



STATE OF CALIFORNIA

## Department of Business Oversight

GOVERNOR **Gavin Newsom** • COMMISSIONER **Manuel Alvarez**

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### **Department of Business Oversight Issues Cannabis Banking Guidance**

SACRAMENTO – The California Department of Business Oversight (DBO) today issued [guidance](#) to state-chartered financial institutions regarding banking relationships with cannabis-related businesses as more banks and credit unions choose to bank the industry.

The guidance, issued in the form of an extensive questionnaire used by examiners, is part of the DBO's continued effort to assist banks and credit unions that serve the cannabis-related businesses in California and will help financial institutions make appropriate risk assessments and comply with federal guidelines. The DBO developed the questionnaire for the growing number of state banks and credit unions establishing banking relationships with cannabis-related businesses. Additional financial institutions are considering pilot programs for cannabis banking.

“If financial institutions choose to serve the cannabis market, they must understand risks and build out their compliance infrastructure accordingly,” said Commissioner of Business Oversight Manuel P. Alvarez. “By making this questionnaire available to our licensees, we hope it can serve as an additional resource for banks and credit unions as they roll out their cannabis banking programs.”

Consumers, businesses, and law enforcement have been concerned about the lack of banking access for cannabis-related businesses. Historically, the cannabis industry dealt primarily in cash, posing a significant public safety risk, among other concerns. Since California's cannabis regulators began issuing licenses in 2018, the number of state-legal cannabis businesses has increased, but many businesses have struggled to obtain basic banking services amid financial institution concerns about complying with federal law.

The DBO questionnaire addresses financial institutions' cannabis program governance and compliance with the federal Bank Secrecy Act (BSA), with a focus on the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN) [guidance](#) on cannabis banking. The questionnaire tracks the FinCEN guidance, calling attention to customer due diligence, ongoing monitoring and filing requirements, along with priorities and potential red flags identified by FinCEN.

The FinCEN guidance, issued in 2014, includes federal law enforcement priorities taken from parallel guidance issued by the U.S. Department of Justice (Cole Memo). Although the Justice Department rescinded the Cole Memo in 2018, the FinCEN guidance remains in effect.

In line with Proposition 64, the DBO also reaffirmed today that it will not bring regulatory actions against state-chartered banks or credit unions solely for establishing a banking relationship with licensed

cannabis businesses. These financial institutions will still be required to comply with FinCEN's BSA expectations, including the FinCEN guidance and priorities set forth in the Cole Memo, and identify, evaluate, and manage risks appropriately.

"We stand ready to assist our licensees to make sure they properly develop their cannabis banking initiatives," said Commissioner Alvarez. "We will not be an obstacle to banks and credit unions that adhere to federal expectations regarding cannabis-related businesses and responsibly manage their risk."

As an additional resource, earlier this month, the Conference of State Bank Supervisors (CSBS) released a [document](#) to aid bank examiners with examinations of institutions that may be banking cannabis-related businesses.

The DBO encourages state-chartered banks and credit unions to utilize the questionnaire and CSBS guide as they consider establishing banking relationships with cannabis-related businesses operating in California in full compliance with all applicable state laws and regulations and consistent with each financial institution's risk assessments.

The DBO licenses and regulates more than 360,000 individuals and entities that provide financial services in California. The DBO's regulatory jurisdiction extends over state-chartered banks and credit unions, money transmitters, securities broker-dealers, investment advisers, non-bank installment lenders, payday lenders, mortgage lenders and servicers, escrow companies, franchisors and more.

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