

Cannabis Banking

Sundie Seefried
July 2022





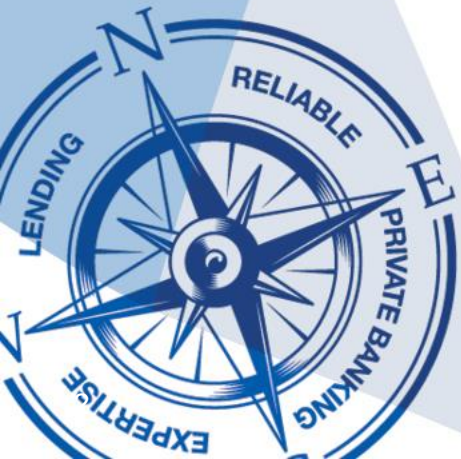
Legal Disclaimer

As we all know, marijuana remains illegal under the Federal Controlled Substances Act and as such, any information contained herein regarding potential ways of providing financial services to cannabis related businesses (“CRBs”) is based on the guidance issued by the Department of Justice in the Cole Memo, from the guidance provided by the United States Department of Treasury Financial Crimes Enforcement Network (“FinCEN”), and from the unprecedented knowledge that Safe Harbor has gained from creating and operating a cannabis banking program that is designed to: 1) provide the transparency that regulators require; 2) keep communities safe and; 3) support a new and growing industry that contributes to the vitality of local, state, and national economies.

Nevertheless, marijuana remains illegal under federal law and the information contained in this presentation does not purport to offer a safe harbor from the current conflict that exists between your state laws and federal law. Because cannabis remains a controlled substance, all assets related to CRBs and the assets of the financial institutions that service CRBs are subject to seizure by federal authorities. Nothing contained in this presentation constitutes legal advice. Safe Harbor advises you to work closely with your legal advisors to evaluate all statements contained in this presentation.

Safe Harbor seeks to help educate financial institutions about the ways that they might provide much needed practical banking solutions. These solutions help ensure, among other things, that communities are safe, CRBs can more easily account for and pay taxes, and financial institutions can support this group of entrepreneurs in the uncertain legal environment in which they operate. The path is not without risks, but it is a way to move forward alongside this progressive industry that continues to expand despite regulatory challenges.

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**Sundie Seefried,
CEO**

Sundie Seefried is presently the CEO Safe Harbor Financial, a CUSO of Partner Colorado Credit Union located in Denver Colorado. She is the former CEO of Partner Colorado Credit Union and recently retired from her credit union career of 38 years to focus her full attention on cannabis financial services. She holds a Bachelors in Business Management from the University of Maryland and an MBA in Finance from Regis University.

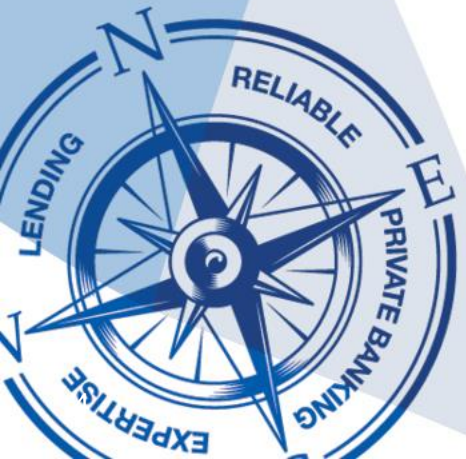
Instead of heading into retirement at the end of 2014, she designed a full scope Cannabis Banking Program known as the Safe Harbor program which has withstood the scrutiny of 16 Federal and State exams to date. The credit union now banks in excess of \$300 million per month of cannabis related funds; having now banked in excess of \$12 Billion since inception.

She regularly provides cannabis banking education to legislators, regulators, attorney's generals, state officials and financial institutions and has established herself as an expert on the topic; having her program featured in the NY Times Magazine, January 2018. She is on a mission to normalize banking for the cannabis industry while assisting law enforcement and federal agencies be more effective at combating illicit activities and protecting the financial system.

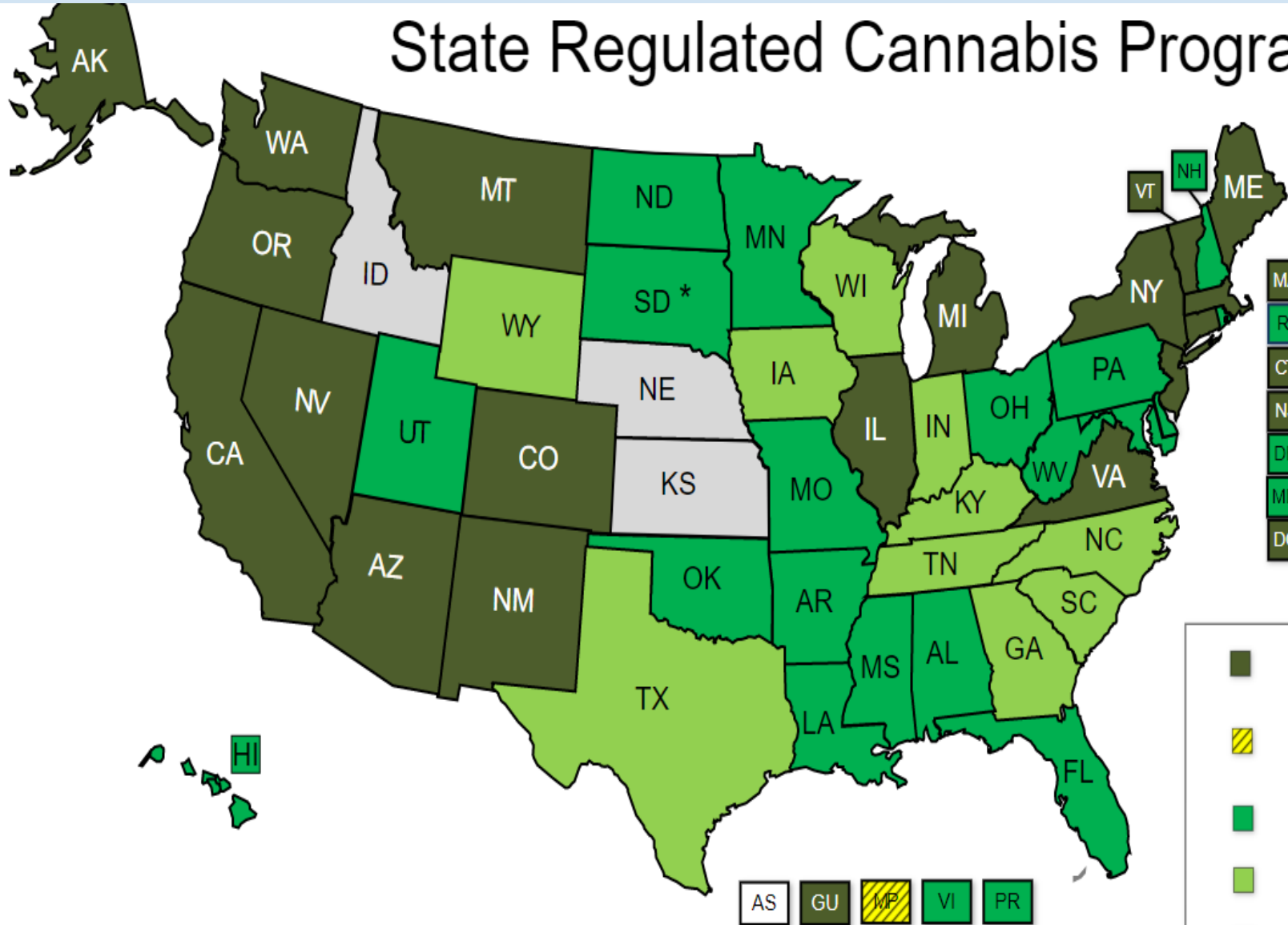
To share her knowledge, she authored the book '***Navigating Safe Harbor – Cannabis Banking in Uncertain Times***' in 2016, as well as contributing an entire chapter on cannabis banking in the newly released university textbook, ***The Politics of Marijuana: A New Paradigm***, by Timothy McGettigan; both available on Amazon.



The Market



State Regulated Cannabis Programs



Limited adult possession and growing allowed, no regulated production or sales: DC

February 2022

18

38

10

3

INDUSTRY GROWTH

➤ **FORBES**: With 10 newly legalized states slated to begin selling cannabis in 2021 or 2022, the legal market is projected to pull in **\$43 billion by 2025**.

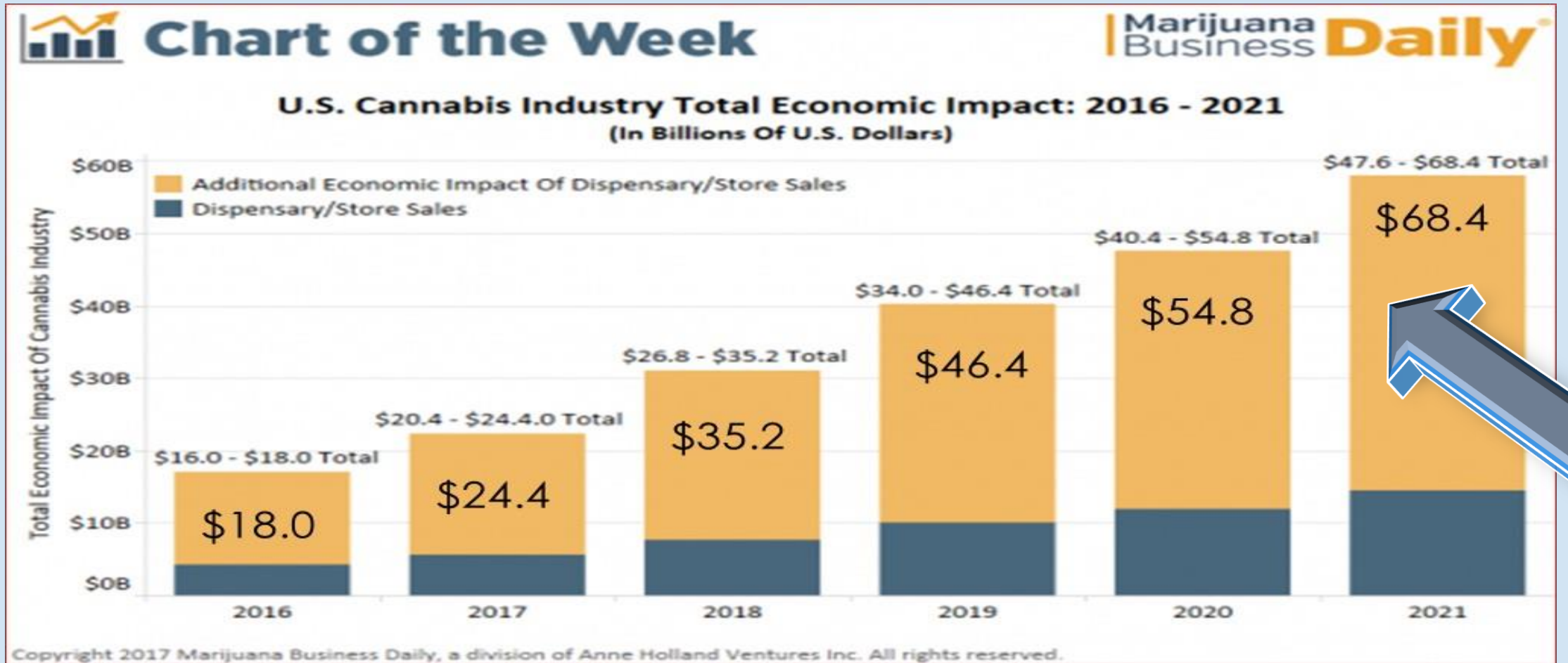
➤ **GLOBE NEWS WIRE**: The global cannabis market is estimated to be valued at USD 20.5 billion in 2020 and is projected to reach USD **90.4 billion by 2026**, recording a CAGR of 28%, in terms of value.



Arizona Collected More Tax Revenue From Marijuana Than Alcohol And Tobacco Combined, March Data Shows.

Tax deposits to the state general fund from medical and adult-use cannabis reached **about \$6.3M** in March, compared to \$1.7M from tobacco and **\$3.7M from alcohol sales**, according to the Arizona Joint Legislative Budget Committee (JLBC). Beyond that \$6.3M in cannabis tax dollars for the general fund, marijuana excise taxes separately exceeded another \$11.9M last month, for a total of \$18.2M in marijuana revenue—most of which goes to the state, with smaller portions being distributed to cities and counties.

OPPORTUNITY WITHOUT BANKING LEGAL MARKET



\$1 In Cannabis = \$3 In Other Economical Benefit To Community





BEWARE THE BLACK MARKET



MIXING RIGHT IN WITH LEGAL MARKET

The number of greenhouses at each grow varied from eight to 15. The largest site, which is believed to be the largest illegal cannabis operation in L.A. County, had 74 grow tents spanning over 10 acres.

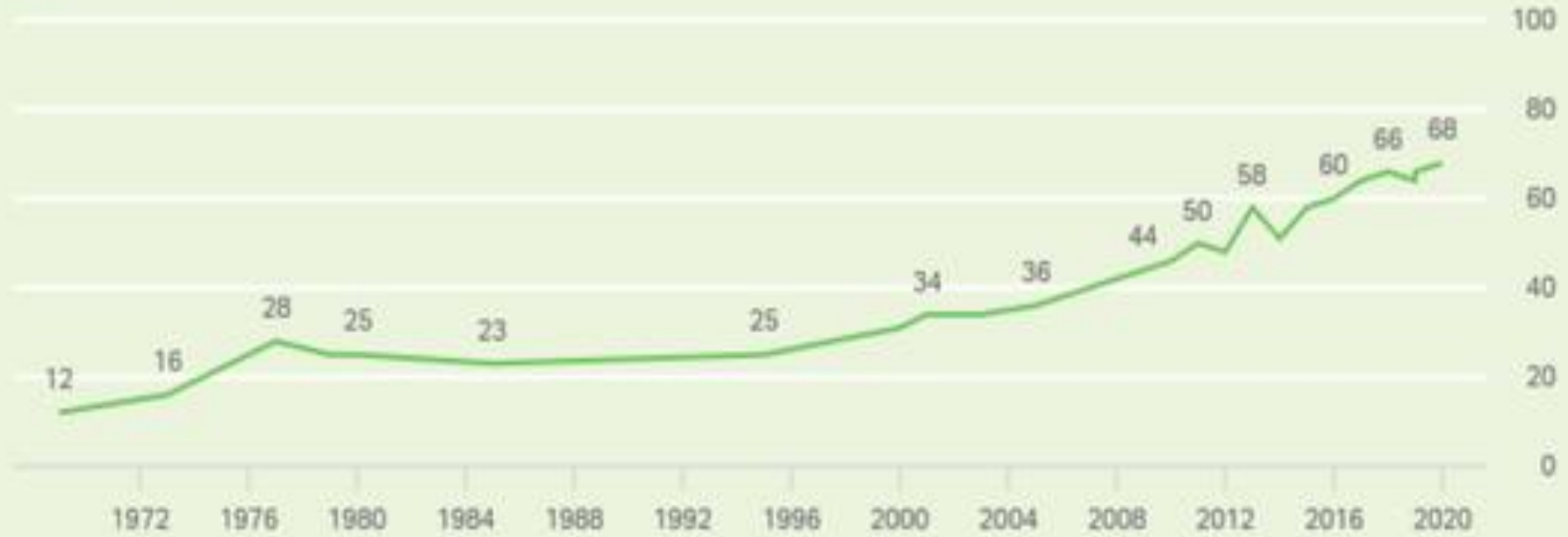


CONSUMER ACCEPTANCE

Americans' Views on Legalizing Marijuana Reach New High

Do you think the use of marijuana should be made legal, or not?

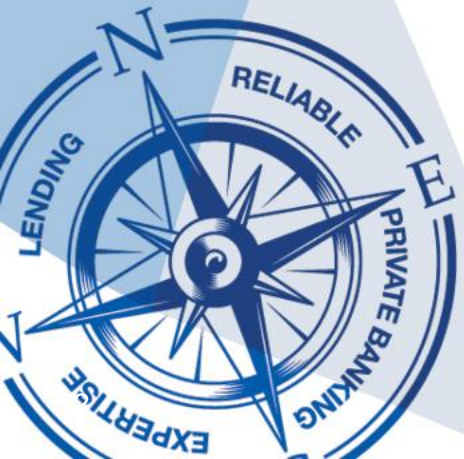
■ % Yes, legal



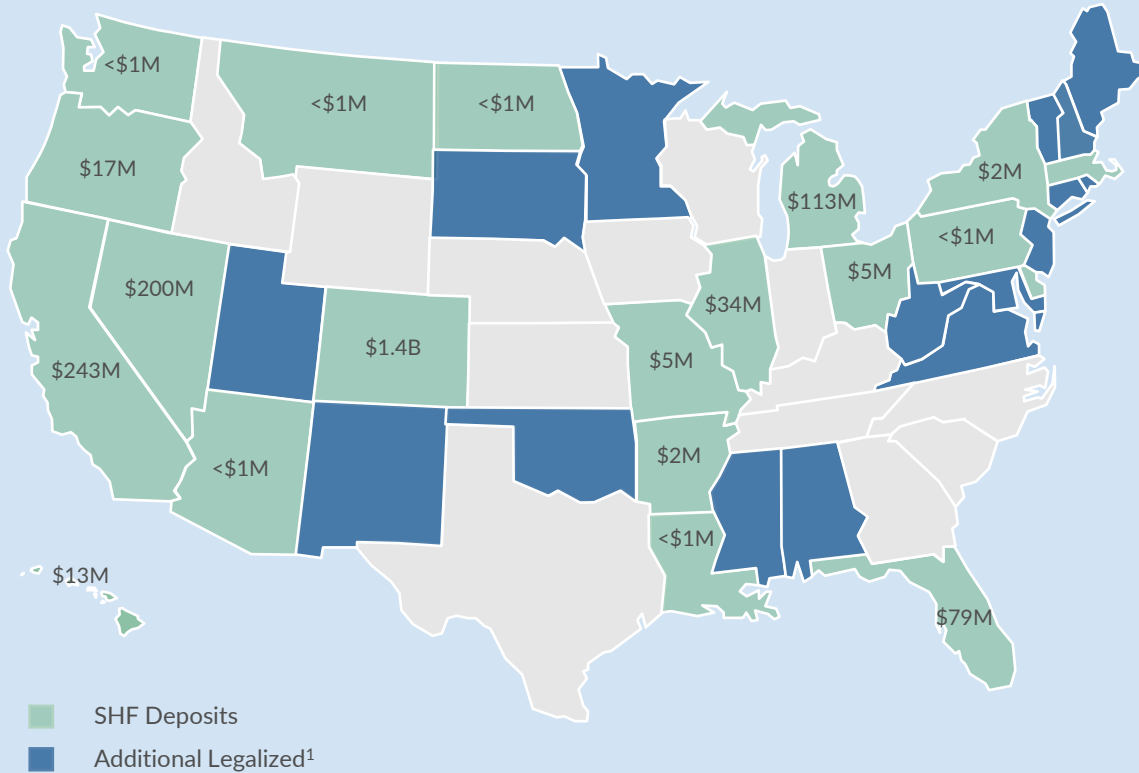
GALLUP



The Safe Harbor Program



SAFE HARBOR STATISTICS



\$12B+

Cannabis Funds
Processed

\$300M

Per Month in CRB
Deposits

16

Passed State and
Federal Exams

20

States of
Operation

8

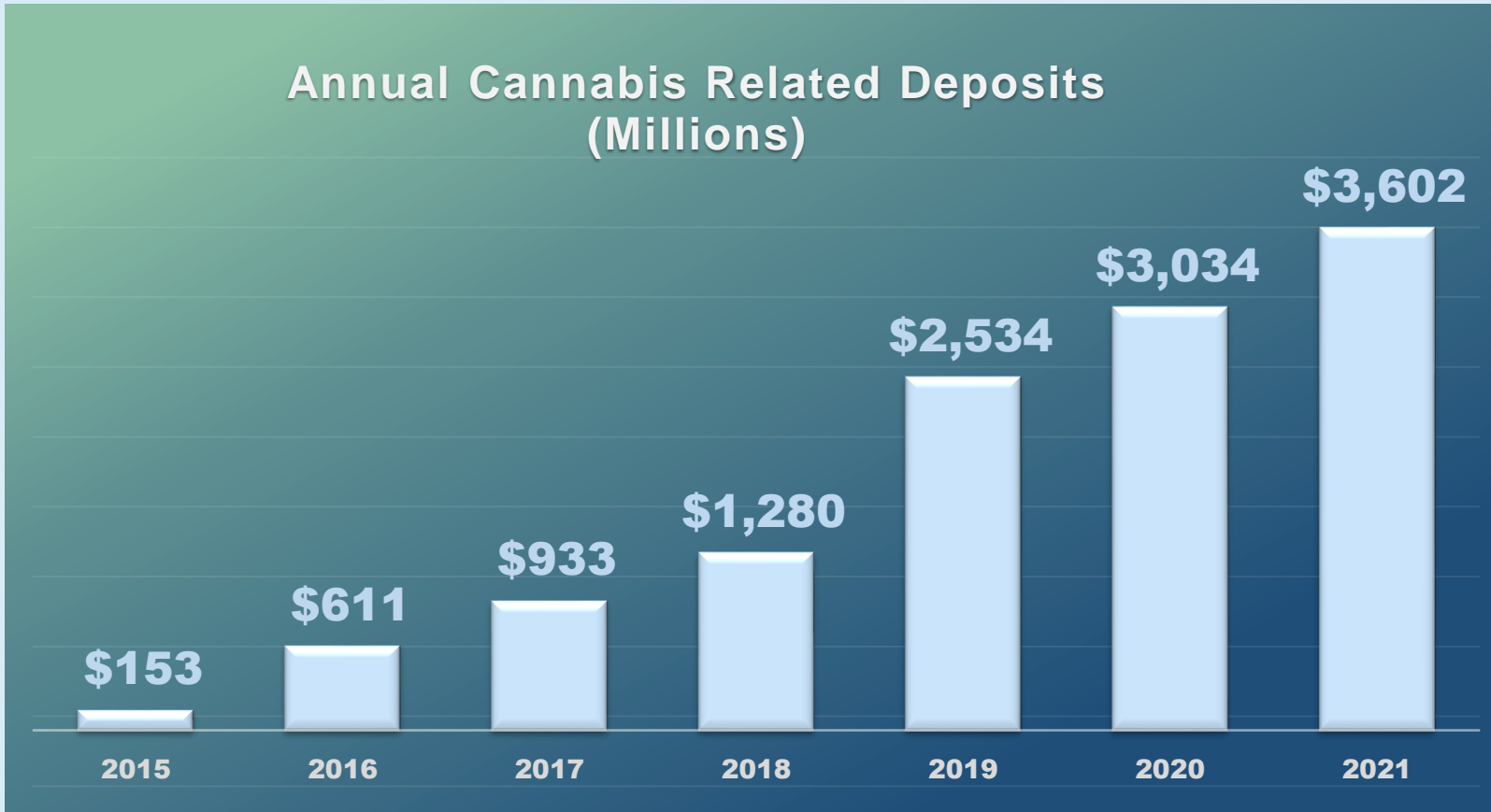
Years of Cannabis
Financial Services
Experience

~600

Accounts in
Portfolio

METHODICAL GROWTH

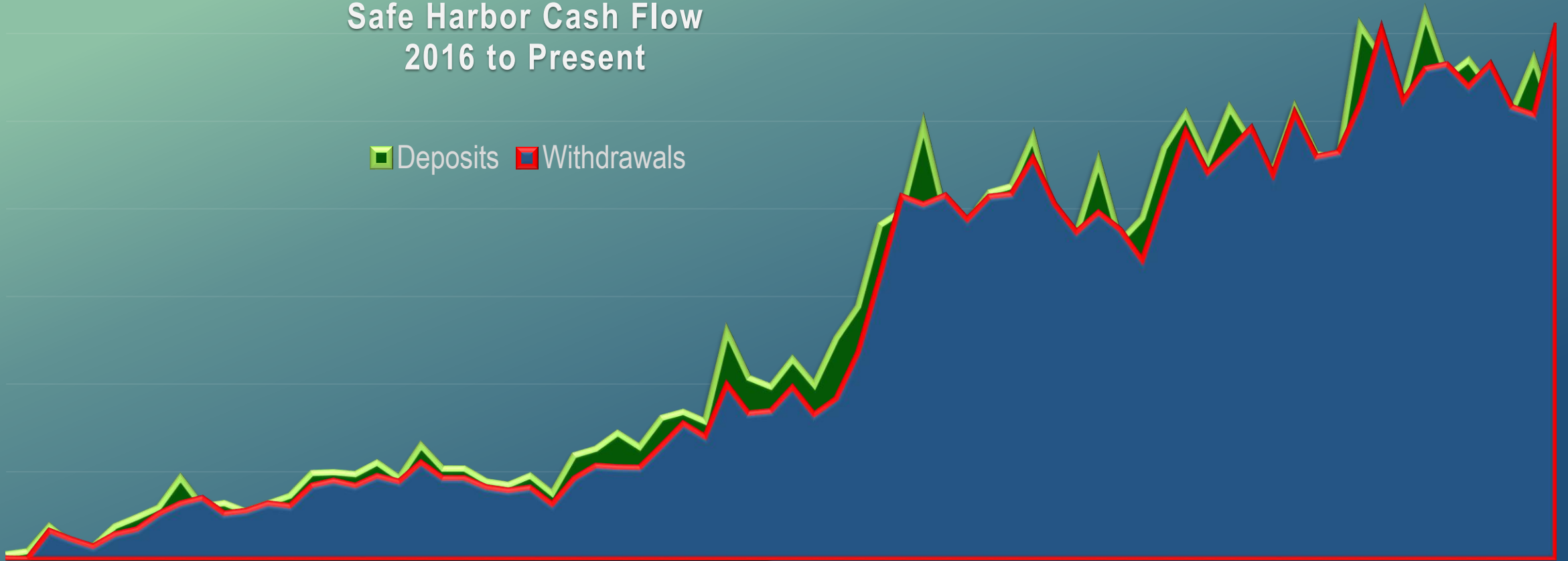
Annual Cannabis Related Deposits
(Millions)



FLUSH WITH CASH?

Safe Harbor Cash Flow
2016 to Present

■ Deposits ■ Withdrawals



MANAGEMENT OF THE PROGRAM

Accounts

>620 Total >350 Licensed, >250 Ancillary, Other...

Business

>Retail >Cultivations >Distributors >Manufacturers
>Social Clubs >Social Equity >Ancillary Service Providers

Reporting

1,000 BSA Reports a Month

Staffing

>30 Employees >4 CAMS Certified >30 BSA Certified >4
BSA/Compliance Mgmt. >4 Onboarding Specialists >16 Bankers

PLUS: Treasury Services, AML Software, Corporate Banking Tools, Document Collection Tools

KNOW THE SOURCE OF FUNDS

Legacy Funds

FinTechs & Payment Processors

Investor / Equity / Loan Funds

International Funds

Investment Funds

Ancillary Funds

CRB Sales

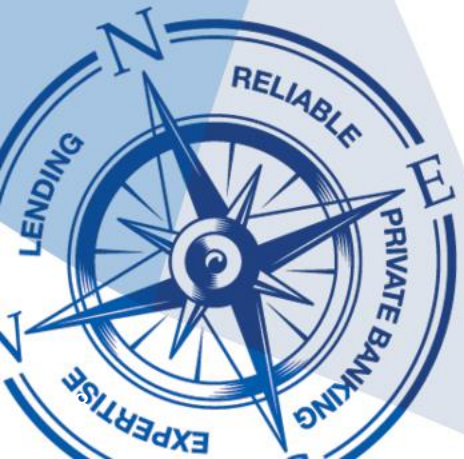
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The Rules

- Legality
- Regulations & Guidance
- Legislation



What is Constraining Access to Banking?

01

Conflicting state and federal laws

- Federal Charter or Federally Insured Funds: FDIC, NCUA, OCC
- Limited protection available to financial institutions or any service provider

02

High risk and lack of “safe harbor” policy

- Cannabis remains a Schedule I drug (federally)
- Prosecution, while never realized with cannabis to date, is possible

03

Unclear cannabis policy guidelines

- The ever-changing nature of current cannabis industry & policy
- Inconsistent regulator interpretation of FinCEN – regional as well as Regulating body

The Biggest Constraints & Terminating Factors

04

REGULATORY PRESSURE

- Risk of federal prosecution, asset seizure or third-party punitive action
- Limited protection available to financial institutions
- Forfeiture and Seizure creates a depository and credit risk
- Increased scrutiny by regulators still training in an emerging market; every exam a risk to FI

05

BANK SECRECY ACT / ANTI-MONEY LAUNDERING

- Cannabis remains a Schedule I drug; Federally and Internationally
- Bank Secrecy Act poses risk of tens of millions of dollars in fines to financial institutions
- Resources required substantial and talent scarce
- Cannabis more difficult than Money Service Businesses (MSBs) and few bank MSBs

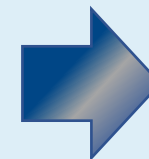
FIRST ROADBLOCK, A MAJOR ROADBLOCK

Greater Medicinal Value & Less Addictive

CLASSIFIED DRUGS	
I:	Heroin, LSD, MARIJUANA, Ecstasy, Methaqualone, and Peyote
II:	Vicodin, Methamphetamine, Demerol, Oxycodone, Fentanyl, Adderall
III:	Tylenol with Codeine, Ketamine, Anabolic Steroids, Testosterone
IV:	Xanax, Soma, Darvon, Darvocet, Valium, Ambien, Tramadol
V:	Robitussin AC, Motofen, Lyrica

RULES ARE RULES

- FinCEN's guidance does alter the Bank Secrecy Act's criminal **penalties for failing to establish an anti-money laundering program** designed to guard against money laundering through financial institutions.
- **Financial institutions that conduct transactions with money generated by marijuana-related conduct could face criminal liability** under the BSA for, among other things, failing to identify or report financial transactions that involved the proceeds of marijuana-related violations of the CSA.



**Better Banked
or NOT Banked?**

RICO - RACKETEER INFLUENCED & CORRUPT ORGANIZATIONS ACT

- **RACKETEERING:** The law defines 35 offenses as constituting racketeering, including gambling, murder, kidnapping, arson, **DRUG DEALING**, bribery. Significantly, **MAIL AND WIRE FRAUD** are included on the list.
- (a) It shall be unlawful for any person who has received **ANY INCOME DERIVED, DIRECTLY OR INDIRECTLY from a pattern** of racketeering activity
- (5) “*pattern of racketeering activity*” **REQUIRES AT LEAST TWO ACTS** of racketeering activity

The Long Arm!

Providing Financial Services to Marijuana-Related Businesses

This FinCEN guidance clarifies how financial institutions can provide services to marijuana-related businesses consistent with their BSA obligations.

- Additional Guidance to BSA!
- What happens if this is revoked?

PROTECTIVE MEASURE? OMNIBUS



NONE OF THE FUNDS available under this Act to the DOJ **MAY BE USED**, with any of the States (list of states)... **TO PREVENT** any of them from implementing their own laws that authorize the use, distribution, possession, or cultivation of **MEDICAL MARIJUANA**.

REGULATOR SUPPORT

NCUA

“It’s a business decision for the credit unions if they want to take the deposits...We don’t get involved in micro-managing credit unions”

FDIC

“It’s not our job as an agency to set federal policy on marijuana banking, but **it is our job to help our regulated entities learn how to comply** in a way that makes sense.”

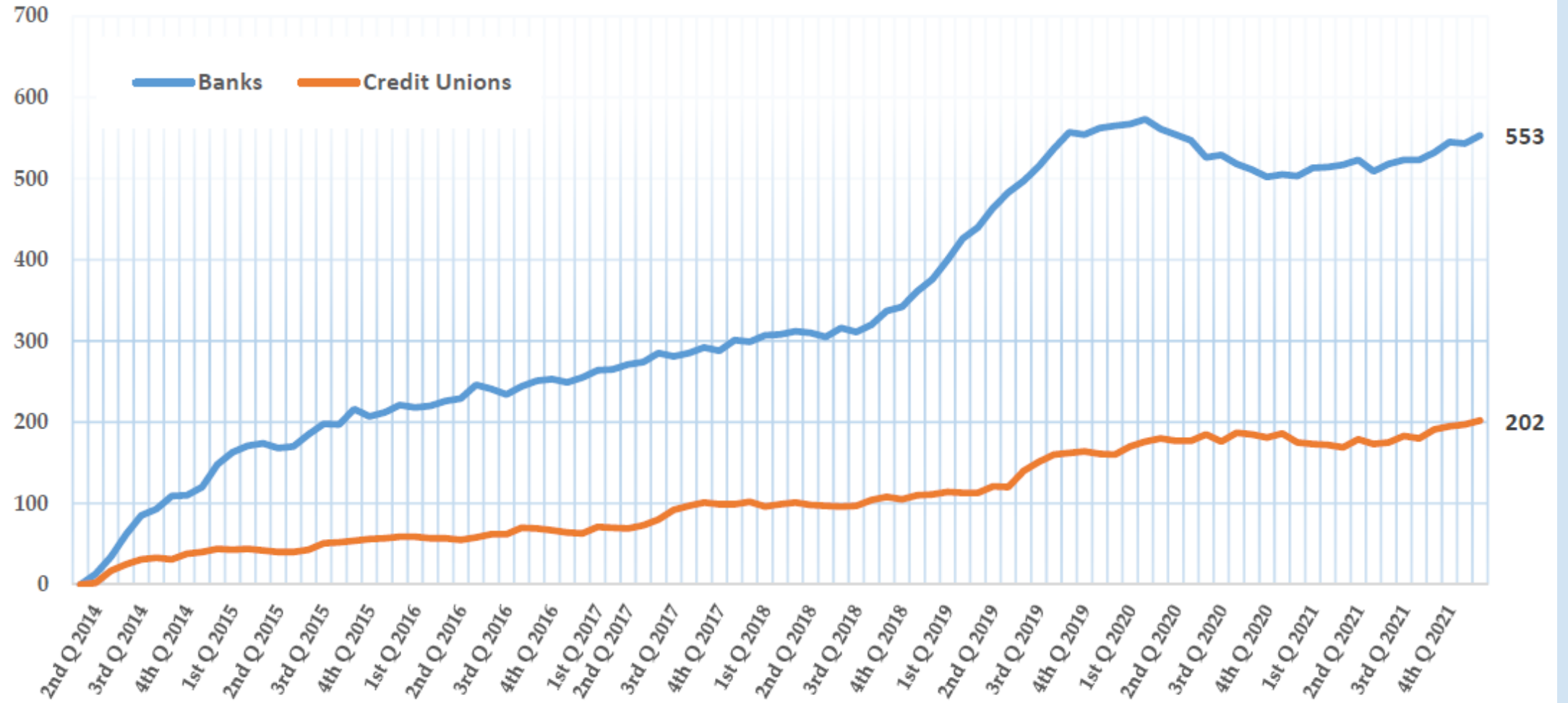
FED RESERVE

“It puts federal regulators in a very, very difficult position...
We’d just love to see it clarified.”

Comptroller of Currency

“Congress is going to have to act at the national level to legalize marijuana if they want those entities involved in the business to utilize the U.S. banking system...
I would hope by 2020 we can get this issue resolved.”

WHO IS BANKING CANNABIS



LEGISLATION – Safe Banking Act

- ✓ Cannabis Banking can be compared to other high risk banking relationships like Money Service Businesses (MSBs). Historical treatment of MSBs, much more mature than cannabis, remains difficult and limited. Cannabis risk is equal to or greater than Money Service Business risk.
- ✓ Safe Banking Act (as currently proposed) does not eliminate the Bank Secrecy Act obligation and just like other high risk banking relationships (liquor, casinos, gas stations, check cashers, etc.), it is the BSA obligation that causes financial institutions to shy away from such banking relationships. Cannabis banking is built upon BSA regulations/guidance.
- ✓ All cash-intensive businesses require specialized compliance banking programs. Bank accounts are difficult to secure. Businesses such as these have been around for decades compared to cannabis and still remain difficult to bank.

Safe Banking Act



The GOOD

WHAT IT DOES DO

- Does remove risk of Federal Prosecution for simply working or banking cannabis businesses
- Does remove exclusion or access barriers; Federal Reserve, Insurance
- Does provide easier movement of funds
- Does legitimize the industry as bankable

The BAD

WHAT IT DOES NOT DO

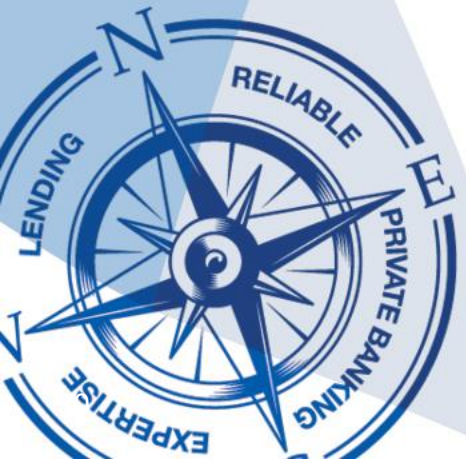
- Does not remove potential BSA penalties
- Does not change BSA or anti-money laundering obligations
- Does not change the need of specialized management of cannabis BSA obligations; FinCEN
- Does not remove prosecution for lack of meeting BSA obligations

The UGLY

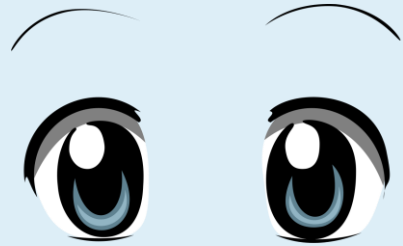
And then.... The black market must be considered !



Setting Up A Solution



START WITH A FOUNDATION



- on the OWNERS
- on the BUSINESS
- on the MONEY !!!

Every Dollar is a
Cartel Dollar

UNLESS
We Prove
Otherwise

IMPLEMENTATION CONSIDERATIONS

Cannabis Education	Third Party Support	Oversight	Prepare all Levels
<ul style="list-style-type: none">➤ Google Alerts➤ Articles / News➤ Conferences➤ On-Sites➤ State Cannabis Regulations	<ul style="list-style-type: none">➤ Legal Counsel➤ Licensing Authorities➤ Bankers➤ Landlord➤ Other Clients	<ul style="list-style-type: none">➤ SOPs-Cole Memo➤ Compliant Banking➤ Cash / Vault Mgmt.➤ Formal License Actions	<ul style="list-style-type: none">➤ Policies➤ BSA/Red Flags➤ Specialized BSA➤ FinCEN/FATF➤ License Monitoring➤ Cash Payments

The Guam Situation

Island or Isolation:

> Similar to Hawaii and Puerto Rico and even Alaska

Intermediary Banks to Mainland:

> Access to financial system blocked without a willing bank to move funds

Higher Risk:

> Documented, Digitized Payments will provide government more comfort

The CanPay Model:

- *Digitizes Payments*
- *Moves Funds Fast*
- *Increases Safety*
- *Reduces Risk*

The Safe Harbor Model

Onboarding – Due Diligence

>Interviews, Document Collection, Analysis, Beneficial Owners, Investment Funds

Account Opening

>Online Banking, Checks, Bill Pay, Debit Cards, Wires, Remote Deposit, CanPay Deposits

Monitoring:

>Validate Funds, Business Monitoring, Ownership Monitoring, Licenses, Taxes

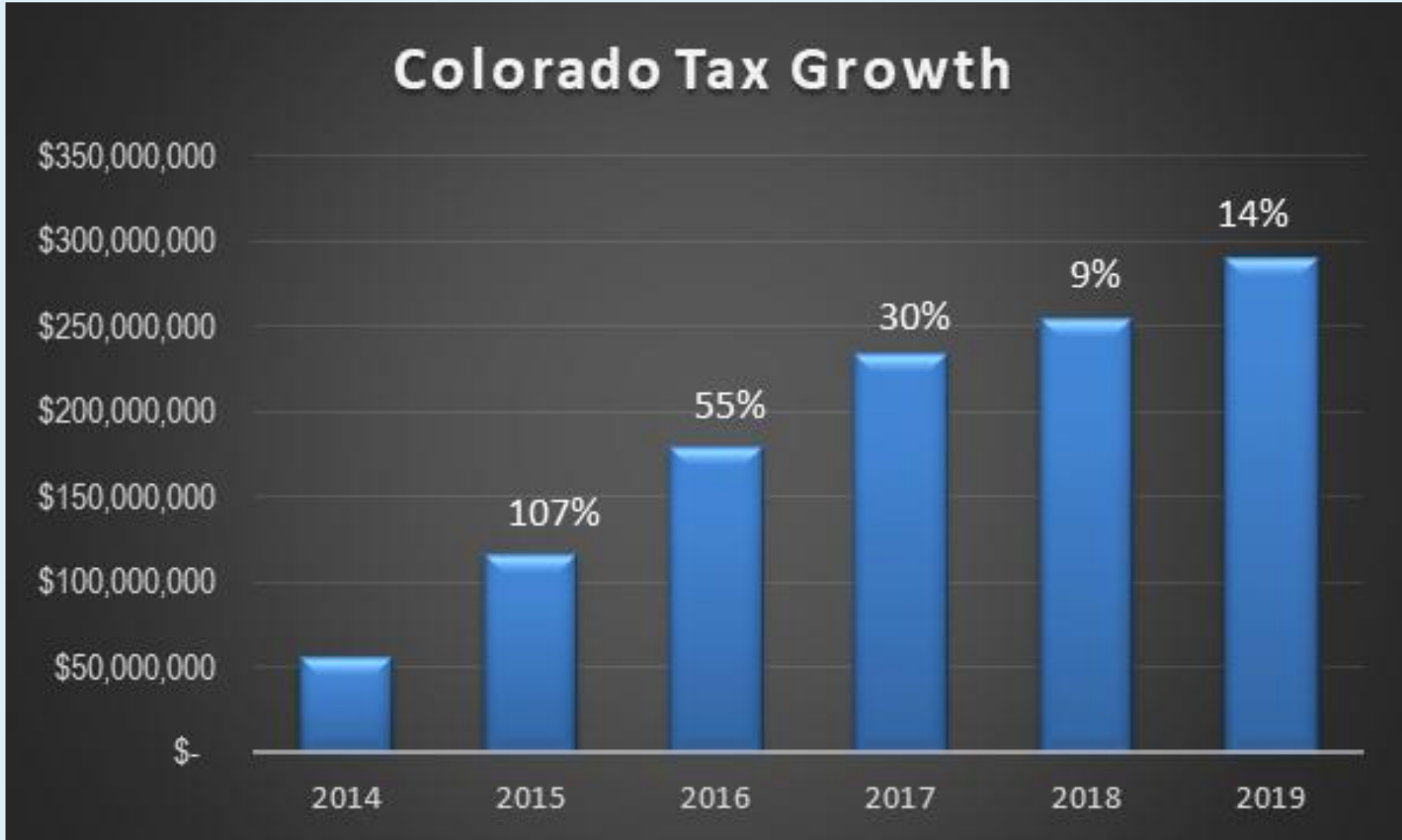
Private Banker Model:

- *Personal Service a Priority*
- *One banker to call – no call center*
- *Service Matters*

The CanPay Process

- Each operator would remotely be able to open an account at Partner Colorado Credit Union under the management of Safe Harbor Financial.
- Operators will have access to moving the funds via national wires, checks, debit, on-line banking, mobile, mobile deposit of checks, ACH, etc.
- Each operator would remotely be able to open a CanPay merchant account to accept CanPay from their consumer customers

- CanPay will provide equipment (as needed) and training on the CanPay Platform.
- CanPay will enable consumers in Guam to enroll in the Platform for payment.
- Consumers can pay with CanPay wherever it is accepted (and rules allow) so consumers from the other 31+ state-markets where CanPay is accepted can use the same CanPay account for purchases in Guam when they visit.



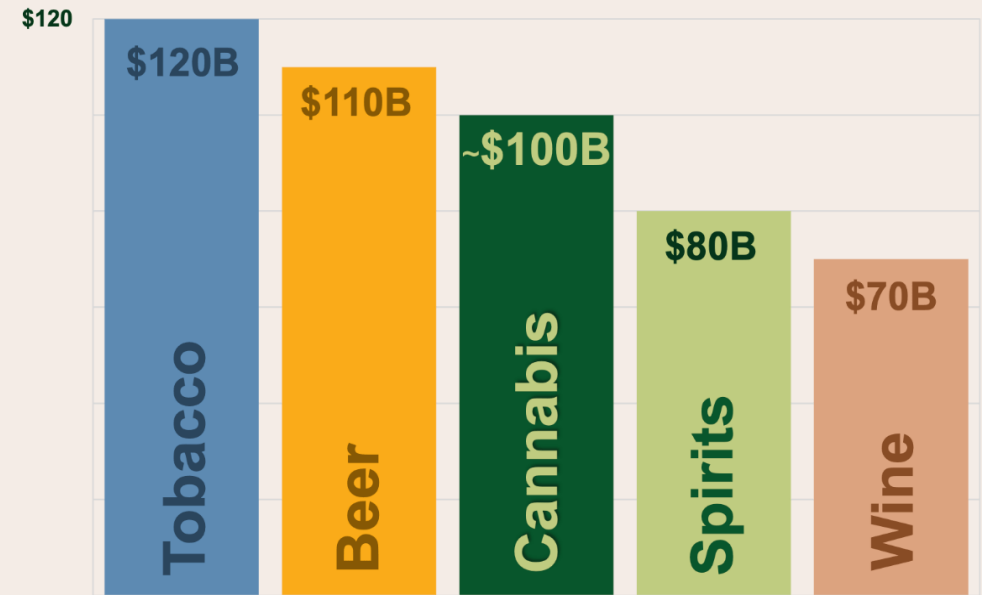
For example, **Massachusetts** is officially [collecting more tax revenue from marijuana than alcohol](#), state data released last month shows. As of December 2021, the state took in **\$51.3 million from alcohol** taxes and **\$74.2 million from cannabis** at the halfway point of the fiscal year.

Projected U.S. cannabis market opportunity rivals alcohol + tobacco, driven by access to legal sales channels + new consumer adoption

Illinois also saw [cannabis taxes beat out booze for the first time](#) last year, with the state collecting about **\$100 million more from adult-use marijuana than alcohol during 2021**.

Arizona: Tax deposits to the state general fund from medical and adult-use **cannabis reached about \$6.3 million** in March, compared to **\$1.7 million from tobacco** and **\$3.7 million from alcohol** sales

US Market Size (\$B)





Thank You!

