

AMENDED IN SENATE MAY 25, 2018

AMENDED IN SENATE MAY 2, 2018

AMENDED IN SENATE APRIL 9, 2018

AMENDED IN SENATE MARCH 14, 2018

SENATE BILL

No. 930

Introduced by Senator Hertzberg

**(Coauthors: Senators Bradford, Galgiani, Moorlach, Wieckowski,
and Wiener)**

(Coauthors: Assembly Members Bonta, *Jones-Sawyer*, McCarty, and
Lackey)

January 25, 2018

An act to amend Sections 99, 185, 301, 329, 1003, and 14001.1 of, and to add Division 2.5 (commencing with Section 11000) to, the Financial Code, relating to financial institutions.

LEGISLATIVE COUNSEL'S DIGEST

SB 930, as amended, Hertzberg. Financial institutions: cannabis.

(1) Existing law, the Financial Institutions Law, regulates the activities of various financial entities, including commercial banks, industrial banks, trust companies, credit unions, and savings and loan associations. The Banking Law defines and regulates state banks and commits the enforcement of banking laws to the Commissioner of Business Oversight. The California Credit Union Law provides for the licensure and regulation of credit unions by the Commissioner of Business Oversight and makes a willful violation of that law a crime.

The Control, Regulate and Tax Adult Use of Marijuana Act of 2016, an initiative measure approved as Proposition 64 at the November 8, 2016, statewide general election, authorizes a person who obtains a

state license under the act to engage in commercial adult-use cannabis activity pursuant to that license and applicable local ordinances. The Medicinal and Adult-Use Cannabis Regulation and Safety Act, among other things, consolidates the licensure and regulation of commercial medicinal and adult-use cannabis activities.

This bill would create the Cannabis Limited Charter Banking and Credit Union Law, to be administered by the Commissioner of Business Oversight and the Department of Business Oversight. The bill would create the Cannabis Limited Charter Bank and Credit Union Advisory Board and specify its composition, to include the Treasurer, the Controller, and the Chief of the Bureau of Cannabis Control, and commit to it the general responsibility for ensuring that this law functions in a safe and efficient way. The bill would prescribe the powers and duties of the board, including reviewing department enforcement reports, holding meetings that would be open to public comment, and issuing its own recommendations, which would be submitted to the Legislature and the Governor. The board would also be required to provide guidance on specified investment activities.

The bill would provide for the licensure and regulation of cannabis limited charter banks and credit unions for the purpose of providing limited banking services, as defined, to cannabis businesses. The bill would require a person who desires to be licensed as a cannabis limited charter bank or credit union to submit an application to the department, and would require that person to elect to form under either the Banking Law or the California Credit Union Law. *The bill would authorize the department to charge an applicant for a cannabis limited charter bank or credit union license a reasonable fee.* The bill would require a licensee to comply with all requirements in the Financial Institutions Law, and either the Banking Law or the California Credit Union Law, as applicable, except to the extent that any requirement of those laws are inconsistent with a provision of the Cannabis Limited Charter Banking and Union Law. By expanding the application of the California Credit Union Law, a willful violation of which is a crime, the bill would impose a state-mandated local program.

This bill would authorize a cannabis limited charter bank or credit union to issue to an account holder special purpose checks that would be valid for only specified purposes. The bill would authorize a cannabis limited charter bank or credit union to cash the checks it has issued, including those presented by parties that are not account holders, as specified. The bill would permit these checks to be used for the payment

of state and local fees and taxes, payment of rent on property leased by, or on behalf of, the account holder's cannabis business, payment of vendors physically located in California, as specified, and the purchase of state and local bonds, as specified. The bill would provide that a person or entity is not required to accept these checks. The bill would require a cannabis limited charter bank or credit union to obtain and maintain insurance at all times that it is engaged in business, subject to certain requirements including that the insurance be in an amount acceptable to the commissioner. The bill would authorize a cannabis limited charter bank or credit union to charge fees for its banking services, and would authorize the commissioner, if requested by any person or whenever the commissioner deems appropriate, to review any fee charged. The bill would require a cannabis limited charter bank and credit union to provide the commissioner with a specified fee schedule, which information the department would be required to compile and post information on its Internet Web site. The bill would authorize a cannabis limited charter bank or credit union to enter into an agreement with another licensee to form a banking network, subject to the approval of the commissioner, to facilitate the provision of cannabis banking services. The bill would require the department to adopt emergency regulations and would prohibit the department from issuing a license for these purposes prior to July 1, 2019, except as specified. The bill would require the department to provide a specified report to the Senate Committee on Banking and Financial Institutions and the Senate Committee on Governance and Finance.

The bill would require a cannabis limited charter bank or credit union to adopt policies and practices to achieve the principles and goals outlined in the federal Bank Secrecy Act and cooperate with the federal Financial Crimes Enforcement Network. The bill would prohibit a cannabis limited charter bank or credit union from engaging in banking activity with any other financial institution that lacks a limited purpose charter issued under these provisions. The bill would prescribe a framework for the administration of its provisions. The bill would also make a statement of legislative findings.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares:

2 (a) In November 2016, California voters passed Proposition 64,
3 the Control, Regulate and Tax Adult Use of Marijuana Act,
4 authorizing recreational use of marijuana subject to specified limits.
5 Medicinal cannabis use has been legal under California law since
6 1996 with the passage of Proposition 215, the Compassionate Use
7 Act of 1996.

8 (b) Since 1996, a network of producers, distributors, and
9 dispensaries have developed in California to serve the needs of
10 the medical cannabis community. All of these businesses are
11 expected to expand, and new businesses are expected to join them,
12 in order to serve recreational cannabis users.

13 (c) Cannabis remains illegal under federal law. The United
14 States Drug Enforcement Administration classifies cannabis as a
15 Schedule I drug. As a result, the majority of financial institutions
16 that take deposits, including banks, thrifts, and credit unions, do
17 not serve cannabis businesses. This status precludes
18 cannabis-related businesses from depositing income in, or engaging
19 in other banking-related activities with, federally insured and
20 regulated financial institutions and from using a federal
21 clearinghouse to process their payments.

22 (d) Since most financial institutions will not serve cannabis
23 businesses because of the conflict of federal law with state law,
24 these businesses are unable to open and use checking accounts,
25 make or receive electronic payments, or accept credit or debit
26 cards.

27 (e) While income from the sale of cannabis products is
28 considered ill-gotten gains by the federal government, that income
29 is still taxable. The IRS specifically states in Publication 525,
30 Taxable and Nontaxable Income, that “(i)llegal income, such as
31 money from dealing illegal drugs, must be included in your income
32 on Form 1040, line 21, or on Schedule C or Schedule C-EZ (Form
33 1040) if from your self-employment activity.”

1 (f) The need for banking services for the cannabis industry is
2 at an all-time high, given that the industry is now expected to
3 generate more than \$8,000,000,000 in revenue annually.

4 (g) The lack of banking services has created both regulatory
5 and public safety issues. State and local governments must be able
6 to audit and perform accounting and other accountability functions
7 affecting cannabis-related businesses. This is made significantly
8 more difficult when the majority of transactions are completed
9 with cash.

10 (h) With financial services unavailable to cannabis businesses,
11 these businesses are less able to pay taxes and follow California
12 regulations governing cannabis.

13 (i) Additionally, the lack of access to financial services has
14 created public safety issues for businesses that need to pay high
15 security costs to safeguard their income and their employees, who
16 risk being robbed when managing and transporting cash.

17 (j) California voters have spoken in support of the new cannabis
18 laws. Without a change in law regarding financial services,
19 businesses providing services that are lawful under state law may
20 elect to remain underground and not become regulated, tax-paying
21 California businesses, as the voters intended.

22 (k) In furtherance of the will of the voters, the California
23 government has a responsibility to enact appropriate implementing
24 legislation for Proposition 64. The current conflict with federal
25 law creates a significant problem requiring legislative attention.
26 The state has a duty to provide a mechanism to help these lawful
27 businesses to gain access to banking services that is consistent
28 with the will of California voters.

29 SEC. 2. Section 99 of the Financial Code is amended to read:

30 99. This division, Division 1.1 (commencing with Section
31 1000), Division 1.2 (commencing with Section 2000), Division
32 1.6 (commencing with Section 4800), Division 2 (commencing
33 with Section 5000), Division 2.5 (commencing with Section
34 11000), Division 5 (commencing with Section 14000), Division
35 7 (commencing with Section 18000), and Division 15 (commencing
36 with Section 31000) shall be known, and may be cited, as the
37 “Financial Institutions Law.”

38 SEC. 3. Section 185 of the Financial Code is amended to read:

39 185. “Licensee” has the following meanings:

1 (a) Any bank authorized by the commissioner pursuant to
2 Section 1042 to transact banking or trust business.

3 (b) Any industrial bank authorized by the commissioner pursuant
4 to Section 1042 to transact industrial banking business.

5 (c) Any trust company authorized by the commissioner pursuant
6 to Section 1042 to transact trust business.

7 (d) Any foreign (other nation) bank that is licensed under Article
8 2 (commencing with Section 1780) of Chapter 20 or under Article
9 3 (commencing with Section 1800) of Chapter 20.

10 (e) Any person licensed by the commissioner as a money
11 transmitter pursuant to Division 1.2 (commencing with Section
12 2000).

13 (f) Any person authorized by the commissioner to conduct the
14 business of a savings association pursuant to Division 2
15 (commencing with Section 5000).

16 (g) Any credit union authorized by the commissioner to conduct
17 business pursuant to Section 14154.

18 (h) Any foreign (other state) credit union licensed by the
19 commissioner to conduct business pursuant to Chapter 11
20 (commencing with Section 16000) of Division 5.

21 (i) Any foreign (other nation) credit union licensed by the
22 commissioner to conduct business pursuant to Chapter 12
23 (commencing with Section 16500) of Division 5.

24 (j) Any industrial loan company authorized by the commissioner
25 to conduct insurance premium finance business pursuant to
26 Division 7 (commencing with Section 18000).

27 (k) Any corporation licensed by the commissioner as a business
28 and industrial development corporation pursuant to Section 31154.

29 (l) Any cannabis limited charter bank or credit union authorized
30 by the commissioner to conduct banking services pursuant to
31 Division 2.5 (commencing with Section 11000).

32 SEC. 4. Section 301 of the Financial Code is amended to read:

33 301. (a) This chapter is applicable to this division, Division
34 1.1 (commencing with Section 1000), Division 1.2 (commencing
35 with Section 2000), Division 1.6 (commencing with Section 4800),
36 Division 2.5 (commencing with Section 11000), Division 5
37 (commencing with Section 14000), Division 7 (commencing with
38 Section 18000), and Division 15 (commencing with Section
39 31000).

(b) Except as provided in subdivision (c), this article, and Articles 2 (commencing with Section 320) and 3 (commencing with Section 350) are applicable to the administration of laws by the Division of Corporations.

(c) Sections 329, 330, 332, 335, 336, 357, 378, 379, and 381 are not applicable to the Division of Corporations.

SEC. 5. Section 329 of the Financial Code is amended to read:

329. (a) For purposes of this section, the following definitions apply:

(1) “Applicable law” means:

(A) With respect to any bank, Division 1.6 (commencing with Section 4800), and any of the following provisions:

(i) Article 6 (commencing with Section 405) of Chapter 3.

(ii) Article 3 (commencing with Section 1130) of Chapter 5 of Division 1.1.

(iii) Chapter 6 (commencing with Section 1200) of Division 1.1.

(iv) Chapter 10 (commencing with Section 1320) of Division 1.1.

(v) Chapter 14 (commencing with Section 1460) of Division 1.1.

(vi) Article 1 (commencing with Section 1530) of Chapter 15 of Division 1.1.

(vii) Chapter 16 (commencing with Section 1550) of Division 1.1.

(viii) Chapter 20 (commencing with Section 1750) of Division 1.1.

(ix) Section 456.

(x) Section 457.

(xi) Section 459.

(xii) Section 460.

(xiii) Section 461.

(xiv) Section 1331.

(xv) Chapter 21 (commencing with Section 1850) of Division 1.1.

(xvi) Chapter 18 (commencing with Section 1660) of Division 1.1.

(xvii) Chapter 19 (commencing with Section 1670) of Division 1.1.

1 (B) With respect to any savings association, any provision of
2 Division 1.6 (commencing with Section 4800) and Division 2
3 (commencing with Section 5000).

4 (C) With respect to any insurance premium finance agency, any
5 provision of Division 7 (commencing with Section 18000).

6 (D) With respect to any business and industrial development
7 corporation, any provision of Division 15 (commencing with
8 Section 31000).

9 (E) With respect to any credit union, any of the following
10 provisions:

11 (i) Section 14252.

12 (ii) Section 14253.

13 (iii) Section 14255.

14 (iv) Article 4 (commencing with Section 14350) of Chapter 3
15 of Division 5.

16 (v) Section 14401.

17 (vi) Section 14404.

18 (vii) Section 14408, only as that section applies to gifts to
19 directors, volunteers, and employees, and the related family or
20 business interests of the directors, volunteers, and employees.

21 (viii) Section 14409.

22 (ix) Section 14410.

23 (x) Article 5 (commencing with Section 14600) of Chapter 4
24 of Division 5.

25 (xi) Article 6 (commencing with Section 14650) of Chapter 4
26 of Division 5, excluding subdivision (a) of Section 14651.

27 (xii) Section 14803.

28 (xiii) Section 14851.

29 (xiv) Section 14858.

30 (xv) Section 14860.

31 (xvi) Section 14861.

32 (xvii) Section 14863.

33 (F) With respect to any money transmitter, any provision of
34 Division 1.2 (commencing with Section 2000).

35 (G) With respect to any cannabis limited charter bank or credit
36 union, any provision of Division 2.5 (commencing with Section
37 11000).

38 (2) “Licensee” means any bank, savings association, credit
39 union, trust company, cannabis limited charter bank or credit union,
40 money transmitter, insurance premium finance agency, or business

1 and industrial development corporation that is authorized by the
2 commissioner to conduct business in this state.

3 (b) Notwithstanding any other provision of this code that applies
4 to a licensee or a subsidiary of a licensee, after notice and an
5 opportunity to be heard, the commissioner may, by order that shall
6 include findings of fact which incorporates a determination made
7 in accordance with subdivision (e), levy civil penalties against any
8 licensee or any subsidiary of a licensee who has violated any
9 provision of applicable law, any order issued by the commissioner,
10 any written agreement between the commissioner and the licensee
11 or subsidiary of the licensee, or any condition of any approval
12 issued by the commissioner. Notwithstanding any other provision
13 of law, neither the commissioner nor any employee of the
14 department shall disclose or permit the disclosure of any record,
15 record of any action, or information contained in a record of any
16 action, taken by the commissioner under the provisions of this
17 section, unless the action was taken pursuant to paragraph (2) of
18 subdivision (b), to persons other than federal or state government
19 employees who are authorized by statute to obtain the records in
20 the performance of their official duties, unless the disclosure is
21 authorized or requested by the affected licensee or the affected
22 subsidiary of the licensee. The commissioner shall have the sole
23 authority to bring any action with respect to a violation of
24 applicable law subject to a penalty imposed under this section.

25 Except as provided in paragraphs (1) and (2), any penalty
26 imposed by the commissioner may not exceed one thousand dollars
27 (\$1,000) a day, provided that the aggregate penalty of all offenses
28 in any one action against any licensee or subsidiary of a licensee
29 shall not exceed fifty thousand dollars (\$50,000).

30 (1) If the commissioner determines that any licensee or
31 subsidiary of the licensee has recklessly violated any applicable
32 law, any order issued by the commissioner, any provision of any
33 written agreement between the commissioner and the licensee or
34 subsidiary, or any condition of any approval issued by the
35 commissioner, the commissioner may impose a penalty not to
36 exceed five thousand dollars (\$5,000) per day, provided that the
37 aggregate penalty of all offenses in an action against any licensee
38 or subsidiary of a licensee shall not exceed seventy-five thousand
39 dollars (\$75,000).

1 (2) If the commissioner determines that any licensee or
2 subsidiary of the licensee has knowingly violated any applicable
3 law, any order issued by the commissioner, any provision of any
4 written agreement between the commissioner and the licensee or
5 subsidiary, or any condition of any approval issued by the
6 commissioner, the commissioner may impose a penalty not to
7 exceed ten thousand dollars (\$10,000) per day, provided that the
8 aggregate penalty of all offenses in an action against any licensee
9 or subsidiary of a licensee shall not exceed 1 percent of the total
10 assets of the licensee or subsidiary of a licensee subject to the
11 penalty.

12 (c) Nothing in this section shall be construed to impair or impede
13 the commissioner from pursuing any other administrative action
14 allowed by law.

15 (d) Nothing in this section shall be construed to impair or impede
16 the commissioner from bringing an action in court to enforce any
17 law or order he or she has issued, including orders issued under
18 this section. Nothing in this section shall be construed to impair
19 or impede the commissioner from seeking any other damages or
20 injunction allowed by law.

21 (e) In determining the amount and the appropriateness of
22 initiating a civil money penalty under subdivision (b), the
23 commissioner shall consider all of the following:

24 (1) Evidence that the violation or practice or breach of duty was
25 intentional or was committed with a disregard of the law or with
26 a disregard of the consequences to the institution.

27 (2) The duration and frequency of the violations, practices, or
28 breaches of duties.

29 (3) The continuation of the violations, practices, or breaches of
30 duty after the licensee or subsidiary of the licensee was notified,
31 or, alternatively, its immediate cessation and correction.

32 (4) The failure to cooperate with the commissioner in effecting
33 early resolution of the problem.

34 (5) Evidence of concealment of the violation, practice, or breach
35 of duty or, alternatively, voluntary disclosure of the violation,
36 practice, or breach of duty.

37 (6) Any threat of loss, actual loss, or other harm to the
38 institution, including harm to the public confidence in the
39 institution, and the degree of that harm.

1 (7) Evidence that a licensee or subsidiary of a licensee received
2 financial gain or other benefit as a result of the violation, practice,
3 or breach of duty.

4 (8) Evidence of any restitution paid by a licensee or subsidiary
5 of a licensee of losses resulting from the violation, practice, or
6 breach of duty.

7 (9) History of prior violations, practices, or breaches of duty,
8 particularly where they are similar to the actions under
9 consideration.

10 (10) Previous criticism of the institution for similar actions.

11 (11) Presence or absence of a compliance program and its
12 effectiveness.

13 (12) Tendency to engage in violations of law, unsafe or unsound
14 financial institutions practices, or breaches of duties.

15 (13) The existence of agreements, commitments, orders, or
16 conditions imposed in writing intended to prevent the violation,
17 practice, or breach of duty.

18 (14) Whether the violation, practice, or breach of duty causes
19 quantifiable, economic benefit or loss to the licensee or the
20 subsidiary of the licensee. In those cases, removal of the benefit
21 or recompense of the loss usually will be insufficient, by itself, to
22 promote compliance with the applicable law, order, or written
23 agreement. The penalty amount should reflect a remedial purpose
24 and should provide a deterrent to future misconduct.

25 (15) Other factors as the commissioner may, in his or her
26 opinion, consider relevant to assessing the penalty or establishing
27 the amount of the penalty.

28 (f) The amounts collected under this section shall be deposited
29 in the appropriate fund of the department. For purposes of this
30 subdivision, the term “appropriate fund” means the fund to which
31 the annual assessments of fined licensees, or the parent licensee
32 of the fined subsidiary, are credited.

33 SEC. 6. Section 1003 of the Financial Code is amended to read:
34 1003. Except where explicitly stated or the context provides
35 otherwise, this division is applicable to the following:

36 (a) All corporations engaging in commercial banking, industrial
37 banking, or the trust business.

38 (b) All national banking associations authorized to transact
39 business in this state to the extent that the provisions of this division

1 are not inconsistent with and do not infringe paramount federal
2 laws governing national banking associations.

3 (c) All cannabis limited charter banks or credit unions that elect
4 to form under this division to the extent that the provisions of this
5 division are not inconsistent with Division 2.5 (commencing with
6 Section 11000).

7 (d) All other corporations that subject themselves to the special
8 provisions and sections of this division.

9 (e) All other persons, associations, copartnerships, or
10 corporations who, by violating any of its provisions, become
11 subject to the penalties provided for in this division.

12 SEC. 7. Division 2.5 (commencing with Section 11000) is
13 added to the Financial Code, to read:

14
15 DIVISION 2.5. CANNABIS LIMITED CHARTER BANKING
16 AND CREDIT UNION LAW

17
18 CHAPTER 1. GENERAL PROVISIONS

19
20 Article 1. Short Title and Construction

21
22 11000. This division is known, and may be cited, as the
23 Cannabis Limited Charter Banking and Credit Union Law.

24
25 Article 2. Definitions

26
27 11005. For purposes of this chapter:

28 (a) “Applicant” means a person or entity that submits an
29 application to be licensed by the state to provide banking services
30 to a cannabis business pursuant to this division.

31 (b) “Banking services” means the provision of depository
32 services with respect to cash or other funds and the issuance and
33 acceptance of special purpose checks, including the acceptance
34 and maintenance of deposit proceeds, consistent with the
35 requirements and limitations provided by this chapter.

36 (c) “Board” means the Cannabis Limited Charter Bank and
37 Credit Union Advisory Board.

38 (d) “Cannabis business” means a person licensed to engage in
39 commercial cannabis activity under Division 10 (commencing
40 with Section 26000) of the Business and Professions Code. The

1 term “cannabis business” also includes an ancillary business or
2 profession that serves a person licensed to engage in commercial
3 cannabis activity under Division 10 (commencing with Section
4 26000) of the Business and Professions Code.

5 (e) “Cannabis limited charter bank or credit union” means a
6 person that receives a license following the approval of an
7 application pursuant to Chapter 3 (commencing with Section
8 11040).

9 (f) “Commissioner” means the Commissioner of Business
10 Oversight.

11 (g) “Department” means the Department of Business Oversight.

12 (h) “Licensee” means a cannabis limited charter bank or credit
13 union.

14
15 CHAPTER 2. ADMINISTRATION

16
17 Article 1. The Cannabis Limited Charter Bank and Credit Union
18 Advisory Board

19
20 11010. (a) There is hereby created the Cannabis Limited
21 Charter Bank and Credit Union Advisory Board. The board shall
22 be comprised of the Treasurer, the Controller, and the Chief of the
23 Bureau of Cannabis Control. The Director of Finance shall serve
24 as an ex officio, nonvoting member. *Board members shall not be*
25 *compensated for their services.*

26 (b) The board shall be generally responsible for ensuring that
27 the Cannabis Limited Charter Banking and Credit Union Law
28 provides a safe and efficient way to pay state and local taxes and
29 fees, to pay rent associated with the account holder’s cannabis
30 business, to issue special purpose checks, and legally invest in
31 California’s economy, while reducing burdens placed on local
32 government that result from collecting and managing large sums
33 of cash.

34 11011. In light of the particular challenges arising from
35 cannabis business activities, the department shall submit reports
36 of enforcement activities to the board for review annually or as
37 the board may require. The board shall meet once a year, or more
38 often as needed, at the board’s discretion, to review enforcement
39 activity reports from the department. These meetings shall be
40 noticed and open to public comment. The board shall evaluate the

1 reports and the comments of the public and draft recommended
2 actions to be taken legislatively or administratively, which shall
3 be submitted to the Legislature and Governor. Recommendations
4 provided to the Legislature shall be submitted in compliance with
5 the Section 9795 of the Government Code.

6 11012. The board shall provide guidance and education to
7 registered broker-dealers and licensed investment advisors on how
8 to accommodate account holders of cannabis limited charter banks
9 and credit unions in purchasing, holding, and selling any of the
10 investments described in paragraph (4) of subdivision (b) of Section
11 11050.

12 Article 2. Licensing

13
14
15 11020. (a) A person may act as a cannabis limited charter bank
16 or credit union after obtaining a license pursuant to this division.

17 (b) A cannabis limited charter bank or credit union license is
18 not transferable or assignable.

19 11021. A licensee shall comply with all requirements of the
20 Financial Institutions Law (Division 1 (commencing with Section
21 99)) and either the Banking Law (Division 1.1 (commencing with
22 Section 1000)) or the California Credit Union Law (Division 5
23 (commencing with Section 14000)), as applicable, except to the
24 extent that any requirement of those laws are inconsistent with a
25 provision of this division, in which case the provisions of this
26 division shall prevail.

27 11025. A cannabis limited charter bank or credit union shall
28 adopt policies and practices that allow it to achieve the principles
29 and goals outlined in the federal Bank Secrecy Act (commencing
30 with 42 U.S.C. Sec. 5311) and cooperate with the federal Financial
31 Crimes Enforcement Network.

32 11026. The department shall adopt emergency regulations
33 pursuant to Chapter 3.5 (commencing with Section 11340) of Part
34 1 of Division 3 of Title 2 of the Government Code to implement
35 this division. The adoption of these regulations is deemed to be
36 an emergency and necessary for the immediate preservation of the
37 public peace, health, or safety.

38 11027. (a) Except as provided in subdivision (c), the
39 department shall not issue a license under this chapter before July
40 1, 2019.

1 (b) On or before June 30, 2019, the department shall report to
2 the Senate Committee on Banking and Financial Institutions and
3 the Senate Committee on Governance and Finance regarding the
4 status of the regulations and the implementation of this chapter.

5 (c) Notwithstanding (a), the department may issue a license
6 under this chapter before July 1, 2019, if the following conditions
7 are met:

8 (1) The regulations required by Section 11026 have been
9 adopted.

10 (2) The report required by subdivision (b) has been received by
11 the Senate Committee on Banking and Financial Institutions and
12 the Senate Committee on Governance and Finance.

13 (3) The Senate Committee on Banking and Financial Institutions
14 and the Senate Committee on Governance and Finance have met
15 in an open and public meeting to consider the report required by
16 subdivision (b).

17 (4) The Commissioner of Business Oversight makes a written
18 finding that the requirements of paragraphs (1) to (3), inclusive,
19 have been met and the department is prepared to issue licenses,
20 consistent with the regulations required by Section 11026, and
21 posts the written finding on the department's Internet Web site.

22
23 CHAPTER 3. APPLICATION
24

25 11040. An applicant that desires to be licensed to act as a
26 cannabis limited charter bank or credit union pursuant to this
27 division shall submit a completed application to the department
28 in a form prescribed by the commissioner that satisfies the
29 requirements of this chapter. An applicant that desires to be
30 licensed to act as a limited charter bank or credit union pursuant
31 to this division shall elect to form under either the Banking Law
32 (Division 1.1 (commencing with Section 1000)) or the California
33 Credit Union Law (Division 5 (commencing with Section 14000)),
34 and shall comply with all requirements imposed by those laws, as
35 applicable, except to the extent any requirement of those laws is
36 inconsistent with the provisions of this chapter.

37 11042. *The department may charge an applicant a reasonable*
38 *fee for a cannabis limited charter bank or credit union license,*
39 *not to exceed the costs of regulation.*

CHAPTER 4. AUTHORIZATIONS

11050. (a) A cannabis limited charter bank or credit union may issue to an account holder special purpose checks that shall be valid for only the purposes specified in subdivision (b). The following text shall be printed on each check in at least 12-point type, with the name of the issuing bank included: “This check is issued by [insert name of bank] and may only be deposited or cashed at this cannabis limited charter bank or credit union or another cannabis limited charter bank or credit union that agrees to accept the check.”

(b) Subject to the limitations of subdivision (d), a special purpose check issued by a cannabis limited charter bank or credit union may only be used for the following purposes:

- (1) To pay fees or taxes to the state or a local jurisdiction.
- (2) To pay rent on property that is leased by, or on behalf of, the account holder’s cannabis business.
- (3) To pay a vendor that is physically located in California for expenses related to goods and services associated with the account holder’s cannabis business.

(4) To purchase the following:

(A) Bonds, interest-bearing notes, or interest-bearing warrants of this state for which the faith and credit of this state are pledged for the payment of principal and interest.

(B) Bonds or warrants, including, but not limited to, revenue warrants, of any county, city, metropolitan water district, California water district, California water storage district, irrigation district in the state, municipal utility district, or school district of this state.

(c) Subject to the limitations of subdivision (d), state and local government offices are authorized to accept a special purpose check issued by a cannabis limited charter bank or credit union.

(d) An individual or entity, private or public, is not required to accept a special purpose check issued by a cannabis limited charter bank or credit union pursuant to this section.

(e) A cannabis limited charter bank or credit union is authorized to cash a special purpose check presented to it by a person or entity that is not an account holder, if that limited charter bank or credit union previously issued that special purpose check to an account holder, and the check was used for one of the authorized purposes specified in subdivision (b).

1 11052. A cannabis limited charter bank or credit union shall
2 obtain and maintain private insurance in an amount acceptable to
3 the commissioner for the cannabis depository institution and its
4 assets at all times while it is engaged in banking services. Private
5 insurance shall not be unsatisfactory to the commissioner. In
6 seeking and retaining private insurance, a cannabis limited charter
7 bank or credit union may do all things and assume and discharge
8 all obligations required of it that are not in conflict with state law.

9 11054. A cannabis limited charter bank or credit union may
10 enter into an agreement with one or more other limited charter
11 licensees in order to form a banking network. That agreement shall
12 be subject to the approval of the commissioner. The network shall
13 be for the purpose of assisting each other in providing services to
14 cannabis businesses and each other. A network of this type shall
15 not include any institution that is not a licensee under this division.

16 11056. A cannabis limited charter bank or credit union may
17 provide accounts to people and entities other than cannabis
18 businesses, pursuant to rules that may be adopted by the
19 commissioner.

20 11058. A cannabis limited charter bank or credit union may
21 charge fees for the banking services that it provides. Each cannabis
22 limited charter bank and credit union shall provide to the
23 commissioner a fee schedule, listing the types and sizes of fees it
24 charges for the services it provides. The department shall compile
25 the information provided to it pursuant to this section and shall
26 post that information on its Internet Web site in a format intended
27 to provide transparency. The commissioner may, if requested by
28 any person or whenever the commissioner deems appropriate,
29 review any fee charged by a cannabis limited charter bank or credit
30 union pursuant to this section.

31
32 CHAPTER 5. PROHIBITED PRACTICES
33

34 11100. (a) A cannabis limited charter bank or credit union
35 shall not engage in banking activity with any other financial
36 institution that lacks a limited purpose charter issued under this
37 division.

38 (b) A cannabis limited charter bank or credit union shall not
39 engage in any activity under Division 1.1 (commencing with
40 Section 1000) or Division 5 (commencing with Section 14000)

1 other than activity required to accept deposits and perform actions
2 described in Chapter 4.

3 SEC. 8. Section 14001.1 of the Financial Code is amended to
4 read:

5 14001.1. This division is applicable to any person, other than
6 a federal credit union engaging in the business of a credit union
7 in this state. For purposes of this division, “person” shall have the
8 meaning set forth in Section 5065 of the Corporations Code. This
9 division is also applicable to any cannabis limited charter bank or
10 credit union that elects to form under this division except to the
11 extent that the provisions of this division are inconsistent with
12 Division 2.5 (commencing with Section 11000).

13 SEC. 9. No reimbursement is required by this act pursuant to
14 Section 6 of Article XIII B of the California Constitution because
15 the only costs that may be incurred by a local agency or school
16 district will be incurred because this act creates a new crime or
17 infraction, eliminates a crime or infraction, or changes the penalty
18 for a crime or infraction, within the meaning of Section 17556 of
19 the Government Code, or changes the definition of a crime within
20 the meaning of Section 6 of Article XIII B of the California
21 Constitution.