

SO, YOU WANT TO OPEN A MMJ ACCOUNT

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AGENDA

- Policy
- Procedures
- BSA/AML risks
- Reputational risks
- Word to the wise

POLICY CHANGE



Discussion with Board

- Types of accounts bank would offer (DDA, Savings, CD, loan)
- Types of transactions bank would allow (taxes, payroll, bills, fully transactional)
- How many accounts is enough? Too many?
- Charge a fee? What type of fee? More than one fee?
- Exit strategy?
- Escalation/authority to make exceptions to the bank's policy?

PROCEDURE CHANGE

Discussion with Management and Staff

- Documentation of account opening AND maintenance
- Additional information required by bank policy?
- New or Different chain of account opening procedures?
- Training
 - New accounts person
 - Tellers
 - Business / Relationship officers
 - BSA / AML staff
 - Management

BSA/AML RISKS

- Prudential regulator (FDIC, FRB, or OCC)
- Regulatory guidance (FinCEN & Cole Memorandums)
- CIP
- CDD (new rules effective 7/11/2016, mandatory compliance by 5/11/2018)
- Current customer base
 - Credit unions
 - Armored cars
 - Individuals
 - Private ATM
 - Security firms
 - Related companies
- Currency transaction reporting
- On-going monitoring (use of software, manual, frequency of monitoring)
- Continuous SAR filings
- Job/role specific training

REPUTATIONAL RISK – WHAT IF . . .



- Existing customers find out you have MMJ accounts
- Regulators place an enforcement order?
- Law enforcement actions?

WORD TO THE WISE...

Example: small credit union in Colorado

- They have 67 MJ accounts and “hundreds” of related accounts (employees, vendors, related companies)
- 13 dedicated staff (3 compliance officers, 10 personal bankers)
- President must approve the account opening
- Due diligence completed by personal banker and compliance officer (team)
- DDA accounts, no restrictions
- No loans
- Cost consideration
 - Fees amount to about \$500,000 - \$600,000/year
 - Some members closed their account after learning the CU held the MJ accounts
 - President meets with regulators quarterly (NCUA & FRB)

WORD TO THE WISE...

Example: MJ company in Colorado

- Grower & retail sales (recreational)
- Law enforcement raids
- Restart costs

WORD TO THE WISE...

Existing business customer wants to open an account. Tells you it is for an agriculture business. Bank policy allows for MMJ accounts with limited transactions for payment of taxes and payroll.

What questions should you ask?

You are the new accounts person.

You are the new accounts review person (branch manager).

You work in the BSA department.

WORD TO THE WISE...

New customer wants to open an account. The new accounts person gathers the place of employment which is one of the MMJ dispensary operations. Bank policy allows for a limited transaction account.

What questions should you ask?

You are the new accounts person.

You are the new accounts review person (branch manager).

You work in the BSA department.

WORD TO THE WISE...

Existing customer is noted on a frequent cash transaction alert from the bank's software. Customer's previous transaction behavior does not include frequent cash deposits.

What questions should you ask?

You work in the BSA department.

What if the customer was an individual?

What if the customer is a business?

WORD TO THE WISE...

Board member approaches the BSA Officer and asks you to authorize an existing high value customer to be allowed to open a MMJ related account. Board member says this is not really a MMJ account, the existing high value customer established a security company to provide exclusive security guards for the MMJ dispensary. Bank's policy is no MMJ accounts.

What questions should you ask?

WORD TO THE WISE...

An employee's family member was assaulted outside the MMJ company after payday. The news and media surmises the increased crime is related to the cash transactions at the various companies related to MMJ (grow sites, manufacturing/production, and retail sales). The employee asks management to reconsider the Bank's policy not to hold MMJ accounts.

How should management respond?

Media finds out that your bank refused to open the account and the assault could have been avoided if the employee could have been paid by electronic payment.

How should management respond?



CLOSING COMMENTS



Considerations if your bank wants to open an MMJ account:

- Policy changes
- BSA/AML risks – how much risk is the bank willing to take
- Reputational risks – how will customers feel if the bank is known to have MMJ accounts
- De-risking accounts
- Election

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