



Banking The Hemp Market

by [Steve Brown](#) Topics: [risk management](#), [compliance](#), [business customers](#)

Summary: When it comes to targeting businesses that offer hemp products, things are shifting so bankers should be aware. A new farm bill legalizes hemp, but there are still challenges out there for bankers.

Kantar research finds marketers are slowly evolving away from gender, but they still have a ways to go. For instance, they found advertisements of baby, laundry and household cleaner products are 98% targeted to female audiences, while motor oil brands are 71% targeted at male audiences. Obviously either gender can buy any of these products, so depending on who shops that day, sales could be lost or found. This could be interesting for banks too, as you rethink the buying process for your own products.

When it comes to targeting businesses that offer hemp products, things are also shifting, so bankers should be aware. The Farm Bill that was signed into law in December 2018 essentially legalizes hemp throughout the US. It paves the way for businesses to develop, market, and sell products, including cannabidiol (CBD) oil, that were illegal until very recently. Those businesses will need bank accounts and new customer opportunity could be there for some banks (but be sure to have tight BSA processes too). We offer interested banks some tips.

Ensure the business is legal. The 2018 Farm Bill exempts hemp from the laws that prohibit marijuana. The two plants are related, and it's possible to squeeze a tiny amount of THC, marijuana's active ingredient, from hemp so you need to be careful. The bill says it is unlawful to grow hemp without a federal license, or in a state that lacks a plan for regulating hemp.

Understand the regulations. States can create regulatory and monitoring plans and submit these to the Secretary of Agriculture. If they don't, or if the Secretary of Agriculture rejects the plan, hemp-related firms will have to do business under whatever regulatory framework the Secretary of Agriculture develops.

Notice that most of the preceding paragraph is in the future tense. As of this writing, there are no federal, state, or tribal plans, permits, or regulations -- not yet, anyway. The law doesn't address this apparent gap.

Take extra precautions. Even if you're satisfied that a customer's hemp business is legal, you may still decide to treat the client as high risk under enhanced due diligence (EDD) for BSA and therefore subject to additional due diligence. As with all high-risk customers, you'll need to understand the business and monitor its transactions for hints of unlawful activity.

Expand diligence sphere. In addition to your standard diligence, you should ask hemp-related businesses extra questions. Find out things like whether they have a state or federal government issued license; whether the producer has a period of ineligibility; any unusual circumstances; the firm's current status; whether they have ever been denied a license or been subject to a corrective action plan and any violations, steps for remediation, and the firm's current status.

Ask the customer to help you. You'll also want a written agreement saying that the client will update you on licensing information and tell you right away if they are ever in violation of licensing or regulatory rules. In the spirit of "trust but verify," you should also subscribe to any law-enforcement information regarding licensing status and confirmed violations.

Finally, good luck to all of those banks seeking to grow hemp businesses in their loan and deposit portfolios.

ECONOMY & RATES

Rates As Of: 02/11/2019 11:18AM (PST)

Treasury	Yields	MTD Chg	YTD Chg
3M	2.42	0.04	0.07
6M	2.49	0.04	0.02
1Y	2.54	-0.00	-0.06
2Y	2.49	0.03	0.00
5Y	2.47	0.04	-0.04
10Y	2.66	0.03	-0.03
30Y	3.00	0.00	-0.02
FF Market	FF Target	Fed Disc	
2.40	2.50	3.00	
SOFR	Prime	Unemp	
2.37	5.50	4.00	

[More Market Rates](#)

BANK NEWS

Business Tool

[Bank of America just unveiled](#) a new small business digital dashboard called Business Advantage 360, which allows business owners to better track and manage their finances using their digital devices. Any business client with a deposit account is eligible for this new tool. This is a clever way to get more business customers and deposits.

Global Outlook

[The World Bank lowered its forecast](#) for the global economy as increasing interest rates and decreasing trade has dragged down global momentum. It predicts 2.9% global growth for this year, a decrease of 0.1% since its June forecast. It decreased its predictions for growth in emerging markets by 0.5% to 4.2%.

M&A Activity

1) Lewis & Clark Bank (\$199mm, OR) will acquire Clatsop Community Bank (\$102mm, OR) for about \$15mm in cash and stock or about 1.29x tangible book. 2) United Community Bank (\$12.5B, GA) will acquire First Madison Bank & Trust (\$258mm, GA) for about \$52mm in cash (100%).

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