

DATE: August 10, 2020
BULLETIN: 2020-KDCU-CUB-16
TO: Kansas Chartered Credit Unions
SUBJECT: Hemp-Related Businesses

HEMP-RELATED BUSINESSES

A growing new industry in Kansas is hemp production. Currently, it is only legal through the Kansas Department of Agriculture's (KDA) Industrial Hemp Research Program. This program was made possible by the passage and signing of [Senate Sub. HB 2167](#) in April 2019. In April 2020, the United States Department of Agriculture (USDA) approved the plan submitted by KDA to regulate a commercial industrial hemp program. [Regulations](#) for the Kansas Commercial Hemp Program are not expected to be approved before October 2020. Until approved, the industrial hemp industry will continue to operate under the Industrial Hemp Research Program regulations. Many Kansas credit unions have had questions about how best to handle accounts for members with hemp-related businesses or those who work for hemp-related businesses. The rules and regulations for hemp are still being written and reviewed at both the state and federal levels.

First, some history. Industrial hemp is defined as "...all parts and varieties of the plant cannabis sativa L that contain a delta-9 tetrahydrocannabinol (THC) concentration of no more than 0.3% on a dry weight basis." [K.S.A. 2-3901\(b\)\(7\)](#). A THC percentage above 0.3% is considered marijuana and not legal. The Agriculture Improvement Act of 2018 (2018 Farm Bill), signed on December 20, 2018, removed hemp as a Schedule I controlled substance (Controlled Substances Act) on the federal level. On October 31, 2019, the USDA issued an interim final rule establishing the domestic hemp production regulatory program to facilitate the legal production of hemp. In Kansas, [SB 263](#) removed industrial hemp from the list of controlled substances; however, current activity is only allowed as part of the above-referenced research program.

Information on Kansas-licensed growers, distributors and processors can be obtained from [KDA](#). In addition, KDA provides [answers](#) to frequently asked questions.

In August 2019, NCUA Regulatory Alert No. [19-RA-02](#) provided interim guidance on serving hemp businesses. While providing a new economic opportunity and allowing credit unions to provide their customary range of services to these business accounts, it is important to understand any additional due diligence that may be required.

In June 2020, updated guidance was provided through NCUA Letter to Credit Unions [No. 20-CU-19](#). As with the previously issued Regulatory Alert, this letter is advisory and does not implement new requirements for credit unions. During 2020, NCUA examiners will collect data on services provided to hemp-related credit union members through the examination process.

At the end of the day, the account of a hemp growing member is treated the same as any other account when it comes to member identification, suspicious activity reporting, currency transaction reporting and risk-based customer due diligence, including collecting beneficial ownership information. Credit unions must have a BSA/AML program appropriate to the level of complexity and risks involved in their products and services. If necessary, review FinCEN Guidance [FIN-2020-G001](#) issued on June 29, 2020.

NOTE: In accordance with Governor Laura Kelly's [Executive Orders](#) and the [Ad Astra Plan](#), KDCU Administrator Jerel Wright continues to review the feasibility of resuming the on-site examination program. This is being done in coordination with the NCUA.