

Practice Update

Federal Regulators Provide Much-Needed Banking Relief to Hemp Industry

December 9, 2019

By [Jonathan S. Robbins](#)

On Tuesday, December 3, 2019, several federal regulators issued a [statement](#) providing banks with an update on the legal status of hemp and some much-needed relief. Specifically, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Financial Crimes Enforcement Network, and the Office of the Comptroller of the Currency, as well as the Conference of State Bank Supervisors clarified that financial institutions may now treat hemp similarly to any other commodity.

Prior to the amendment of the 2018 Farm Bill, hemp and its derivatives were considered Schedule 1 substances under the Controlled Substances Act, just like its psychoactive cousin, marijuana. Accordingly, financial institutions were required to file Suspicious Activity Reports or SARs for all customer accounts associated with the hemp sector. Tuesday's memo makes clear that, in the eyes of the federal financial regulators, hemp clients may now be treated the same as those from any other legal industry.

"Because hemp is no longer a Schedule 1 substance under the Controlled Substances Act, banks are not required to file Suspicious Activity Reports solely because they are engaged in the growth or cultivation of hemp in accordance with applicable laws and regulations. . . . for hemp-related customers, banks are expected to follow standard

Related People

[Jonathan S. Robbins](#)

Related Work

[Cannabis Litigation](#)

Related Offices

[Fort Lauderdale](#)

SAR procedures and file a SAR if indicia of suspicious activity warrants.”

The announcement provides much needed relief to the exploding hemp and CBD sector inasmuch as traditional banking and financial services will now be more available to the industry. At this point, the decision whether to provide financial services to hemp companies will be up to financial institutions themselves, but given the dramatic growth of the industry and the associated financial opportunities, we anticipate that banks will embrace the industry, albeit slowly and carefully.

Disclaimer:

Possessing, using, distributing, and/or selling marijuana or marijuana-based products is illegal under federal law, regardless of any state law that may decriminalize such activity under certain circumstances. Although federal enforcement policy may at times defer to states’ laws and not enforce conflicting federal laws, interested businesses and individuals should be aware that compliance with state law in no way assures compliance with federal law, and there is a risk that conflicting federal laws may be enforced in the future. No legal advice we give is intended to provide any guidance or assistance in violating federal law.

This Akerman Practice Update is intended to inform firm clients and friends about legal developments, including recent decisions of various courts and administrative bodies. Nothing in this Practice Update should be construed as legal advice or a legal opinion, and readers should not act upon the information contained in this Update without seeking the advice of legal counsel.