

# New restrictions related to securities of marijuana-related businesses (MRBs)

## **What is the issue associated with the securities of marijuana-related businesses?**

Many U.S. financial institutions are reluctant to serve as custodians of securities associated with the cannabis industry because marijuana is a controlled substance and illegal at the federal level in the U.S. These custodians may have policies that restrict securities issued by certain marijuana-related businesses (MRBs) as a result.

## **What is the scope of these restrictions?**

Restricted MRB securities may include securities issued by companies that have a direct nexus to the recreational or medical marijuana industry, including but not limited to the growing, manufacturing, distributing, and/or dispersing of marijuana. Given the variances in products issued by and investing in marijuana-related businesses, we are unable to provide a list of all potentially impacted securities. Currently, the restrictions are limited to certain stocks of MRBs. However, we will continue to monitor the landscape and may evolve the treatment and servicing of MRB securities as necessary.

## **Why doesn't the restriction apply to all marijuana securities?**

The restrictions do not apply to any security traded on the New York Stock Exchange (NYSE) and the National Association of Securities Dealers Automated Quotations (NASDAQ) due to the controls and entry requirements for listing on the exchanges.

## **When will these new restrictions go into effect at Axos Advisor Services?**

November 8, 2021.

## **Will Axos Advisor Services require clients sell out of all MRB positions?**

You and your clients may continue to hold existing positions in restricted securities from MRBs at Axos Advisor Services. However, while mandatory events or default options for asset servicing will be supported, any resultant cash proceeds (such as dividend payments) will be restricted and will not be posted to the account. Further, voluntary corporate action events for impacted assets that remain in custody will not be supported.

## **If the choice is made not to hold existing MRB positions on the Axos Advisor Services platform, what options will exist?**

If your clients hold securities related to any of the newly restricted MRBs, a few options will exist:

- You and your clients may sell out of the position at any time.
- You and your clients may transfer the position out (as long as the receiving firm will accept the position).
- Axos Advisor Services can facilitate conversion of the stock certificates from street name to client name.  
(Note: this option is not available for ETFs.)

## **How do I request the conversion of a client's stock certificate from street name to client name?**

Clients will need to complete the Irrevocable Stock or Bond Power. In addition, if the position is held in a qualified account, the advisor will need to submit a distribution form (e.g., specifying withholding requirements).

## **How long does it take to get the positions converted from street name to client name?**

This re-registration process may take approximately 7 to 10 business days.

### **What happens if I hold one of the soon-to-be restricted MRB securities in a model?**

We recommend that impacted securities be removed from a trading model and placed in a holding model. The symbols for restricted securities will be removed from the platform on 11/8/21. Any future sells created by advisors will be processed manually by the Axos Advisor Services Trading team.

### **What will the position be on holding these securities in the future?**

The legal landscape is ever-changing surrounding the securities of MRBs, and Axos Advisor Services will continue to review applicability of the restrictions.

**If you have any additional questions or concerns related to this update, please contact your Client Service Advocate.**

#### **Investment Products: Not FDIC Insured - No Bank Guarantee - May Lose Value.**

Axos Advisor Services is a trade name of Axos Clearing LLC. Axos Clearing LLC provides back-office services for registered investment advisers. Neither Axos Advisor Services nor Axos Clearing LLC provides investment advice or make investment recommendations in any capacity.

Securities products are offered by Axos Clearing LLC, Member FINRA & SIPC.

Axos Clearing, LLC does not provide legal, accounting, or tax advice. Always consult your own legal, accounting, and tax advisors.

© 2021 Axos Clearing LLC. Member FINRA & SIPC. All Rights Reserved.