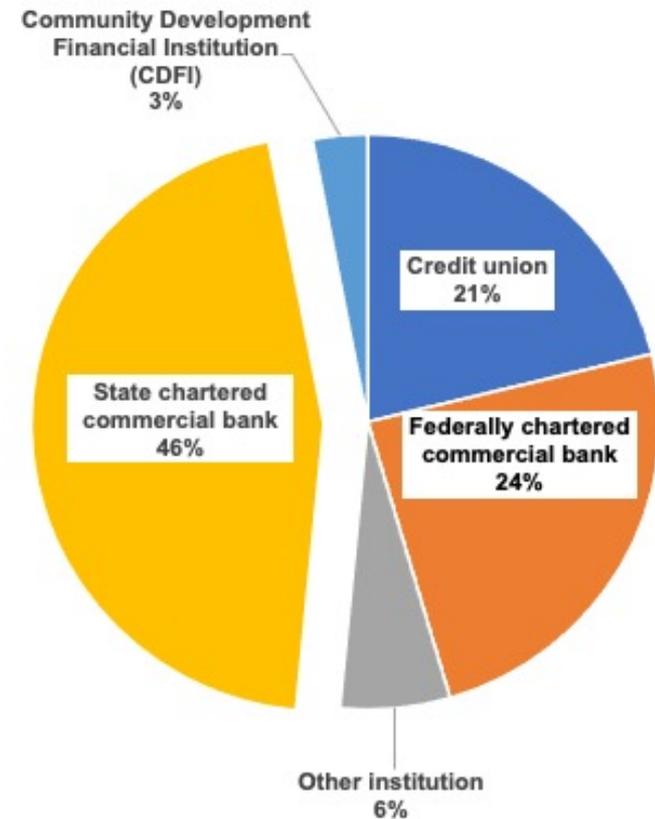
	No	Yes
Mid Atlantic	18%	25%
Midwest	18%	25%
Northeast	24%	0%
Pacific	18%	19%
South Central	12%	6%
Southeast	6%	6%
Southwest	6%	19%

Demographics of Respondents

Respondents by Asset Size



Respondents by Institution Type



About BankersHub and Emerging Markets Coalition

What is BankersHub / BankerCollege?

BankersHub is a leader in the online banking education sector. According to BankersHub, they offer a larger course selection and library of content than any other company in this space. The company delivers over 450 scheduled courses annually, on-demand certification training, and live stream events for the financial services industry.

BankersHub was founded in 2012 by two financial services professionals dedicated to educating and informing banks, credit unions, solution providers and consultants in the U.S. and around the globe. BankersHub delivers practical training on regulatory compliance, emerging security threats, industry fundamentals, best practices, research insights, opinions, economic trends and consumer views through online web education, virtual events and conferences, live streaming activities, custom training and content development.

BankersHub proudly launched the industry's first Cannabis Banking Professional certification in 2020 and now hosts over a dozen separate cannabis webinars to educate banks, credit unions and the financial services overall.

Contact us at 866.575.4932 x700 or send us an email at Service@BankersHub.com

What is the Emerging Markets Coalition?

The Emerging Markets Coalition (“EMC”) is a member-driven advocacy and educational organization for financial services in highly cash based and underserved markets. Our 1st targets are the cannabis related industries (hemp, CBD, Cannabis). EMC advocates and drives for the normalization, electronification, and increased accessibility to full financial services for the cannabis-related industries – enabling these businesses to operate as do other legal businesses in a growing, regulated, emerging market.

Be part of the powerful joint voice of top financial services and cannabis-related industry players, to proactively drive relationships and workable legislation, regulation, law enforcement, IRS rules, media, and public perception.

EMC membership is open to all stakeholders in this ecosystem, who agree to follow EMC Best Practices and Code of Conduct. Membership is open to all stakeholders in cannabis related industries and financial services. Membership tiers are based on the size of the organization and the level of influence, presence and benefit desired.

Contact us at 202-964-0522 or send us an email at info@emcoalition.org