

- 1) *Why is Lincoln (The Lincoln National Life Insurance Company, Lincoln Life & Annuity Company of New York, and other affiliates of Lincoln Financial Group) taking this position?*

Despite the growing number of states which have legalized marijuana-related activity, the manufacturing, sale and distribution of marijuana remains illegal under federal law (the Controlled Substances Act). Lincoln is taking this position to mitigate the risk of doing business with individuals and organizations that are involved in illegal activity.

- 2) *Are there regulations that impact Lincoln as a result of the federal law?*

Yes. In February 2014, the Financial Crimes Enforcement Network ("FinCEN") issued guidance to clarify the expectations under the Bank Secrecy Act for financial institutions which provide services to marijuana-related businesses. FinCEN requires financial institutions, including life insurance companies, to assess the risks associated with opening accounts or issuing policies to individuals or companies associated with the manufacturing, sale or distribution of marijuana. The guidance further requires financial institutions to file Suspicious Activity Reports for any customer involved in a marijuana-related business.

Amended Regulations – The 2018 Farm Bill was passed on December 20th, 2018 and clarifies that hemp and hemp products are legal.

Section 12619 of the 2018 Farm Bill amends the Controlled Substances Act in two ways:

- 1. It removes hemp from the definition of marijuana in the Controlled Substances Act.
- 2. In listing THC as a Schedule I controlled substance in the Controlled Substances Act, it creates an exception for tetrahydrocannabinols in hemp.

The 2018 Farm Bill defines hemp more broadly thus eliminating any question that both the plants and products derived from the plants are legal, so long as the THC concentration does not exceed 0.3 percent.

Any cannabis plant or product that contains **more than 0.3 percent THC will still be considered marijuana** under federal law.

- 3) *What is a "marijuana-related business?"*

A "marijuana-related business" is an individual or organization who is directly involved in the manufacturing, sale and/or distribution of marijuana. For example, a marijuana dispensary and its employees are directly involved in these activities. A physician who prescribes marijuana in states that permit its use for medicinal purposes is not necessarily deriving the majority of his or her income from the sale and distribution of marijuana, unless marijuana is the only drug prescribed by the physician.

- 4) *Can Lincoln issue a policy or open an account if the customer is involved in a marijuana-related business but the source of funds is a 1035 exchange, qualified rollover, or nonqualified transfer?*

No. Although the source of funds may not come directly from a marijuana-related business, the fact that the customer is involved in a marijuana-related business requires Lincoln to monitor and report the activity in the policy or account to FinCEN.

- 5) *Does this apply to all Lincoln affiliates?*

Yes. This position applies to all products through all of Lincoln's affiliates. In March 2014, Lincoln's retail broker-dealers, Lincoln Financial Advisors Corporation ("LFA") and Lincoln Financial Securities Corporation ("LFS"), issued their position statements prohibiting the opening of accounts where the source of funds is derived from, or related to, a marijuana-related business.

- 6) *Are other carriers and broker-dealer firms taking similar positions?*

Yes. Other insurance companies and broker-dealers have issued similar position statements, including the clearing firms used by LFA and LFS (National Financial Services LLC).

- 7) *What additional actions has Lincoln taken to address these issues?*

Lincoln added questions and/or certification language to forms used during the policy issuance or account opening process. We updated these forms to ensure each producer or advisor who conducts business with Lincoln is aware, on a case-by-case basis, that Lincoln does not issue policies or open accounts for individuals and organizations involved in a marijuana-related business. Our Market Conduct Manual was updated and provided to all new producers (and made available to existing producers via the producer web sites) to include this position statement.

- 8) *What should be done if someone learns that an existing customer is involved in a marijuana related business?*

Because the FinCEN regulations require Lincoln to file Suspicious Activity Reports for any customer involved in a marijuana-related business, Lincoln's AML Officer should be immediately notified upon the discovery that an existing customer is involved in such activity.

Parties who are external to Lincoln can report this information via our [Fraud Hotline](#).

If you have marijuana-related business questions, please escalate them to your [Fraud Council Member](#), manager or team leader. If it is determined that a Suspicious Incident Referral Form is needed please submit to the appropriate inbox, listed below, along with any supporting documentation:

AML, Fraud & Investigations
(Enterprise Business Areas):

[Suspicious Incident Referral Form](#)
EnterpriseServiceAML@lfg.com

LFN AML
(Broker Dealer, LFA & LFS):

[Suspicious Incident Referral Form - LFN](#)
LFNAML@lfg.com