



Supporting cannabis banking

How Shield Compliance uses track and trace to manage risk and expand access to banking

Introduction

New tools to safeguard assets

The legal cannabis market in the U.S. is big business. As the regulated market rapidly expands, so has the demand for sophisticated tools to service the payroll, credit, investment, and financing needs of the industry. To protect their assets and customers, banks and credit unions working with Marijuana-Related Businesses (MRBs) must follow federal Financial Crimes Enforcement Network (FinCEN) guidelines and be able to verify that customer transactions are transparent, properly recorded, and conducted exclusively by licensed players in the regulated market. Using data supplied by Metrc, Shield Compliance helps financial institutions with these and other cannabis-related banking requirements.

Meeting the wide-ranging needs of modern MRBs has created new demands and new opportunities for financial institutions. Banks and credit unions must ensure they can verify the legality of transactions

and can provide essential services at scale. Shield's purpose-built AML/BSA compliance management platform enables financial institutions to automatically monitor, reconcile, record, and report high-volume transactions. It also helps ensure risks are evaluated, and compliance requirements and operational demands are met. Automated compliance builds confidence in the ability of financial institutions to serve MRBs, expanding competition and improving access to banking and other services industry-wide.

Challenge

Keeping up with demands of a surging market

In traditional banking relationships, banks and credit unions rely on customer data and patterns of behavior to predict typical transaction volumes. Measuring actual activity to expectations is important in helping financial institutions flag suspicious behavior or call attention to potential money laundering activity. With MRBs experiencing exponential growth and strong regulatory expectations of enhanced monitoring, standard models are no longer reliable predictors of banking activity. As a result, financial institutions need new ways to anticipate business behavior and more data to substantiate transactions.

To enhance transparency, financial institutions have created direct connections to an array of new point-of-sale systems that automatically log sales transactions. Self-reporting models, in which customers manually generate sales reports to review and reconcile transaction histories, are not a viable solution for larger institutions with hundreds of customers. Shield Compliance offers financial institutions better long-term solutions that allow them to focus their resources on the customer experience, scale up as demand for their services grows, and serve new markets as more states opt for legalization.

Projected growth of the legal cannabis market in U.S.



\$7 billion
2016



\$23 billion
2021



\$42 billion
2025

Source: Forbes, June 2021



“One of Metrc’s biggest advantages is the availability and dependability of the data. With Metrc, financial institutions have a reliable source to validate legal sales activity, which helps them reconcile deposits.”

Tony Repanich
President and Chief Operating Officer of
Shield Compliance



Solution

Helping banks help their customers

To ensure the integrity of their deposits, a growing number of banks and credit unions are turning to Shield Compliance for daily compliance monitoring and customer onboarding at scale. Shield Compliance has developed tools that leverage the data in Metrc’s track-and-trace system to reconcile deposits, generate reports, flag suspicious activity, and confirm the identity of license holders. These systems work in concert to build trust between financial institutions, MRBs, regulators, and other industry stakeholders, strengthening the integrity of the market.

“One of Metrc’s biggest advantages is the availability and dependability of the data,” says Tony Repanich, President and Chief Operating Officer of Shield Compliance. “MRBs are already required to offload data into Metrc’s system for compliance reasons. With Metrc, financial institutions have a reliable source to validate legal sales activity, which helps them reconcile deposits.”

These systems are custom-built to keep pace with growing demand. As the market expands, it is important for compliance systems to scale with

increased sales activity and customer relationships. Shield Compliance supports financial institutions with a range of services, helping them transition to digital payments, for example, while improving the client onboarding and underwriting process. Financial institutions quickly realize the value of compliance systems based on Metrc data.

Result

A stronger, more transparent market

Innovative solutions provided by Shield Compliance help banks and credit unions serving the cannabis industry dramatically enhance the efficiency of their operations. This reduces risk, improves transparency, and increases confidence in the market. With Metrc data serving as a critical foundational component, financial institutions can serve cannabis-related businesses secure in the knowledge they are operating in compliance with state law and federal FinCEN guidelines.

Accurate reporting and transparent monitoring reward participation in regulated markets, leading to better standards, more informed policy decisions, and stronger revenue growth. As banks and credit unions become more confident in their ability to support the legal cannabis industry compliantly, these positive outcomes will continue to reinforce each other, delivering broad benefits to the industry as a whole.

The Cannabis Banking Playbook

Informed by the experiences of pioneer bankers, the Shield Compliance Cannabis Banking Playbook defines a path forward for banks and credit unions to serve cannabis-related businesses compliantly while reaping the financial rewards of an emerging market.



Metrc is the most trusted and experienced provider of cannabis regulatory systems in the United States. Our solution combines advanced software, radio-frequency identification (RFID) technology, a dedicated customer-support team, and a secure database to track and trace cannabis from growth, harvest, and processing to testing, transport, and sale. Metrc serves more than 400,000 users, including growers, manufacturers, testing facilities, transport providers, dispensaries, state regulators, and law enforcement officials across 24 government contracts. We are proud to play a leading role in ensuring the safety and security of the nation's legal cannabis market.

Visit metrc.com for more information.