

STA Open Call – February 7, 2019 Call Notes¹

Cannabis: Emerging Opportunities

Sachin Barot, CEO [Ceres Labs](#)

Giadha Aguirre deCarcer, Founder & CEO [New Frontier Data](#)

State of the Cannabis Union Report [Here](#)

Opening Remarks – Jim Toes, STA

Rule 606 – STA met with the SEC’s Trading & Markets team on the SEC’s [Final](#) Rule on Disclosure of Order Handling Information. The Rule requires broker dealers to disclose routing and execution information upon request from its customers and to also make certain reports publicly available. It is important to highlight that this is a **FINAL** rule, which means the industry should **not** expect the wording of it to change. That being said, there are still critical areas where interpretative guidance is needed. It is vital that firms acting as an Introducing Broker understand the responsibility for acquiring and including on your customer reports the look-through information from the executing BD on executions, and fees and rebates associated with those executions. It is reasonable to assume that the SEC will publish FAQ’s as a means to provide clarity. The timing of those FAQs and potential extensions are both TBD.

CAT – The SROs have ended their agreement with Thesys CAT’s Consolidated Audit Trail contract as Plan Processor. An industry-wide call will take place on Wed., Feb. 20 at 4:15 p.m. ET as the CAT Operating Committee will host a webcast to discuss current progress on the CAT. Teleconference information: Toll-Free: +1-888-848-6721; Passcode: 3216365# [Link](#)

Executive Summary

With an increasing majority of Americans supporting cannabis legalization, and the industry generating \$10.3 billion in sales throughout 2018, it is a seminal time for the cannabis industry. In the November 2018 election, voters in two more states, now totaling 10, approved cannabis use for recreational purposes. 33 states have approved it for medicinal use. Sachin and Giadha both had successful careers on Wall Street prior to pursuing opportunities in the cannabis industry. New Frontier Data estimates that in the U.S. during 2018 there were 259,000 people working full-time in the legal cannabis industry, a nearly 30% increase from the previous year. Other signs of acceptance and willingness to legalize cannabis within the U.S. include the House Financial Services Committee conducting a Feb. 13 [hearing](#) titled: Access to Banking Services for Cannabis-Related Businesses. Globally, 60 countries have legalized cannabis in some way today. Challenges that impede growth include: state by state regulatory regime creates a fragmented framework; the inability of national banks to accept cash and lend to cannabis companies; cost of energy; and, regulatory scrutiny on emissions.

¹ This brief is meant for informational purposes only and therefore should not be considered legal advice. STA’s goal is to raise awareness on industry developments and encourage dialogue.