SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure as introduced.

Provides that banking institutions and credit unions may organize as limited charter cannabis financial institutions. Requires limited charter cannabis financial institutions to adopt policies and practices allowing them to comply with certain federal law. Prohibits such institutions from transacting business with financial institutions other than limited charter cannabis financial institutions. Prohibits limited charter cannabis financial institutions from offering checking services other than issuance of special purpose checks that may be used only for specified purposes. Prohibits limited charter cannabis financial institutions from investing assets except for certain specified investments. Requires Director of Department of Consumer and Business Services to adopt rules to carry out provisions of Act and to ensure safe and sound operation of limited charter cannabis financial institutions. Authorizes director to limit powers of such institutions.

A BILL FOR AN ACT

Relating to limited charter financial institutions.

Be It Enacted by the People of the State of Oregon:

SECTION 1. As used in sections 1 to 6 of this 2019 Act:

(1) “Bank Act” has the meaning given that term in ORS 706.005.
(2) “Banking institution” has the meaning given that term in ORS 706.008.
(3) “Cannabis business” means a marijuana processing site registered under ORS 475B.840, a medical marijuana dispensary registered under ORS 475B.858, a marijuana producer that holds a license under ORS 475B.070, a marijuana processor that holds a license under ORS 475B.090, a marijuana wholesaler that holds a license under ORS 475B.100, a marijuana retailer that holds a license under ORS 475B.105 or a laboratory that holds a license under ORS 475B.560.
(4) “Credit union” has the meaning given that term in ORS 723.006.
(5) “Financial institution” has the meaning given that term in ORS 706.008.
(6) “Limited charter cannabis financial institution” means a banking institution or a credit union that is chartered as a limited charter cannabis financial institution under section 2 of this 2019 Act.
(7) “Oregon Credit Union Act” means ORS chapter 723.
(8) “Public body” has the meaning given that term in ORS 174.109.

SECTION 2. (1) Persons applying to organize a banking institution under the Bank Act or a credit union under the Oregon Credit Union Act may apply to the Director of the Department of Consumer and Business Services to establish the banking institution or credit union as a limited charter cannabis financial institution.
(2) The director may prescribe the form of the application and impose a fee for the application, not to exceed $2,500. A fee under this subsection is in addition to, and not in lieu of, any other fees authorized under the Bank Act or the Oregon Credit Union Act.
The director may grant a charter for a limited charter cannabis financial institution:

(a) For a banking institution, only if the applicant meets all requirements for organization set forth in the Bank Act, and for a credit union, only if the applicant meets all requirements for organization set forth in the Oregon Credit Union Act, except as provided in subsection (4) of this section; and

(b) Only if the director determines, based on the substance of the application, that the applicants and proposed principals of the banking institution or credit union are competent to establish and operate a limited charter cannabis financial institution in accordance with the requirements of sections 1 to 6 of this 2019 Act.

(4) In lieu of the requirement of ORS 707.140 to submit evidence of approval for deposit insurance by the Federal Deposit Insurance Corporation, an applicant may submit evidence of approval for deposit insurance by a private insurer, in amounts and under terms that are satisfactory to the director.

SECTION 3. (1) Except as provided in sections 1 to 6 of this 2019 Act, a limited charter cannabis financial institution is subject to otherwise applicable provisions of the Bank Act and the Oregon Credit Union Act. To the extent that those provisions are inconsistent with sections 1 to 6 of this 2019 Act, the provisions of sections 1 to 6 of this 2019 Act control.

(2) A limited charter cannabis financial institution shall adopt policies and practices that allow it to comply with the federal Bank Secrecy Act and regulations and guidance relating to the cannabis industry issued by federal regulatory bodies, including the Financial Crimes Enforcement Network or any successor body.

(3) A limited charter cannabis financial institution may not transact business with any financial institution other than a limited charter cannabis financial institution.

(4) Subject to approval by the Director of the Department of Consumer and Business Services, a limited charter cannabis financial institution may enter into agreements with one or more other limited charter cannabis financial institutions to form a network for the purpose of providing mutual assistance in providing services to the cannabis industry in this state. A network authorized under this subsection may not include financial institutions other than limited charter cannabis financial institutions.

SECTION 4. (1) A limited charter cannabis financial institution may not offer checking services to account holders except as provided in this section.

(2) A limited charter cannabis financial institution may issue special purpose checks to an account holder. Subject to subsection (5) of this section, special purpose checks may be used only for the following purposes:

(a) To pay fees or taxes to a public body;

(b) To pay rent on property that is leased by, or on behalf of, a cannabis business;

(c) To pay a vendor that is physically located in Oregon for goods or services associated with a cannabis business; and

(d) To purchase bonds issued by a public body.

(3) A special purpose check must contain, on its face, a prominent notice substantially equivalent to the following: “This check is issued by (the name of the limited charter cannabis financial institution) and may be deposited only at (the name of the limited charter cannabis financial institution) or another limited charted cannabis financial institution that agrees to accept this check.”

(4) Public bodies are authorized to accept payment by special purpose checks.
(5) No person or public body is required to accept payment by special purpose check.

(6) A limited charter cannabis financial institution may not cash a special purpose check presented by a person who does not hold an account with the limited charter cannabis financial institution unless:

(a) The limited charter cannabis financial institution previously issued the special purpose check to an account holder; and

(b) The special purpose check was used for a purpose authorized under this section.

(7) A limited charter cannabis financial institution may, but is not required to, cash or deposit a special purpose check that is drawn on a different limited charter cannabis financial institution.

SECTION 5. (1) A limited charter cannabis financial institution may not invest its assets except as authorized in this section.

(2) A limited charter cannabis financial institution may:

(a) Lend capital to cannabis businesses; and

(b) Purchase bonds and other debt instruments issued by a public body.

(3) The Director of the Department of Consumer and Business Services shall, by rule, limit the amounts a limited charter cannabis financial institution may invest under this section.

SECTION 6. (1) The Director of the Department of Consumer and Business Services shall adopt rules that are necessary or convenient to carry out the provisions of sections 1 to 6 of this 2019 Act and to ensure the safe and sound operation of limited charter cannabis financial institutions.

(2) The director may, by rule, prohibit or restrict the exercise by limited charter cannabis financial institutions of powers otherwise granted to them under the Bank Act or the Oregon Credit Union Act, if the director determines that such powers are not necessary to carry out activities authorized by sections 1 to 6 of this 2019 Act.