

California Adopts Emergency Cannabis Regulations

California's Bureau of Cannabis Control has announced that on February 1, 2021, the Office of Administrative Law approved the adoption of emergency regulations implementing processes for cannabis businesses to authorize the bureau to share licensee information with financial institutions. The regulations became effective the same day.

In September 2020, Gov. Gavin Newsom signed AB 1525, known as Information Sharing with Financial Institutions, to create a safe harbor for financial institutions and accountants providing services to the cannabis industry. The law became effective Jan. 1, 2021, but still needed regulations necessary to implement the provisions in a manner that would protect confidential and proprietary data.

State law grants the bureau the authority to adopt emergency regulations and deems such regulations as necessary for the immediate preservation of public peace, health, safety, or general welfare. It is well known that commercial cannabis businesses have difficulty obtaining traditional financial services, requiring many of them to operate on a cash basis, which creates a public safety concern.

Prior to enactment of the bureau's new regulations (sections 5037.1 and 5037.2), the bureau gathered substantial information related to licensees, including their financial information and regulatory information. However, much of this was protected from disclosure under various statutes and regulations under which the bureau operates and could only be provided in very specific circumstances.

The new regulations establish a process for licensees to request and permit the licensing authorities to share financial information with the licensees' financial institutions and establishes a process for the institutions to request such information. Also included is a process for licensees to withdraw a request for sharing licensee financial information at any time.

The benefit to the public is to provide a safe harbor under state law, allowing more banks to conduct cannabis-related business, such as lending capital for business development. This normalizing of access to banking services will help ensure that financial institutions, cannabis producers, distributors, and retailers are in compliance with state laws, leading to more stable business practices and decisions within the industry.

The removed threat of criminal penalties and the availability of capital for cannabis operations will enable cannabis operations to become transparent, regulated, tax-paying businesses providing a positive boost to California's economy.

Full text of the approved new regulations is [available here](#).



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Industry Sectors

- Cannabis