



ROADMAP 2.0

Cannabis Banking, Financial Services & Insurance



COLORADO
Department of
Regulatory Agencies

Colorado Department
of Regulatory Agencies





On Feb. 3, 2020, Gov. Jared Polis and the Colorado Department of Regulatory Agencies (DORA) unveiled its first [“Roadmap to Cannabis Banking & Financial Services.”](#)

This roadmap was primarily aimed at increasing the number of financial institutions in Colorado serving the cannabis industry, as well as working to identify barriers related to banking the cannabis industry and strategies to overcome them.

This State-led strategy was developed to demonstrate its support for both Colorado’s financial services industries and its cannabis industries, as federal legislation to legalize banking access nationally continued to languish.

Department of Regulatory Agencies

Since being introduced, the SAFE Banking Act, which would prohibit federal regulators from penalizing financial institutions for working with marijuana-related businesses, passed with bipartisan support in the U.S. House of Representatives seven times, but has not, to date of this report, received the same support in the Senate.

With no federal banking solution yet in sight, the 2020 Roadmap’s priorities identified specific goals and strategies that provided support and guidance for both financial services industries and cannabis industries, as well as provided relevant outreach objectives in lieu of a federal solution.





Wildly Important Goal

The two State divisions primarily involved with the implementation of the Roadmap to Cannabis Banking and Financial Services (2020 Roadmap) are the Colorado Division of Banking and the Colorado Division of Financial Services at the Colorado Department of Regulatory Agencies (DORA). These two divisions share a Wildly Important Goal (WIG) of working with its regulated entities on increasing banking and financial services access to the cannabis industry across the State.

This WIG now includes expanding the 2020 Roadmap to include additional priorities, such as addressing capital and small business loans, insurance, bank account stability and affordability, and marketplace equity and inclusion. As such, this expanded roadmap has earned the name, "Roadmap 2.0".

Vision

The Office of Governor Jared Polis and the Colorado Department of Regulatory Agencies (DORA) are committed to creating a regulatory landscape that fosters access to the full scope of banking and financial services for state-regulated cannabis-related businesses.

While Roadmap 2.0 is expanded in scope, the intent remains unchanged from the 2020 Roadmap, and strives to continue:

- Creating a regulatory landscape where banking and financial service opportunities can be cultivated and as accessible as those afforded to other industries;
- Exploring emerging technologies and alternative financing opportunities.
- Identifying opportunities for legislative and regulatory clarity for state-chartered financial institutions, state-licensed money transmitters and state-regulated insurance companies that seek to serve cannabis-related businesses.

The Colorado Department of Regulatory Agencies (DORA)

[DORA](#) is an umbrella state regulatory authority that consists of ten distinct divisions. The DORA divisions involved in this roadmap are the [Division of Banking](#), the [Division of Financial Services](#) and the [Division of Insurance](#).



The Division of Banking (DOB)

is responsible for the regulation of state-chartered commercial banks, trust companies, and state licensed money transmitters. As part of their charge, the staff conducts examinations of state-chartered institutions and licensees within their jurisdiction. The DOB works closely with the Federal Reserve Bank ([FRB](#)) and the Federal Deposit Insurance Corporation ([FDIC](#)) in the regulation of commercial banks and is responsible for the enforcement of the Public Deposit Protection Act to protect public entity deposits held by state and national banks. The DOB also uses guidance from the Conference of State Bank Supervisors ([CSBS](#)), which, since the release of the 2020 roadmap, issued its [Cannabis Job Aid](#) for bank examiners.

The Division of Financial Services (DFS)

is responsible for the regulation of state-chartered credit unions, savings and loan institutions and life care institutions. The DFS works closely with the National Credit Union Administration ([NCUA](#)) in the regulation of credit unions and the FDIC in the regulation of savings and loan associations and is responsible for the enforcement of the Public Deposit Protection Act to protect public entity deposits held by state and federal savings and loan associations. Further, the division is responsible for the regulation of certain financial activities of life care institutions. These two divisions had worked to achieve the Governor's FY 2019-20 Wildly Important Goal of increasing by 20% the number of cannabis-related businesses that receive banking and financial services, increasing from 18% to 38%, by June 30, 2020, in order to reduce concerns about public safety associated with commercial businesses operating in an all-cash environment.



The Division of Insurance (DOI)

regulates the insurance industry in Colorado. DOI regulates insurance companies and insurance agents, reviewing and analyzing companies' proposed premiums and policy benefits, as well as monitoring the financial health of insurers. DOI also serves as an information resource for Coloradans to help them understand their insurance and investigate consumer insurance complaints.

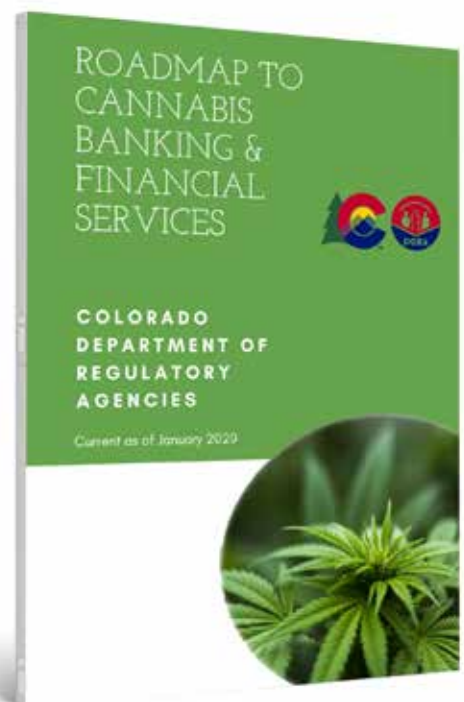
The DOI is currently working on engaging the insurance industry on overcoming barriers to servicing the cannabis industry.

2020 Roadmap Priorities

Seven priorities were outlined in the [2020 Roadmap](#), which was developed to provide a pathway to encourage greater access to financial services offered for the State’s legal cannabis – marijuana and industrial hemp – industries. The 2020 priorities served as a path from which to evolve and enhance.

The 2020 Roadmap also recognized that the priorities outlined would not supplant any federal legislative and regulatory solution, but rather would convey a critical message that Colorado’s regulatory environment is supportive, seeks innovations and transparency, and encourages solutions that support both maintaining the safety and soundness of Colorado’s state-chartered financial institutions while supporting statewide initiatives that work to establish a responsible, compliant and thriving legalized state cannabis industry.

The State recognizes that there are many different facets of Colorado’s robust cannabis industry. In this document, the term “cannabis” is used to refer to both marijuana and hemp licensed businesses or entities, unless the words “marijuana” or “hemp” are referenced specifically.





1.

Establish a Working Group

Hold monthly meetings with DORA's Executive Director's Office, various Division Directors and respective Division leadership.

Actions

In FY20-22, DORA held monthly internal meetings to discuss emerging trends, ideas and ways to improve the coordination of efforts between state agencies and the priorities in the cannabis banking and financial services space. In addition, the department's Divisions of Banking and Financial Services held quarterly training sessions with division examiners to keep them abreast of new developments.

Status

Fulfilled

Increase Transparency

Improve coordination with the Governor's Office, and with other state agencies, by participating in the Colorado Hemp Advancement & Management Plan ([CHAMP](#)) and through engagement with the Department of Revenue.

Actions

In FY20-22, DORA banking, financial services and insurance representatives served on the Governor's Cannabis Cabinet and reported progress at monthly meetings.

The Colorado Department of Agriculture ([CDA](#)) convened regular virtual meetings with state agency project directors who worked to develop the CHAMP report.

The Marijuana Enforcement Division ([MED](#)) at the Colorado Department of Revenue (DOR) invited DORA and other state agency representatives to participate in stakeholder engagement meetings across the state, including rulemaking regarding advancing the proposed social equity policies.

Status

Fulfilled*





3.

Engage Trade Associations

Engage current Colorado regulated financial services entities regarding cannabis-related companies and individuals that need basic banking service, and hire an innovation strategist.

Actions

After hiring DORA's Stakeholder & Innovations Strategist, the department set a goal of one direct outreach effort per month with state-chartered banking and financial services stakeholders to help identify barriers to service offerings in the cannabis space. The department significantly exceeded that goal, conducting 20 total efforts in FY 20-21.

Although the COVID-19 pandemic resulted in these meetings and presentations being conducted virtually, highlights included the Cannabis Research Conference, the Colorado Municipal League Conference, as well as banking and financial services industry roundtables and conferences.

This included DORA organizing a statewide townhall for [Banking, Financial Services, Insurance & Economic Development for Cannabis Businesses](#).

DORA hosted the townhall, in partnership with the Office of Governor Polis, MED, CDA, joined by leadership from the Office of Economic Development and International Trade ([OEDIT](#)), the Colorado Energy Office ([CEO](#)), and the office of former Congressman Ed Perlmutter. The townhall included presentations by representatives from the public and private banking, insurance, legal and economic development sectors. More than 400 attendees joined the conversation that spanned from the challenges of providing financial and insurance services to legal cannabis-related businesses, to social equity within the industry, to economic development and resilience.

[See the agenda](#) or [access](#) the recording of the townhall.

Status

Ongoing*



4.



Encourage New and Emerging Technologies

Issue regulatory guidance and consumer information related to emerging technologies. Get legal guidance from the Attorney General related to the [Money Transmission Act](#) and the [Trust Companies Act](#).

Actions

Governor Polis has encouraged exploring blockchain technology among other emerging technologies to reduce barriers for state-chartered financial institutions and state-licensed money transmitters.

Representatives of DORA divisions meet quarterly to discuss fintech innovations, blockchain and issues related to emerging technologies. Consumer protection issues and developments related to consumer adoption and use of unregulated financial technologies are shared via e-newsletter and consumer advisories.

The fastest growing sector of new and emerging technologies regulated by DORA are state-licensed money transmitters. The Division of Banking issued the [Interim Guidance for Cryptocurrency](#) and the [Colorado Money Transmitter Act](#) guidance, and continues to make that guidance available via outreach and on the Division's website.

However, to date, none of approximately 135 Colorado licensed money transmitters advertise its services to the cannabis industry in the state.

Status

Ongoing

5.



Provide Regulatory Guidance

Provide regulatory clarity related to the state regulator's expectations and requirements of state-chartered financial institutions under the Bank Secrecy Act ([BSA](#)) and Anti-Money Laundering ([AML](#)) compliance requirement, and engage other states to derive best practices.

Actions

The Division of Financial Services directs credit unions interested in providing services to the cannabis industry to follow the guidance provided by The Financial Crimes Enforcement Network ([FinCEN](#)). Although the [Cole Memorandum](#) issued by the U.S. Department of Justice was rescinded in Jan. 2018, the Division still encourages its supervised entities to consider incorporating the priorities as best practice in the entities' policies and procedures. The DFS issued bulletins for [Guidance for Credit Unions and Cannabis Banking](#) and [Industrial Hemp](#).

The Division of Banking shares the [Cannabis Job Aid](#) with its state-chartered institutions. The Job Aid provides information to financial institutions and regulatory authorities regarding the risks associated with the cannabis industry.

Additionally, the State Bank Commissioner and the Financial Services Commissioner provided guidance via their normal course of business with its financial institutions and during roundtable sessions hosted by industry associations.

Status

Ongoing*

Reduce Barriers to Entry While Upholding Guardrails for Consumer Protection

Priorities

Evaluate the current chartering and licensing requirements for state-chartered financial institutions and state-licensed money transmitters.

Actions

The Division of Banking and the Division of Financial Services evaluated chartering and licensing requirements for current state-chartered commercial banks, trusts and credit unions, and licensed money transmitters, as well as processes for new market entrants.

The Division of Banking Board is an independent Type 1 board which reviews and approves applications for new commercial banks, trust companies and money transmitters. The Commissioner of the Division of Financial Services reviews and approves applications for new credit unions.

Commissioners with the Division of Banking and the Division of Financial Services determined that there are no provisions in the licensing or chartering requirements that prohibits a state-chartered bank, credit union or licensed money transmitter from servicing the cannabis industry, provided that the institution's business model meets standard licensing requirements, which includes a BSA/AML compliance program.

Providing services to the industry is, therefore, a business decision made by each financial institution.

Status

Ongoing



7.

Demonstrate Support

Priorities

Submit a letter in partnership with other state bank regulators in support of federal legislation.

Actions

In a letter to Congress, dated April 11, 2019, the Division of Banking joined other state bank regulators encouraging the passage of the SAFE Banking Act.

Status

Fulfilled



* As part of the Division's standard course of business.

Since the release of the 2020 Roadmap and its seven priorities, DORA's banking and financial services divisions have worked together to achieve the Governor's WIG of increasing financial services to Colorado's cannabis industry. The agency nearly met its goal, with businesses receiving these services climbing from 18% to 36%.

Looking Forward

Colorado's cannabis and financial services industries are rapidly evolving – especially in the wake of the COVID-19 pandemic. In the years since legalization, Colorado had mostly seen increases in cannabis-related revenues*, as well as visibility, transparency, dialogue and acceptance of our legal regulated cannabis industries.

Since the 2020 Roadmap was issued, the number of state chartered banks and credit unions accepting cannabis industry clients increased by 18%, and DORA's progress continues by providing regulatory clarity, identifying challenges and exploring potential solutions that would make the full spectrum of financial services accessible to cannabis businesses.

Why a Roadmap 2.0?

Even with these positive developments, the overall number of state-chartered banks, credit unions and money transmitters offering services to this industry remains low compared to the number of these financial institutions with state charters, and services continue to lag behind the industry's needs as it has evolved.

Further, demands and challenges related to insurance providers servicing the state's cannabis industry are connected to financial services challenges. The Roadmap 2.0 now includes the Colorado Division of Insurance in order to address insuring cannabis businesses.

Since the COVID-19 pandemic, Colorado's cannabis and financial services industries continue to face a number of new, as well as ongoing challenges, which require a fresh take at developing key strategies to tackle them.

There are a number of other state agencies that are working on initiatives to help the cannabis industry thrive. These initiatives may face added challenges when the financial services or insurance options remain limited.

This demonstrates a need to continue to communicate the State's goals and priorities to both financial industries and to cannabis industries in order to continue establishing a level of comfort for our state-chartered financial institutions and insurance companies to consider servicing this space – requiring this Roadmap 2.0.

The SAFE Banking Act

The biggest hurdle in providing the full scope of banking, financial and insurance services to the cannabis industry, is that marijuana remains illegal under federal law, and industrial hemp THC levels can test “hot” enough, making it non-compliant plant material (i.e. illegal marijuana).

Numerous financial institutions, state and local agencies such as DORA and financial industry trade associations have publicly issued support of the SAFE Banking Act, which would provide financial institutions with a safe harbor to service the cannabis industry. The SAFE Banking Act has been introduced in each congressional session since 2013. To date, the SAFE Banking Act has passed the U.S. House of Representatives seven times, most recently as an amendment to the 2023 National Defense Authorization Act. These bills were not passed by the U.S. Senate.

*2022 revenue from January - July is lower than the same seven months in 2021 by over 20%, suggesting that 2022 was the first year that cannabis-related tax revenues in Colorado decreased.

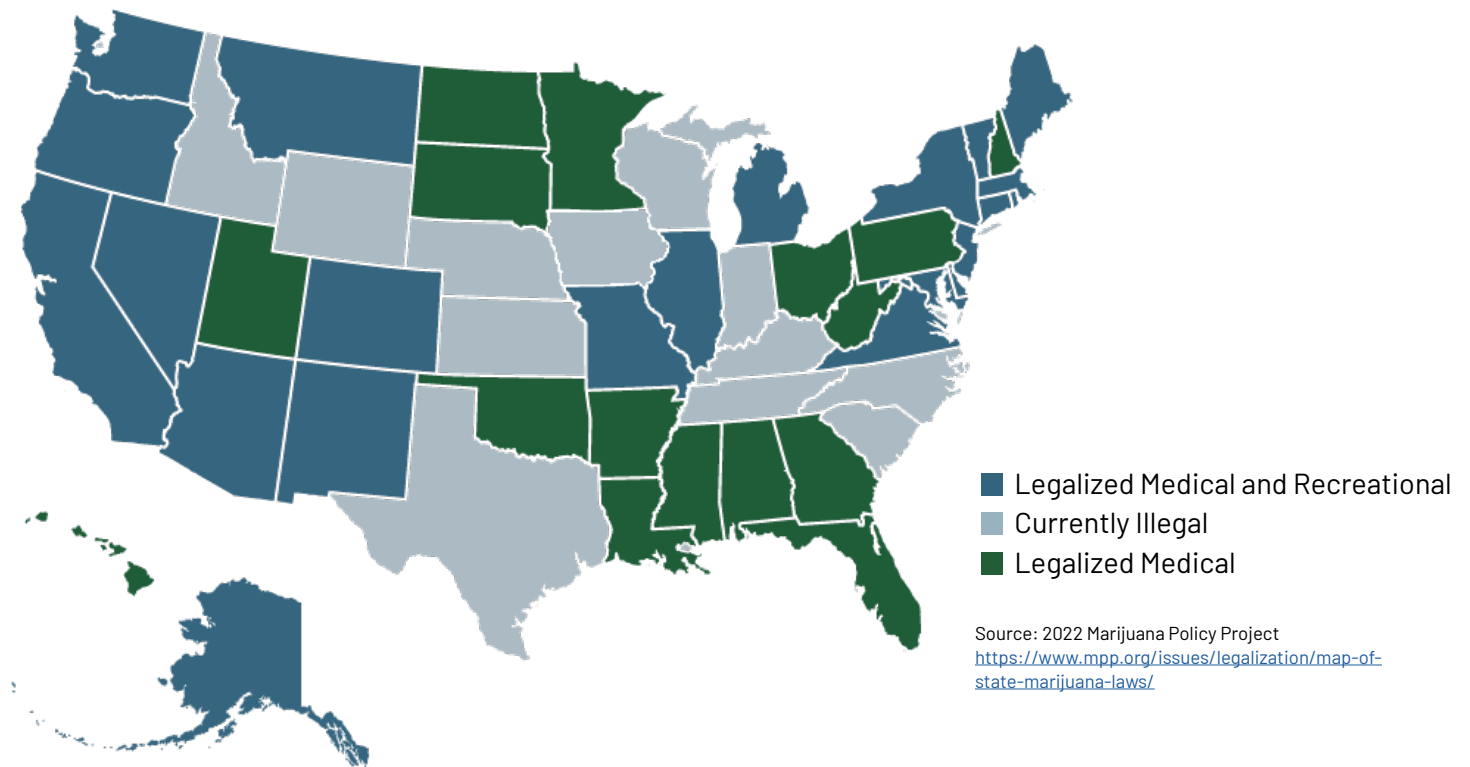
Sources:

<https://cdor.colorado.gov/data-and-reports/marijuana-data/marijuana-sales-reports>

<https://cdor.colorado.gov/data-and-reports/marijuana-data/marijuana-tax-reports>



Background & Scope



At the time of this report, marijuana has been legalized and regulated in some form in 39 states, the District of Columbia (D.C.), and four U.S. territories – Puerto Rico, the Virgin Islands, Guam, and the Northern Mariana Islands – despite it still being illegal at the federal level. Recreational or adult-use laws were approved in 21 states and D.C.

With more than half of the states passing some type of marijuana legalization laws, an official statement issued from White House in October 2022 on marijuana reform, President Biden stated he is initiating “the administrative process to review expeditiously how marijuana is scheduled under federal law.”

Colorado has been a global trailblazer in the cannabis industry since 2000, when voters legalized medical marijuana for personal use. In 2010, Colorado developed and implemented a commercial medical marijuana regulatory structure. In 2012, Colorado voters became the first state in the nation to legalize retail marijuana, with sales beginning in 2014. Also in 2014, Colorado established its pilot program for industrial hemp. When the 2018 Farm Bill legalized hemp at the federal level, Colorado established an integrated statewide initiative known as the Colorado Hemp Advancement & Management Plan (CHAMP).



Colorado has effectively cultivated a thriving marijuana and industrial hemp industry while applying critical safety measures, involving regular communication and coordination between our state government, local jurisdictions and the private sector.

Colorado state-chartered banks and credit unions that provide deposit services to cannabis companies keep cannabis money off the streets.

Millions generated from marijuana taxes have been dedicated to improving the state's public schools and providing much-needed capital for construction. The impact of Colorado's marijuana industry was noted in an October 2022 Federal Reserve Bank of Kansas City [economic bulletin](#) when comparing it to other states within its district.

Colorado state-chartered banks and credit unions that provide deposit services to cannabis companies keep cannabis money off the streets. As required by [FinCEN](#), banks and credit unions must file Currency Transaction Reports (CTRs) and Suspicious Activity Reports (SARs) on all marijuana related deposits.

But this isn't the case for all cannabis revenues. The dollars that remain outside of established banking and financial services systems increase risk to the whole cannabis industry and those who work in it, making it more prone to robbery, theft or money laundering, and forestalling legal investment or application to critical needs, like improving public schools and reducing youth use.

For more about the history of legal marijuana and hemp in Colorado, see [page 3 in the 2020 Roadmap](#).

Regulatory Challenges



Although there are no chartering or licensing requirements limiting a financial institution's capacity to serve the cannabis and hemp industries in Colorado, without a federal solution, Colorado state-chartered banks and credit unions continue to approach serving the cannabis industry with extreme caution.

A financial institution that has developed a cannabis program has a board of directors that is supportive of accepting cannabis businesses and the resources to maintain a robust staff trained in risk and compliance. While the institution makes business decisions as to the types of permissible services and accounts to offer, financial institutions must have a Bank Secrecy Act and Anti-Money Laundering compliance program (known as BSA/AML) commensurate with the level of complexity and risks involved.

In addition, access to credit card processing systems for the cannabis industry continues to be prohibited. Even with improved access to depository services in the past three years, the cannabis industry remains highly reliant upon cash as a primary payment method, which poses concerns for public safety, or alternative cashless technology methods, which are a regulatory and compliance concern.

Given the increased costs and risks associated with providing service to the cannabis industry, along with legal and reputational risks, the vast majority of Colorado's state-chartered banks and credit unions have generally not implemented such services for the cannabis industry.

Industry Guidance



Banks and credit unions rely upon federal guidance documents to develop risk management practices to provide banking services to the cannabis industry. In addition, bank and credit union regulators, including the Colorado Division of Banking and Colorado Division of Financial Services, use guidance documents to help assess the effectiveness of a bank's policies, procedures, and practices when reviewing an institution's BSA/AML program and responsibilities as it relates to banking the marijuana industry. In general, the guidance documents are good references.

For a review of early regulatory guidance and enforcement priorities, [see pages 4-5 of the 2020 Roadmap](#).

Given the considerations at the federal level, Colorado state-chartered financial institutions seeking to serve state-licensed cannabis-related businesses should review all guidance documents in order to develop specific business objectives, evaluate risk, and determine its capacity to manage a cannabis banking program effectively.

Colorado credit unions and banks continue to refer to the Cole Memo (which was rescinded in 2018) as guidance for its risk management program, and to FinCEN for filing marijuana-related SARs.

The DFS issued a bulletin for credit unions that outlines [specific expectations](#) for developing a cannabis banking program, as well as [BSA expectations](#) regarding industrial hemp. And since the release of the 2020 Roadmap, the [CSBS's Cannabis Job Aid](#) serves as the most current roadmap for regulators to thoroughly examine a financial institution's BSA compliance and cannabis banking programs.

This job aid provides references to various regulatory guidance specific to both hemp and marijuana-related businesses and citations to specific BSA compliance regulations. It can be used as a reference point or checklist by financial institutions to ensure that the institution has a safe and sound compliance program in place to manage, measure, monitor and mitigate risks associated with offering marijuana banking programs and services.



Emergence of Fintech Payment Solutions

Over the past several years, the Division of Banking has received inquiries from fintech (financial technology) companies to be licensed as a money transmitter to service the industry, but to date no licensed money transmitter company is focused primarily on the cannabis industry in Colorado.

Vendors developing and offering online and blockchain systems solutions for financial institutions and cannabis businesses are becoming more prevalent and work to market their innovations at industry conferences and conventions.

There are currently companies that are set up to take ATM/debit payments for delivery of marijuana products, and other models of debit-card payment networks available, however, the major credit card companies still do not allow cannabis sales.

Options for Accessing Capital

In Colorado's 2019 legislative session, [House Bill 1090](#) repealed a number of provisions, including the provision that prohibited publicly traded corporations from holding a marijuana license. The legislation resulted in a significant change to the MED's licensing framework and disclosure requirements for ownership. The new ownership definitions allowed for greater flexibility for investors investing in cannabis companies.

Some Colorado companies focusing on investment and banking of cannabis companies have gone public, while some national banks with dedicated marijuana banking programs have begun to explore more traditional business lending options and backing funding for grants. While these developments signal that progress is being made, access to the full suite of financial services still remains largely elusive to the cannabis industry.

Insurance Regulatory Challenges - Admitted Carriers vs. Surplus Lines



The Colorado Division of Insurance ([DOI](#)) regulates the insurance companies and insurance producers (agents and brokers) in the state. Progress has been made in acceptance of cannabis companies since 2019.

Just a few years ago, the few insurance companies serving cannabis businesses wanted to remain anonymous. Now there are companies openly covering cannabis businesses.

While there are a few states with admitted insurance carriers, most of the cannabis industry is purchasing its insurance through the non-admitted market. An admitted insurance company is one that has met regulations set by a state's department or division of insurance. In Colorado, the DOI verifies that their policies, forms and rates follow state insurance regulations, and that they meet the financial requirements to sell insurance in Colorado. A non-admitted insurance company is generally exempt from state regulations, and in most cases, state insurance laws. If a policyholder has an issue with a non-admitted insurer, the policyholder typically cannot appeal the situation to the DOI. The non-admitted market is more commonly referred to as the surplus lines market.



One result of this is that it is challenging, if not virtually impossible, for state regulators to assess the size and extent of insurance coverage, in both availability and affordability along with coverage for cannabis businesses.

Some admitted carriers write coverage primarily in their domiciliary state or immediate region, or for a specific component of the marketplace, e.g., retail dispensaries, for general liability.

What state regulators do know is that there is a burgeoning market for cannabis coverage in the surplus lines and Managing General Agent (MGA) program arena. Managing general agents often affiliate with one or more insurance companies to provide a comprehensive insurance program to address a variety of risks including general commercial liability, premises liability, employer liability, workers compensation for employees, commercial vehicle, and fire protection.

Reports vary on the number of insurance providers providing coverage to cannabis businesses. Nonetheless, a Google search of commercial insurance for cannabis businesses will yield several references to entities, primarily surplus lines brokers or managing general agents/underwriters, which “specialize” in writing coverage for cannabis businesses or have an insurance “program” for cannabis businesses.

As more insurance companies feel comfortable writing insurance in this industry, the Division of Insurance anticipates seeing the market move from non-admitted to the admitted market, similar to other products.



Stakeholder Outreach

In Spring 2021, the DOI held a series of webinars to both educate cannabis-related industry about insurance challenges in this space, as well as to hear first-hand from these businesses about their experience in trying to obtain insurance. The Division also wanted to ensure the insurance industry could understand the significant and well-organized regulation of the cannabis industry in the state.

Four webinars were held with the topics of:

- 1) How is cannabis regulated in Colorado?
- 2) Data - Who has it and who needs it?
- 3) Cannabis Industry Insurance - Who's offering it and who's interested?
- 4) Moving to the future.

Attendance averaged over 50 people per webinar and there was significant representation from the insurance industry, as well as a number of other state divisions / departments of insurance (Vermont, Oregon, Washington).

Recordings of these webinars, as well as the presentations for each, can be found on the Division of Insurance website for [Cannabis Business Insurance](#).

While the industry did get a clear view of the regulatory environment for cannabis in Colorado, and attendees all understood the value of insurance for cannabis businesses, insurers have still proven unwilling to move into this space as there have been no changes regarding cannabis at the federal level.

Overview

During FY20-21, DORA collaborated with the Department of Revenue's [MED](#) and its [Taxation Division](#) on questionnaires to Regulated Marijuana Licensees.

The purpose of these questionnaires was to both qualify and quantify some of the primary challenges and limitations experienced by licensees in seeking, obtaining or maintaining traditional bank accounts, financial services and insurance for their cannabis businesses.

A questionnaire, issued in December 2020 to all licensed MED businesses that included retail and medical marijuana license holders, contained quantitative-based questions with opportunities to provide additional narratives.

As of June 2020, MED had issued a total of 2,697 medical and retail licenses.

A total of

111

respondents

representing a total of

464

licenses

approximately

17%

of total MED license holders –
responded to the questionnaire

Not all questions were mandatory, and the number of responses per individual question were varied.

Out of 111 respondents, 89 indicated they are banked. Over

80%

responded that they either have – or have sought – banking services with a Colorado based community bank or credit union.

However,

76%

of respondents said the process to obtain and maintain account services is “complicated,” and experience more barriers than opportunities for **stability with those services.**

According to the responses, high monthly fees and account closures remain two primary obstacles for businesses in this industry. While DORA and MED received numerous anecdotal reports during stakeholder outreach, the extent of the issue had not yet been quantified.

These same issues were not as present in the data regarding obtaining and keeping insurance – 83% of respondents to this question indicated that their businesses are insured. However, respondents noted the costs to maintain a bank account and insurance are high.

Over

64%

indicated that their banking fees exceed the cost of their insurance fees per month.

In the December 2020 questionnaire, approximately

17%

of respondents identified as having Minority ownership interest,

and over

46%

of respondents identified as Women ownership interest.

Additional data and narratives were reviewed from a questionnaire that was sent in summer 2020 to cannabis businesses that had filed their annual taxes in cash (instead of via direct deposit from a banking institution).

Primarily focused on unbanked and underbanked businesses, more than half of the respondents identified as minority or women owned/interest cannabis businesses.

While more evaluation would be required, **this information suggests that minority and women-owned cannabis businesses in Colorado may be more likely to be unbanked or underbanked**, a finding that correlates with national data on minority populations and access to, or use of, traditional financial services.

Barriers

The respondents indicated that the main financial services they seek from banks and credit unions are depository and payroll services, and desire access to capital and more stability in maintaining their accounts.

Based on the results, findings related to the primary barriers for cannabis-related businesses include:



1. Account Closures:

100% of the respondents stated that their depository financial institution closed their accounts at some point. Over 37% of respondents indicated that they experienced more than six bank account closures; and over 12% stated that they experienced 10 or more account closures.



2. Monthly Fees:

Some business owners claimed charges to maintain a bank account was as high as \$5,000 a month. Other business owners that have more than one licensed cannabis business said they were charged \$1,000 per month for each business.



3. Access and Inclusion:

Approximately 25% of the respondents in the questionnaire noted the lack of access to local financial institutions close to their business. Over 32% indicated that their cannabis business is located in a rural area where availability of financial services are limited.



4. Access to Capital:

Nearly 18% of respondents indicated they had applied for some type of loan from a financial institution and were denied. Nearly 6% indicated that they had received some type of loan from their bank or credit union. Over 70% indicated that they shoulder additional administrative or security expenses that are tied to operating in a cash only business.

NEW

Given the evolution of the cannabis and financial industries since the 2020 Roadmap, along with the findings, the following new priorities for Roadmap 2.0 have been identified.

1. Highlight Account Closures and Fees

Although some cannabis businesses are now able to secure a deposit business account, high fees, along with a high rate of account closures, have been reported as an ongoing barrier. State regulatory authorities cannot compel the financial services industry to keep accounts open or charge lower fees, but can acknowledge and provide information about this challenge, and continue to survey the cannabis banking marketplace.

2. Address Access to Capital

Identifying opportunities where small cannabis businesses, especially women and minority owned, can get loans remains elusive to the cannabis industry. The Colorado Marijuana Enforcement Division's data showed that as of July 1, 2022, 17.2% of all owner licenses self-identified as a person of color. Of all employee and owner licensees, 6.1% identified as black, 17% identified as Hispanic/Latino and 1.6% identified as Asian. Through guidance by Governor Polis' Office and the Colorado General Assembly, MED has implemented and launched [Social Equity](#) programs to help foster an inclusive and equitable cannabis industry in Colorado that acknowledges the effects of decades of criminal enforcement of marijuana laws on communities of color. More research is required to determine if these license holders are unable to access traditional financial services for their businesses or are actively choosing to forgo using traditional financial services.

3. Engage with Industry on Equity, Access and Financial Inclusion

Equity, diversity and inclusion is a priority among all state agencies. Issues specific to this industry include data that shows women and minority owned cannabis businesses may be more likely to be unbanked, and cannabis businesses serving rural communities face greater challenges obtaining local banking access. National data findings report that overall, minority-owned businesses are less likely to seek out/be approved for traditional financial services.

4. Identify and Communicate Funding Alternatives

Specific types of funding alternatives are in development to support small cannabis businesses. [The Cannabis Business Grant](#), housed in the recently established Cannabis Business Office (CBO) at OEDIT, is a funding opportunity for social equity cannabis businesses that have been awarded, or are actively pursuing, a regulated business license from MED. This program was developed to support cannabis entrepreneurs through access to capital to promote social equity, innovation, and job creation across the industry. MED and the [CDPHE](#) partner on sustainability initiatives like the [Colorado Green Business Network](#).

5. Communicate Challenges and Opportunities Related to Insurance

Despite the surplus lines coverage for the cannabis industry, options in the marketplace for insurance products for cannabis businesses remain limited. Complicating the issue is that financial institutions may require proof of insurance and insurance policies for cannabis businesses often require a bank account. Potential opportunities to explore in the future may include identifying business relationships that surplus line carriers may have with certain financial institutions and how these affiliations could support the cannabis industry.

6. Support CHAMP Objectives

The Banking, Financial Services and Insurance divisions participated with CDA on the [CHAMP final report](#), issued in 2021, which includes objectives and action items outlined specifically for these industries in the report.

Ongoing

The 2020 Roadmap identified priorities that remain active in Roadmap 2.0.

7. Engage Trade Associations

Keep the open lines of communication going from the 2020 Roadmap by engaging financial and state and national cannabis trade associations on the Roadmap 2.0 and its priorities. Continue to serve on the Governor's Cannabis Cabinet and on the [Cannabis Regulator's Association](#) (CANNRA) committee on Banking, Financial Services and Insurance.

8. Encourage New and Emerging Technologies

Explore and evaluate the current market of fintech financial services providers to the cannabis industry in Colorado.



Opportunities for Collaboration

This roadmap does not supplant any federal legislative and regulatory solution that is much-needed, but is intended to convey that the agencies in Colorado's state executive branch are proactively supportive of fostering a responsible, innovative and thriving legal state-cannabis industry.

A number of state agencies currently have - or are developing - programs and initiatives to support the growth and economic development, and increase diversity, economic inclusion and sustainability of Colorado's marijuana and industrial hemp businesses. These programs are most successful when stable financial services are available to its participants.

Led by the Governor's Office's Cannabis Cabinet, members of the Governor's Executive Administration agencies involved in the cannabis industry meet monthly to share information, establish potential collaborations, measure progress and provide support so that the state can most effectively support important programs and initiatives for the cannabis industry.



Stakeholders of this Roadmap include:

The Governor's Office – Cannabis Cabinet

The Cannabis Cabinet is a group of leaders representing all State agencies that are engaged with Colorado's cannabis industry in a regulatory, enforcement, agriculture, economic development, public safety, sustainability, or other lens. The group's primary objective is to maintain Colorado's position as the national leader in innovative and balanced cannabis policy.

Marijuana Enforcement Division, Colorado Department of Revenue

[The MED](#) is responsible for licensing and regulating all legal regulated marijuana businesses and the employees who work in those businesses.

Colorado Office of Economic Development and International Trade

Cannabis Business Office

The Cannabis Business Office (CBO) creates new economic development opportunities for cannabis businesses with at least 51% ownership held by an individual or individuals with a social equity designation. The economic development opportunities come in the way of technical assistance, grants, and loans. Additional information related to programming can be found on the [CBO website](#).

Global Business Development

The Global Business Development ([GBD](#)) division uses a data-driven approach to recruit, support, and retain businesses that contribute to a robust and diversified economy. GBD works across sectors to promote development of Colorado products, increase Colorado exports, and increase the density of Colorado's key industries. GBD seeks to promote the development of the cannabis industry in Colorado by supporting cannabis businesses.

Colorado Department of Agriculture

In 2015, the CDA became the primary agency responsible for [regulating hemp](#) cultivation in Colorado with the creation of the state's pilot industrial hemp program. The division of Plant Industry regulates producers and administers a certified seed program and the Laboratory Services division provides testing services. CDA does not have jurisdiction over the processing, sale, or distribution of the hemp and hemp products. Further, CDA is the primary agency to develop and administer the state's Hemp State Plan and also serve as the lead agency in the development of Colorado Hemp Advancement & Management Plan ([CHAMP](#)) initiative, in which banks, credit unions and insurance companies were identified as critical links in the hemp supply chain.

Colorado Department of Public Health and Environment

[CDPHE](#) is the agency with responsibility to oversee the extraction and production of hemp products. In 2018, absent action on a federal level from the FDA, the Colorado legislature took action and allowed for the production of food, dietary supplements and cosmetics from hemp containing less than 0.3% THC. In addition to the traditional requirements that oversee the production of products that don't contain hemp, CDPHE, in collaboration with the hemp industry and other stakeholders developed regulations that address the unique aspects of hemp containing products.

Key Strategies & Tactics



The strategies and tactics in the [2020 Roadmap](#) (pages 8-12) were developed to advance the intent of its three main goals – goals which remain unchanged in Roadmap 2.0. With the 2020 Roadmap’s strategies and tactics fulfilled, the focus of these goals are now related to updated priorities outlined in Roadmap 2.0.

Goal 1: Create a regulatory landscape where banking and financial service opportunities can be cultivated and as accessible as those afforded to other industries.

Strategies/Tactics

Maintain working groups consisting of senior leadership from key DORA Divisions to establish and advance Roadmap objectives and priorities.

Policies/Actions

- Attend monthly meetings with the Governor’s Office Cannabis Cabinet.
- Serve on the Social Equity workgroup.
- Hold quarterly meetings with DORA divisions to discuss:
 - Supporting CHAMP objectives
 - Current regulatory challenges
 - Recent federal activity
 - Key state legislative and regulatory activity
 - Upcoming regulatory opportunities
 - Upcoming conferences and speaking engagements
 - Stakeholder outreach

Progress to Date

Complete:

Roadmap 2.0 Workgroup during FY21-23.

Ongoing:

Workgroups remain ongoing since January 2019.

Strategies/Tactics

Increase transparency of state information, including improved coordination with state and federal agencies to identify current barriers and respective opportunities, particularly as it relates to access to information for both regulators and the financial services industry.

Policies/Actions

- Coordinate with Governor's Office on meetings, including speaking engagements at cannabis banking and financial services conferences and meetings, sharing the Road map and emphasizing DORA's commitment to assisting the industry.
- Continue coordination with other state agencies, including:
 - The Colorado Hemp Advancement Plan (CHAMP) initiative through the CDA
 - Relevant MED stakeholder meetings
 - OEDIT initiatives on related state WIGs, such as rural economic recovery
 - DOI's WIG related to insurance provided to the cannabis industry

Progress to Date

Complete:

Coordinated with the MED to issue questionnaires to regulated entities on the accessibility of financial services available, and attended stakeholder meetings across the state.

Coordinated with the CDA on CHAMP, with DORA serving as a co-director and facilitating stakeholder meetings around the state.

The Financial Engagement Unit held a Cannabis Banking, Financial Services and Economic Development townhall in 2020, and the DOI held four webinars related to cannabis insurance in 2022.

Ongoing:

Various members of DORA serve in active partnership roles with peer agencies, with DORA's Executive Director serving in leadership roles with the Governor's Cannabis Cabinet and on a variety of state agency boards.

DORA representatives to serve on the banking and insurance committee of [CANNRA](#).

Strategies/Tactics

Engage banking, credit union and insurance trade associations to identify areas of opportunities.

Policies/Actions

Division of Banking and Division of Financial Services to develop a joint Financial Engagement Unit (FEU). FEU will establish a strategic engagement plan.

Progress to Date

Complete:

The Stakeholder & Innovations Strategist, hired as part of the 2020 Roadmap's strategy, developed and launched DORA's joint Financial Engagement Unit (FEU) in spring 2021 and hired an outreach coordinator. The FEU facilitates conversations and collaborations specific to cannabis banking, financial inclusion, rural economic recovery and development, and insurance.

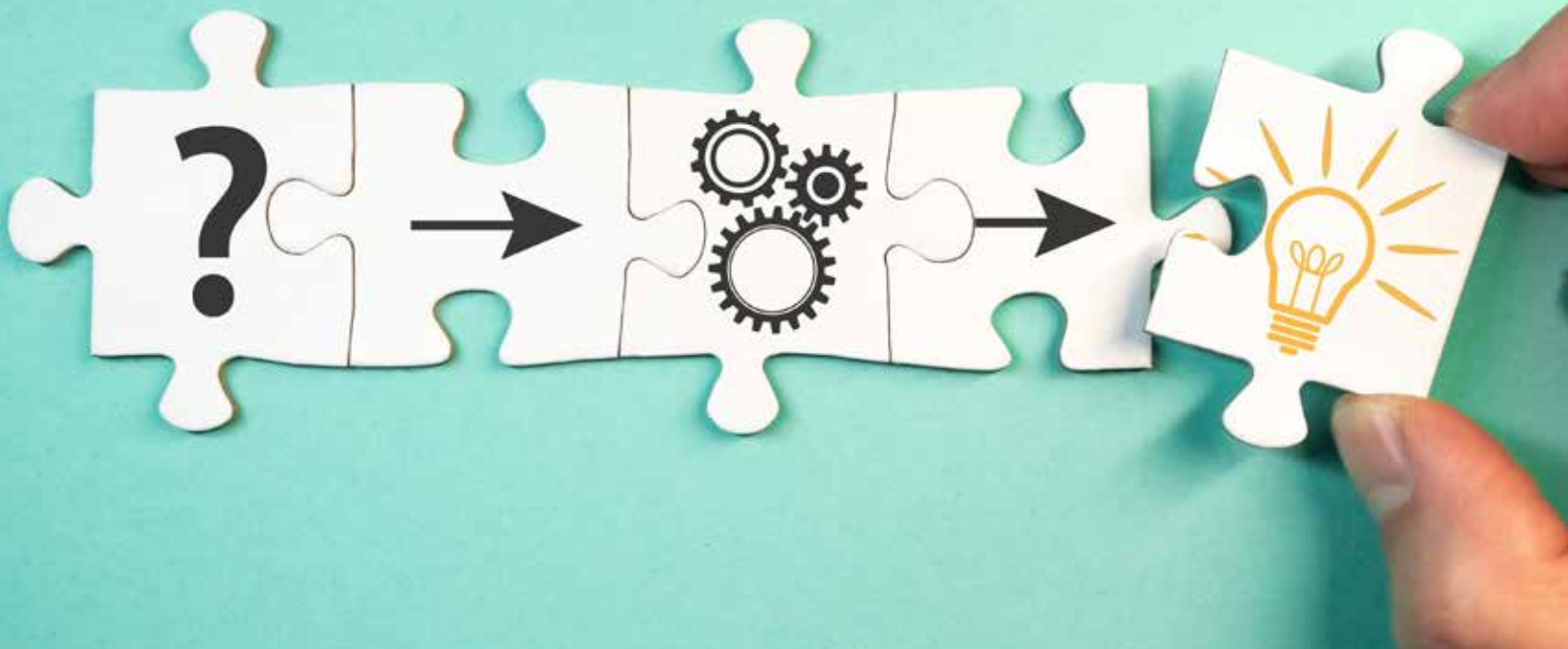
Ongoing:

A primary focus for outreach and engagement is related to topics outlined in the Roadmap 2.0's updated priorities, which now includes:

- Identifying and communicating funding alternatives
- Engaging with industry on equity, access and financial inclusion
- Addressing access to capital
- Highlighting account closures and fees
- Communicating challenges and opportunities related to insurance
- Supporting CHAMP objectives

The Banking and Financial Services Commissioners and their Stakeholder & Innovations Strategist regularly speak and present at financial trade industry conferences throughout the year. Examples: Presented at the 2022 Cannabis Payment Banking and Compliance (PBC) Conference in Washington D.C., hosted a Cannabis Banking Symposium for credit unions and regulators around the country.

The Division of Insurance serves as the vice-chair of the National Association of Insurance Commissioners ([NAIC](#)) Cannabis work group for which Colorado has coordinated hearings and expert resources to advise the group as it prepares its Cannabis Insurance White Paper 2.0.



Goal 2: Explore emerging technologies and alternative financing opportunities that can effectively and safely service the financial services industry.

Strategies/Tactics

Encourage innovative technologies to enter the Colorado market.

Policies/Actions

Explore and evaluate the current market of fintech financial services providers to the cannabis industry in Colorado.

Conduct assessment of the specific issues that need to be addressed based on feedback from stakeholders.

Progress to Date

Complete:

Assessment of needs finalized in 2021 and priorities developed based on feedback from questionnaires to the cannabis industry.

On Track:

Engagement with fintech and other companies via cannabis banking conferences seeking guidance about creating a business presence in Colorado.

Conduct research into what fintech services currently exist in Colorado that serves the industry, including money transmitters that may not be currently licensed with the state.



Goal 3: Identify opportunities for state legislative and regulatory clarity for state-chartered financial institutions, state-licensed money transmitters and state-regulated insurance companies that seek to serve cannabis-related businesses.

Strategies/Tactics

Provide guidance for state chartered banks and credit unions providing services to cannabis-related business, and to insurance companies seeking to provide cannabis policies and services.

Policies/Actions

Provide regulatory clarity related to regulatory expectations and requirements of state-chartered financial institutions under the BSA/AML compliance requirements.

Engage other regulators from states in which marijuana is legal in some form to identify best practices.

Progress to Date

Complete:

Guidance documents provided to industry and posted on Division's respective websites.

Ongoing:

Sharing the CSBS Cannabis Job Aid and its updated versions with state-chartered institutions.

Commissioners provide guidance to boards and compliance teams by the institution's request, and share overall guidance during cannabis banking conferences, industry roundtables and webinars.

Division of Insurance is leading and collaborating on a NAIC white-paper expanding information about cannabis insurance availability, accessibility and regulatory issues.

Leadership from the Division of Banking, Division of Financial Services, and Division of Insurance continue to attend or host conferences, symposiums and roundtables with other regulators to discuss the challenges and opportunities in regulating cannabis-related businesses and marketplaces for services to cannabis-related businesses. The divisions also distribute information and updates via emails and e-newsletters, or post information on their websites.

Strategies/Tactics

Reduce barriers to entry while upholding guardrails for consumer protection.

Policies/Actions

Evaluate current chartering and licensing requirements for state-chartered financial institutions and state-licensed money transmitters.

Research Colorado's Community Development Financial Institutions (CDFIs), Minority-owned Depository Institutions (MDIs), and Low-income Designation (LDI) Credit Unions to understand scope and reach, and how these may serve the cannabis industry.

Progress to Date

Complete:

The Banking and Financial Services divisions reviewed existing Colorado statute and rules and found no chartering or licensing requirements that are significant impediments to regulated entities for providing banking and financial services to the Colorado cannabis industry.

On Track:

- Research into CDFIs, MDIs and LDIs started in 2022.
- DOI conducting research for a NAIC white-paper identifying barriers related to insurance providers to the industry.

Strategies/Tactics

Demonstrate support for a federal solution.

Policies/Actions

Highlight the SAFE Banking Act and other policies that promote a safe and sound solution.

Progress to Date

Ongoing:

The SAFE Banking Act was discussed at the Cannabis Banking, Financial Services and Economic Development townhall. Ongoing support for the act is being communicated to the Colorado Congressional Delegation as needed.

The Division of Insurance facilitated the formal letters of support for the SAFE Banking Act and other federal legislation on insurance considerations involving the cannabis industry.

Roadmap 2.0

Cannabis Banking, Financial Services & Insurance

Current as of 2023



COLORADO

Department of
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