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Why UK investors shouldn't worry if they own shares in overseas cannabis companies

Online trading platforms aren't set to follow IG Group PLC's (LON:IGG) lead and stop offering shares in overseas cannabis companies.

The Telegraph **reported over the weekend** that IG, Europe's largest online platform, is to sell its clients' marijuana shares by the end of May after lawyers warned that investing in them might be a crime.

READ: London emerges as new hotspot for medicinal cannabis firms
The UK has recently relaxed the rules on medicinal cannabis, but the dealing, possession and use of the drug for recreational purposes remains a criminal offence.

But in Canada and certain US states, the drug can be used recreationally, which has led to a raft of businesses competing to make everything from the leaf itself through to cannabis-infused drinks and sweets.

#potstocks #cannabis #ACB #CGC #Tilray I just got word that my trading platform IG markets (one of the biggest multi) is banning cannabis trading. Most major platforms and banks may soon follow. Means nothing it is a registered security in a lawful jurisdiction. Grubs. pic.twitter.com/OMrNjzwxgu

— Bitcoin Baller (@BallerBitcoin) April 23, 2019

Many of those companies already have UK-based shareholders, but law firm Macfarlanes claimed earlier this year that investors on this side of the pond could be committing an offence under the Proceeds of Crime Act by trading recreational cannabis stocks.

"UK investors in cannabis-related companies, even indirectly, risk technically committing money laundering offences under POCA," Macfarlanes concluded in their report.

Don't panic

So, should UK investors be worried if they have investments in overseas cannabis companies?

"No, absolutely not," said Robert Jappie, an expert on cannabis law at Mackrell Turner Garrett in London.

Jappie said although the law was ambiguous, in practice there is little chance of a UK-based cannabis investor being prosecuted.

"[IG's move] seems overly cautious to me. Any pull-out based on proceeds of crime concerns or potential criminal activity I think is entirely unnecessary."

IG's rivals, including Hargreaves Lansdown, AJ Bell and Interactive Investor seem to agree and have all said they will continue to offer shares in US and Canadian marijuana companies to customers.

Price: 612.2

Market Cap: £2.26 billion

1 Year Share Price Graph



Share Information

Code: IGG

Listing: LSE

52 week **High** **Low**
653 467.4

Sector: Investments and investor services

Website: www.igggroup.com

Company Synopsis:

IG Group Holdings plc is a United Kingdom-based company, which is principally engaged in running a spread betting market, trading as principal and market maker for foreign exchange, and contracts for difference and acting as a fixed odds bookmaker. During the fiscal year ended May 31, 2008, the Company began trading on a regulated futures and options exchange.

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Business as usual for other platforms

AJ Bell said its customers would still be able to invest in cannabis stocks as long as the investment settles in CREST - London's online trade settlement platform - and the company is traded on a HMRC-recognised stock exchange.

Interactive Investor will continue to promote cannabis firms as well, although a spokesperson added it would continue to monitor any developments.

In an email, Hargreaves Lansdown said: "We are an execution only service and investors have the ability to invest in listed companies of interest to them. It is not for us to decide which are suitable for them."

IG couldn't immediately be reached for comment.

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