MRB CHECK

(Powered by CRB Monitor)

Comprehensive data to identify and manage risk when banking marijuana-related businesses (MRBs)

Financial institutions (FIs) and corporates need to be aware if an existing or potential customer operates in or has links to the marijuana industry. Sourcing and maintaining this information can be challenging and time intensive. Refinitiv's new data set **MRB Check (Powered by CRB Monitor)**, offers unrivaled depth and breadth of coverage across licensed MRBs within the U.S. and Canada. **MRB Check (Powered by CRB Monitor)** provides essential insight for enhanced customer due diligence and KYC activities.

The challenges of identifying MRBs

FIs and corporates face an ever-increasing challenge when conducting business with clients and third parties who present MRB exposure. Within this complex and quickly evolving risk environment, strong KYC procedures require reliable and trustworthy data. For years, providing banking services to this sector has carried the risk of federal prosecution, although there have been some recent developments in this arena.

In September 2019, the United States House of Representatives passed the SAFE Banking Act, indicating an intention to support banking services to this sector. There is still some way to go before the bill could be officially signed and passed into law, however, this does not negate the need for financial institutions and their compliance teams to effectively identify MRBs in line with existing know your customer (KYC) legislation. If passed, the SAFE Banking Act would also require FinCEN and banking regulators to develop additional regulations and guidance for the banking of this sector, which would likely require components of enhanced due diligence already outlined in FinCEN's marijuana-banking guidance*.

Screening for MRBs is time-consuming and resource intensive. FIs and corporates need efficient and effective tools to quickly identify MRBs to understand potential risk, and also pinpoint opportunities that may fall within their risk parameters.

Marijuana-related businesses present both risks and opportunities for financial institutions. Trusted data is key to identifying client risk.

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A best-in-class data set

In order to address these challenges, Refinitiv has partnered with best-in-class marijuana-related data vendor CRB Monitor to deliver a new data set offering extensive coverage of the marijuana-related industry. The data set offers robust corporate intelligence on "Direct" (aka "Tier 1") marijuana-related businesses in the U.S. and Canada and provides insight on beneficial owners.

CRB Monitor aggregates data from official government registries and maintains the most comprehensive marijuana corporate intelligence database available – including more than 39,000 MRBs, over 70,000 UBOs and 170,000 licenses as of August 11, 2020 – enabling FIs and corporates to form a holistic picture of risk as it pertains to direct MRBs based on their own internal risk tolerances.

Understanding cannabis-, marijuana-, hemp-, THC- and CBD-related businesses

"Cannabis" refers to the plant Cannabis sativa L, which is referenced in numerous cannabis-related laws and regulations. "CBD" and "THC" are two chemical compounds found in cannabis. THC is a psychoactive compound that gets users "high," while CBD is a non-psychoactive compound.

"Marijuana" is defined in federal legislation as cannabis with > 0.3% THC. "Hemp" is defined in federal legislation as cannabis with ≤ 0.3% THC.

Therefore, the term "cannabis related businesses" is an umbrella term that includes all types of cannabis – including "marijuana," "hemp" and "CBD."

Whereas marijuana is a federally illegal (Schedule 1) narcotic, "marijuana-related businesses" are generally considered to be higher risk than "hemp-related" or "CBD-related" businesses, although both of these types of businesses also come with elevated perceived risks.

The "tiers" of MRBs

MRB Check (Powered by CRB Monitor) data places MRBs into two direct categories, which closely aligns to FinCEN's marijuana-related banking guidance:

- Tier 1**A** MRBs are "direct" in that they touch marijuana directly at some point along the supply chain. These MRBs are usually licensed by a government agency or regulator. Examples include cultivators, processors, infused product manufacturers.
- Tier 1**B** MRBs own, manage or otherwise control a Tier 1A MRB, but are not licensed themselves. Examples include investment, holding and shell companies and/or "management companies" for nonprofit MRBs.

Beneficial owners

MRB Check (Powered by CRB Monitor) includes 70,000 beneficial owners of Tier 1 – both economic owners and controlling persons. Beneficial Owners are generally identified and classified into the following categories:

1. **Owner/investor**
2. **Board member**
3. **Corporate officer**
4. **Executive**
5. **Senior manager**
6. **Noncommercial registered agent**

Drilling down: coverage, sources and updates

Data within Tiers 1A and 1B are sourced from official government licencing registries, press releases and public records requests.

- Tier 1A MRBs are generally identified by constantly monitoring 70+ official licensing authority registries.
- Tier 1B and Beneficial Owners are identified via licensing authorities, corporate registries, securities exchanges/regulators and news media sources.

Credible, trusted data for better decision making

MRB Check (Powered by CRB Monitor) offers unrivaled breadth and depth of coverage to empower compliance professionals to build a holistic view of the sector– both the risks and opportunities they present – and to do so with speed and accuracy:

- A single, consolidated and current source of detailed information on MRBs.
- Research that reveals relationships, links and affiliations for businesses and individuals.
- Credible data sources, including online and offline (public record request) data.
- Deduplicated records to streamline watch list filtering and entity resolution.
- Comprehensive coverage across all state/provincial and federal licensing authorities in the U.S. and Canada.
- Coverage of varying license classes (medical vs. recreational), types (cultivation, processing, retail, etc.) and statuses, e.g., Tier 1A MRBs may be pre-licensed (still applying for a marijuana license), post-licensed (if a license has been revoked or suspended) or unlicensed.

*FinCEN marijuana red flags (A) "commingling of [marijuana] funds with the personal account of the business's owner(s) or manager(s), or with accounts of seemingly unrelated businesses …" and (B) "conceal or disguise involvement in marijuana-related business activity. For example, the customer may be using a business with a nondescript name (e.g., a "consulting," "holding" or "management" company) that purports to engage in commercial activity unrelated to marijuana, but is depositing cash that smells like marijuana." https://www.fincen.gov/sites/default/files/shared/508_293283_MJ_Banking_Update_2nd_QTR_FY2020_Public_Final.pdf

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