

Cannabis Control Board
Meeting Minutes
July 30, 2020

Opening

Chairperson Williams called the regular board meeting of the Cannabis Control Board to order at 2:04 p.m.

Location: Zoom Video Conference

Meeting ID: 595 959 8506

Password: CCBGUAM

Attendees Present:

Dafne Shimizu (DRT)

Suzanne Kaneshiro (DPHSS)

Nico Fujikawa (GVB)

Stephen Ignacio (GPD)

Adrian Cruz (DOAG)

Theresa Arriola (GBHWC)

Ursula Herrera (*Appointee*)

William Parkinson (*Appointee*)

Danilo Rapadas (Insurance, Securities, Banking and Real Estate Branch)

Jacinta Elm (Insurance, Securities, Banking and Real Estate Branch)

Josephine Mariano (Insurance, Securities, Banking and Real Estate Branch)

Apologies:

Quorum present? Yes

Approval of Minutes

- o The minutes of the July 8, 2020 meeting were unanimously approved as distributed, subject to corrections.

Q&A with Insurance, Securities, Banking & Real Estate Branch, Regulatory Division, Department of Revenue & Taxation

Q1. Director Ignacio: *Are the banks still unable to receive money or deposits from the cannabis industry at this point?*

A. Ms. Mariano: *We are still not able to accept deposits from the cannabis industry. We have been asking to see if we could get a copy of your draft rules and regulations. So that we can see how we could apply or even begin to assess the risks associated with the cannabis industry here in Guam. And so I'm hoping that the board will afford us an opportunity to review the draft so that we can at least see what direction the cannabis board is taking this program for our island. That way we can then take a look at whether the banks can safely accept deposits from the various types of cannabis operators whether they be Tier 1's, Tier 2's or Tier 3's.*

Q2. Mr. Cruz: We had some presentations done by some companies that are dealing with the software. And one of the things that they have touted as part of products way for banks to be able to do business, basically would be like a cashless business. I'm assuming from credit cards, are the banks able to deal with something like that as opposed to cash only business?

A. Ms. Mariano: Unfortunately, the payments; the Visas, the Master cards, the American Express. The networks currently do not allow the use of credit and debit cards, through their networks. But I'm sure that that is something that that industry is looking at, you know, as this whole cannabis starts to become legalized, if you will and decriminalized. But for now it is still a very cash intensive business.

Q3. Chairperson Williams: I have some follow up questions, clarification. I can say I get a lot of questions and I'm sure the other members do from various concerned citizens and members of the public saying, well, what's the solution to banking? And I get a lot of allegations that there is either not really a problem or that there should be an easy fix. And concerns that maybe the cannabis control board itself can provide a solution provide some banking solution so that banks in Guam can bank cannabis businesses. And my understanding from just looking at our cannabis control board, enabling law, I don't see us having any authority over our prerogative over what banks do. Meaning we can't compel the banks to accept deposits are compelled the banks to facilitate cannabis transactions. Would that be correct?

A. Mr. Rapadas: That's correct. What is being done in California you'll have a lot of businesses probably tied to cannabis and probably create their own financial systems to allow this and that's how all of this obfuscating of electronic transactions go through. So if you're, underground type of thing...because the feds aren't necessarily funded to stop this stuff, they're not going to. That's the issue banks have. For Bank of Guam, obviously, only like two or three banks may be able to handle it. A lot of the reporting or even the anti-money laundering type software we have, we'll probably see a lot of this stuff. But the issue we're going to have is that it's going to pop up in all of our reports and we have to learn how to deal with it. And we as a bank have to determine how we want to handle it. That's a very complicated risk assessment that we have to go through before the board (Insurance and Banking Board) can even consider.

Q4. Chairperson Williams: Having said that, Ms. Josephine, your colleague had said that it would facilitate the bank's risk assessment to see in advance draft rules we're considering, I think the more input the better and definitely, there's going to be plenty of opportunity. We'll get all the rules drafted and formatted in a way that's required by law, so it's a cohesive draft to review. Off the top of your head as the experts in the industry, are there things that the cannabis control board should be looking at? What can we do that would allow your risk assessment to determine that you could actually bank cannabis businesses or accept deposits at the very least?

A. Ms. Mariano: *Could I invite Jacinta Elm, she has been very instrumental in taking a look at risk assessment and the draft policy for San Francisco. Jacinta, do you want to take that and perhaps because you studied the California industry, you could provide input relative to what the cannabis board can take a look at, moving forward.*

Ms. Elm: Mitigating the risk is the biggest thing as the federal and the state law sets us apart and being able to bank the cannabis industry. And we have been following the California legal framework for a while. I think that would be a very good reference and resource to look at. Basically, the bank has to build their enhanced due diligence framework and the platform, the main framework would be licensing. If the government of Guam can allow the bank transparency to be able to validate licenses and to look at the whole framework of how you are going to disseminate licenses to either tier one, tier two, or tier three marijuana related businesses. That's a very important step. We were able to put together policies and procedures based on the framework that California has. And they actually have a Job Aid for banks that we used. Because today, for banks, there is no actual reference document that tells us, 'if you're going to bank a marijuana related business, make sure you do from a to z in regards to your AML (Anti Money Laundering) program'. I would be more than happy to share some of those sources and links that we use to put our policy and our procedures together for the California region.

Q5. Mr. Cruz: *In other states, particularly in Colorado and Washington State, they use sort of a cashless system. There's a point-of-sale and then the transaction happens elsewhere using a fenced in- regulated handoff. And basically what that is, is that Visa and MasterCard had basically said that the definition of "illegal transfers" is really up to the financial institution in which they're receiving and so basically, you have this transaction that happens on Guam or wherever, and then it goes via Visa or MasterCard and it goes to some other bank in the States. And then from there, that's how the money is moved out. And this is how they're doing it in those places. Would we be able to do something similar? Because I know that some of the software people that had came and showed their product to the board or did it like a little demo, they all had something similar to that, about how to deal with the money. I was wondering if that would be a possibility for us, just to have a cashless industry, if we're going to have problems with a cash industry?*

A. Ms. Mariano: *We definitely would be interested in taking a look at what the bank does. Of course, you know, each bank here has a different processor that they go through. And so with us, our processor here has made it very clear that they will not allow us to onboard any merchants dealing in the cannabis industry. So, you know, it's been, I want to say maybe a couple of years. So perhaps maybe it's time for us to take a look and revisit it again with our processors. So, Adrian, if you could, or even the board can provide us the information on who the vendors said they went through, definitely. We will take a look at it because, like everybody else, we would prefer to decrease the amount of cash that comes in over our*

counters. Honestly, we prefer everything be electronic. And just because it's a big burden for banks, you know, to continue to carry and move that cash around.

Mr. Cruz: For us on the board we have people that are interested in dealing with the software. So I don't think we could hand them off to you because it's an open competition. Maybe you can put out a call to these vendors who are interested because I know that they all have their own system. And then that way they can maybe come and present that to you. But I don't think we as the board could do that simply because that's something that's going to be procured out.

Ms. Mariano: Well, we can explore it. We can ask our payment processors.

Q6. Chairperson Williams: Well, it sounds like the most important draft that our banking community would like to see is the licensing draft. Jacinta, you mentioned, when doing the risk assessment, looking at the transparency and availability to be licensed for Tier 1, 2 and 3 businesses. Just for the record, are you referring to Tiers for the different types of cannabis establishments or for the size of the cannabis establishment?

A. Ms. Elm: Okay, so in the industry, the different marijuana related businesses are identified in Tiers. Tier 1 would be direct plant touching. So that would be your laboratories and retailers. And then Tier 2 and Tier 3 are considered ancillary. So those that provide services and products to a plant touching Tier 1 marijuana related business.

Old Business

o Review and discuss DRAFT Rules and Regulations Sections:

Cannabis Product Manufacturing Facilities Regulation, DPHSS

- §Manufacturer Requirements, Pg. 5, (g.) - Regulatory agency changed to Cannabis Control Board, to read: If the CCB denies a cannabis infused product for sale and retail cannabis stores, then the cannabis product manufacturing facility may request an administrative hearing with the Cannabis Control Board.
- Pg. 8, (r.) 3. – Delete the time requirement.
- §Cannabis Concentrate, Pg. 11 - Discussion: Director Herrera raises environmental concern over illegal dumping of butane cans used in cannabis extraction. Director Parkinson agrees, however it is not in the CCB's jurisdiction.
 - Chairperson Williams recommends working with GEPA to alert them of the environmental concern as the cannabis industry develops.
- §Cannabis Concentrate, Pg. 11, (a.) 2. - Regulatory agency approval changed from DRT to GEPA.
- Solvent Based Concentrate, Pg.15 (d.) 1.
 - Discussion: Dr. Kaneshiro clarifies that DPHSS will not be enforcing nor verifying the Industrial Hygienist or the Professional Engineer reports because the positions are not available at the agency. Vice Chair Shimizu asks for clarification, whether GFD or DPW are the

specific regulatory agency responsible for building codes, fire codes and electric codes.

- Chairperson Williams will consult with GFD to discuss fire code regulations accuracies and the impact on the Cannabis industry. She will also consult with DPW and GFD to discuss how solvent-based concentrates relate to public safety.
- Vice Chair Shimizu and the DRT compliance branch will get input from GFD, DPW and EPA.
- §License Requirements for all Food Facilities- Change 'Food Facilities' to 'Cannabis Manufacturing Product Facilities'.
- Identification badge requirement
 - Discussion: Chairperson Williams asks for clarification on whether identification badges will be required for cultivator and retailer employees.
 - *Director Cruz makes a motion to strike the section, '§Display of Identification Badge' to be replaced with the standard health requirements of DPHSS' Environmental Section. Director Parkinson seconds the motion. Motion carries.*
- §Security Alarm Systems- Consolidate sections (a.) + (b.)
 - Director Parkinson would like to go on record stating that ID's, security alarm and surveillance systems should be removed form the rules and regulations.
- §Waste Management and Disposal- (a.) Chairperson Williams will get input from GEPA.
- §Employee Training (b.) - Delete section (b.)
- Lab committee: *Director Cruz makes a motion to mirror the medical marijuana laboratory regulations. Director Arriola seconds the motion. Motion carries.*
- Vice Chair Shimizu requests that DRT work jointly with DPHSS in the development of the seed-to-sale software specifications.
- Vice Chair Shimizu request the guidance of the AG's office on the section on fees and civil penalties. Chairperson Williams offers a dual work session.
- *Director Cruz makes a motion to approve the current draft rules and regulations, subject to corrections for review by the Compiler of Laws. Director Parkinson seconds the motion. Motion carries.*
- *Director Parkinson makes a motion to have the Compiler of Laws assemble the draft rules and regulations. Director Cruz seconds the motion. Motion carries.*
- Director Parkinson would like to go on record to recognize the work of Linda DeNorcey who recently retired. He is grateful for her service.

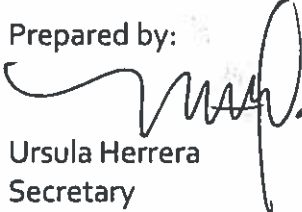
Open Forum/Announcements

- Next proposed CCB meeting date: August 10, 2020.
- Working session: August 6, 2020

Adjournment

The Cannabis Control Board meeting was adjourned at 4:39 p.m.

Prepared by:


Ursula Herrera
Secretary

Noted by:


Vanessa Williams
Chairperson



CANNABIS CONTROL BOARD

Regular Meeting #18 | July 30, 2020 | 2:00 pm

Zoom Video Conference Meeting ID: 595 959 8506 - Password: CCBGUAM
DRT Compliance Branch - (671) 635-1806

- I. Call to Order
- II. Roll Call of Members/Quorum
- III. Secretary's Report:
 - a. July 08, 2020 Regular Meeting #17 Minutes
- IV. Q&A with Insurance, Securities, Banking & Real Estate Branch,
Regulatory Division, Department of Revenue & Taxation
- V. Old Business
 - a. Review and discuss DRAFT Rules and Regulations Sections
 - b. Public Hearing Schedule - Administrative Adjudication Law (AAL)
- VI. Open Forum - *Five (5) minutes per attendee/topic
- VII. Adjournment