

Cannabis and Casinos

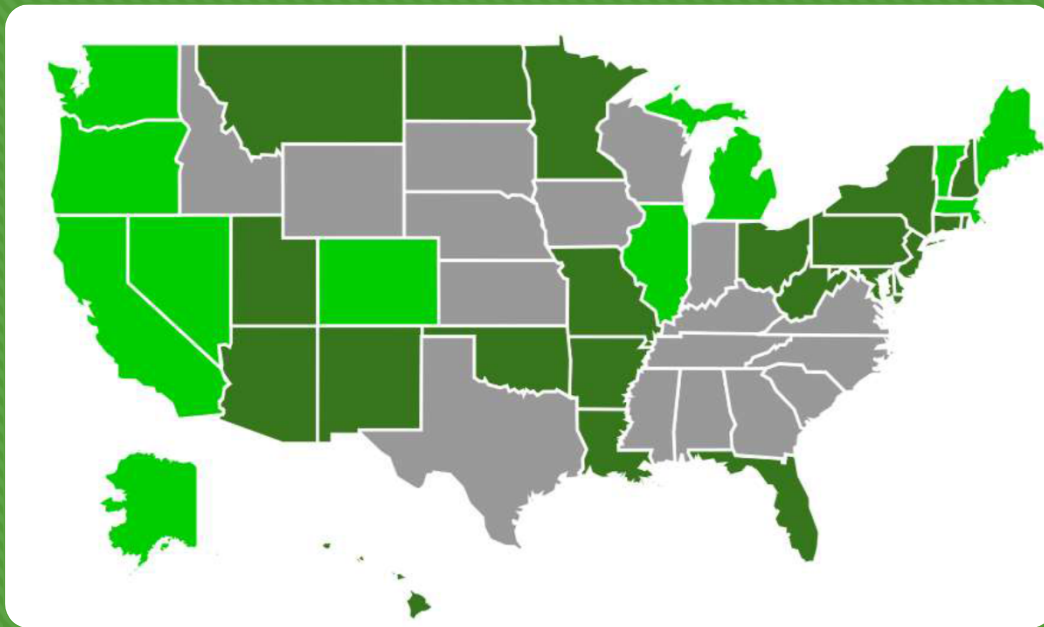
What risks to consider for Marijuana, Hemp and CBD customers

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The information contained in this presentation does not provide information in whole or in part related to compliance oversight at MGM Resorts International and the Third-Party Vendors in which business is transacted.

Types of Cannabis

Marijuana	Hemp	CBD
THC – Over 0.3%	THC – 0.3% or less	Wide spectrum of %
Psychoactive “high”	Non – psychoactive	Non- psychoactive
Adult & Medical Use	Multiple Uses	Multiple Uses
Illegal on Federal Level	Legal on Federal Level	Legal/Illegal – depends how much % of TCH



Marijuana Legalization Status

- Medical marijuana broadly legalized
- Marijuana legalized for recreational use
- No broad laws legalizing marijuana

Marijuana Map by State

– Mississippi is the only state we operate in that does not legalize marijuana in any form.

FinCEN Guidance – 2014

BSA Expectations Regarding MRBs

- Customer Due Diligence
 - Verifying with the appropriate state authorities whether the business is duly licensed and registered;
 - Requesting from state licensing and enforcement authority's available information about the business and related parties;
 - Developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (e.g., medical versus adult customers);
- Enhanced Due Diligence
 - Ongoing monitoring of publicly available sources for adverse information about the business and related parties;
 - Ongoing monitoring for suspicious activity, including for any of the red flags described in this guidance;
 - Refreshing information obtained as part of customer due diligence on a periodic basis for risk;
 - Determining whether a marijuana-related business implicates one of the Cole Memo priorities or violates state law.

FinCEN Guidance – 2014 Cont.

BSA Expectations Regarding MRBs

- Filing SARs on MRBs
- Training staff on MRB Red Flags for priority SARs
- Utilizing 314 (b)
- Filing CTRs
- Types of SARs:
 - • **Marijuana Limited SAR** – MRB that it reasonably believes, based on its customer due diligence, does not implicate one of the Cole Memo priorities or violate state law
 - • **Marijuana Priority SAR** – MRB that it reasonably believes, based on its customer due diligence, implicates one of the Cole Memo priorities or violates state law
 - • **Marijuana Termination SAR** – a financial institution deems it necessary to terminate a relationship with a MRB in order to maintain an effective AML compliance program

1- "A financial institution is required to file a SAR on activity involving a marijuana-related business (including those duly licensed under state law)." "It" in the types of SARs pertains to Financial Institutions (Casinos)

2- Whether the financial institution decides to provide indirect services to a marijuana-related business is a risk-based decision that depends on a number of factors specific to that institution and the relevant circumstances. In making this decision, the institution should consider the Cole Memo priorities, to the extent applicable.



Transaction Limitations

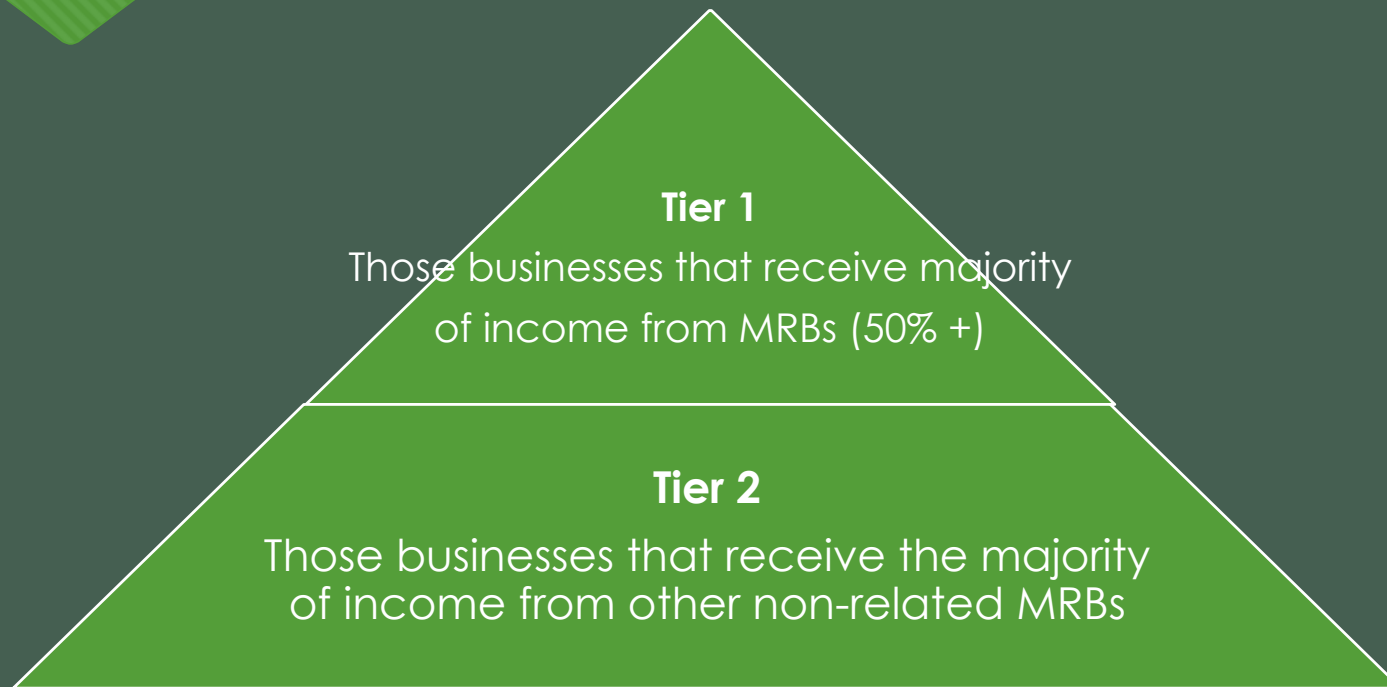
-No wires or ACHs across state lines; Fedwire (Federal Reserve Wire Network) will not allow financial institutions to electronically transfer funds for MRB funds.

-Mastercard & Visa have refused to process cannabis purchases- no cards bearing the logos can be used for cannabis-related businesses.

-When opening an account; Casinos should ask questions regarding income is derived from marijuana or hemp. No known "list" that shows businesses by state.

-Casinos can consider an "approved list" for who they accept funds via wire (3rd party wires).

Casinos – How to Define MRBs



Feeling the buzz; Cannabis Banking

- <https://www.acamstoday.org/feeling-the-buzz-community-banks-and-cannabis/>
- Great article out in 2019 that talks about researching companies and creating controls if planning on doing business with Cannabis companies.
- Comprehensive Risk Assessment must be completed first. Identifying the MRB; cultivator, transporter, baker of infused edibles;

- MGM Resorts – What we're doing...
 - Credit Customers – KYC & EDD;
 - Sports Betting / Table Games Customers – back to 314 (b);
 - Event spaces & Conventions – deposits/ items showcased & purchased;
 - Security and hospitality – Keeping guests safe.

MGM Resorts – Additional Steps

- SARs – We're aware of the legal, regulatory and reputational risks associated with Cannabis customers; how we report is an admission of probable criminal conduct, making Casinos, its Directors and employees responsible for filing – or not;
- Analyzing transactions and adjusting transaction alerts for increased activity / deposits and withdrawals for Marker activity & Sports Betting;
- Ongoing questions & discussions with Internal Audit and Compliance –
 - Do we currently service MRB's across the country ?
 - Is there a central repository in MI that lists all MRB's? Across state lines?
 - Are our attorneys proficient in BSA from the financial industry perspective?
 - What are our risks? Wires, Front Money Deposits, Marker Issuances, Payments on Markers with MRB Ties.
 - Where do we learn about upcoming laws/ regulations? The Marijuana Regulatory Agency (MRA) & Michigan Regulation and Taxation of Marijuana Act (MRTMA).

MGM Resorts – What we *should* be doing

- Creating an RBA for MRB's; establish what department is responsible – AML/ Compliance or FID;
- Train staff (Detection, Legacy Cash, Vendor Management and Audit);
- Complete an analysis on types of SARs filed and no CTR exemption for MRBs;
- Increase EDD on accounts that show patterns of large-cash transactions;
- Consider customer base in Regional locations, then enhance KYC reviews to protect Company;
- Understanding Payment Information and Providers (Cashless ATM's, Apps, Crypto, etc).

Facts for Michigan

- Allows Medical Marijuana - projected sales - \$698,000,000 in 2022.
- Allows Adult –Use Marijuana – projected sales - \$663,000,000 in 2022.
- Is there a Regulatory Structure? Yes! Michigan has centralized all aspects of Medical marijuana regulation (and some adult-use) in the Department of Licensing and Regulatory Affairs (LARA).
- Hemp and CBD not covered in this presentation; however, links below to assist those in attendance in researching their Cannabis questions.

Links to Information – <https://thecannabisindustry.org/ncia-news-resources/state-by-state-policies/>
<https://hempindustrydaily.com/states-setting-their-own-cbd-rules-as-federal-action-lags/>
https://www.Michigan.gov/mdard/0,4610,7-125-1569_74018---,00.html
<https://www.Michigan.gov/statelicensesearch/0,4671,7-180-24786-501810---,00.html>