

# In Depth

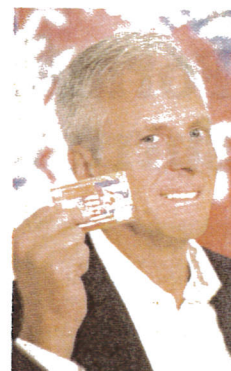


Bankers, regulators and government officials attend a banking workshop at Havana's Hotel Nacional in mid-July. It was the first such gathering in more than 50 years.



Cuban Banking Study Group

From left, David Schwartz, president of the Florida International Bankers Association; Jeff de Laurentis, chief of mission at the U.S. Embassy in Havana; and Fernando Capablanca, president of the Cuban Banking Study Group.



RAMON ESPINOSA AP

Stonegate Bank President David Seleski with a credit card his bank issued for use in Cuba by U.S. travelers.

## American and Cuban bankers hold historic meeting

BY MIMI WHITEFIELD  
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When South Florida banking consultant Fernando Capablanca recently spoke about the Cuban banking system — the pre-1959 Cuban banking system — he was surprised at the compliments he received.

That the perspective of someone with his long years in international banking might be appreciated isn't too surprising. But the venue was Havana and the compliments were coming from Cuban bankers.

Shortly after the United States and Cuba announced they were working toward normalizing relations on Dec. 17, 2014,

consumer lending or who the main players were. On the flip side, Cubans bankers also had plenty of questions about banking in the United States.

"It's been a closed door, and there really weren't interactions between Cuban and American bankers in so long that you almost had to start over with the basics," said David Seleski, president and chief executive of Pompano Beach-based Stonegate Bank, the one U.S. bank that has taken advantage of new opportunities for the U.S. financial sector opened up by the Obama administration.

"The real logic for the workshop is we have a lot of Cuban Americans in South Florida and one day

administers and enforces the embargo against Cuba, but first Capablanca had to determine if the Cuban government was even interested in the idea.

When he talked with José Ramón Cabañas, now the Cuban ambassador to the United States, Capablanca said Cabañas told him he thought it was a "great idea." But "approval from Cuba's central bank was critical," Capablanca said. About a year ago, he traveled to Havana to meet with executives from the Banco Nacional de Cuba.

"They asked me, 'Why do you want to do this?'" said Capablanca, managing director of Whitecap Consulting Group. "I said I'd like to see private banks flourish again alongside

probably better than anyone expected," Schwartz said. "They had a lot of questions because we have a dual banking system. There were a lot of things they didn't understand about our banking system and we didn't know a lot of things about their banking system either. It was pulling back the veil."

Schwartz said he was surprised to learn that there was a Cuba bank that did lending for consumer purchases such as washers and dryers, that there was a savings bank that offers term accounts and that 70 to 80 percent of bank workers and executives are women.

Raul Valdes-Fauli, president of Coral Gables-based Professional Bank, said he

Future of its Banking and Financial System."

Those who attended said the sessions really weren't about the Cuban economy or the nitty-gritty of how Cuba and U.S. banks might do business, but rather broad brush strokes of how both countries' banking systems operate.

Capablanca said there may be a follow-up meeting early next year. In terms of next steps in the fledgling banking relationship, Schwartz said, "A lot will depend on our election."

Rich Daily, president of Miami-based Apollo Bank, said he'd like to see a follow-up as soon as possible. "The workshop definitely was not a waste of time. It was a meeting that had to

willing to tread that road. "I'm very happy we entered the market. I think it's going very well," Seleski said. "Because it's a very structured rules-based system, we almost take the opposite tack from other banks — that [Cuba business] is less of a risk."

If Stonegate has a question, he said, "We call OFAC and it's either permissible or it is not."

Since June, when Stonegate began offering its Cuba credit cards, it has received close to 850 card applications, Seleski said. But it's difficult to tell if all of the applications are Cuba-related, he said.

The bank only recently began to issue the cards and many applications are still in the pipeline. "I have one and it has been working just fine," Seleski said. There are currently about 10,000 points of sale that accept credit cards in Cuba and 600 ATMs, he said.

Unlike other credit cards, when customers apply for a card that will be used in Cuba, they must attest to falling into one of

Capablanca thought it was also time that Cuban and U.S. bankers, banking regulators and government officials from both countries sit down and get reacquainted. It was a long-shot to be sure, but Capablanca, the president of the Cuban Banking Study Group, persisted.

The result was a two-day, invitation-only workshop, held in Havana in mid-July that was attended by about 100 people.

Even though the Federal Reserve Banks of Atlanta and Boston operated branches in Cuba at one point, J.P. Morgan established the Trust Company of Cuba — the largest Cuban bank at the time of the 1959 revolution, and U.S. banks once flourished on the island, there hasn't been such a cordial meeting between U.S. bankers and their Cuban counterparts in well over half a century.

The U.S.-Cuba banking relationship was severed on Sept. 17, 1960, when Cuba confiscated Chase, National City Bank of New York and Bank of Boston branches on the island.

But Capablanca said that "when things started improving [with the rapprochement], I thought it would be a good idea to get to know the banking system in Cuba better." Many U.S. bankers didn't know much about how banking in Cuba is structured, whether Cuban banks did

the embargo will go away, so banks are exploring future options," said Seleski, who attended the Havana workshop.

Already, U.S. regulatory changes allow U.S. banks to support credit and debit cards used by U.S. travelers to Cuba, permit U.S. financing of some authorized exports to the island, and allow Cuban nationals in Cuba to have U.S. bank accounts for authorized transactions.

The Obama administration would like U.S. banks to act on this opening, but so far they've been reluctant to engage. Organizers said the get-acquainted workshop was a necessary first step in the process.

To get to the point where Cuban and American bankers were listening to presentations on the history of banking in both countries, cybersecurity and anti-money-laundering measures, as well as sharing perspectives at coffee breaks, was the culmination of a nearly 18-month odyssey through both U.S. and Cuban bureaucracies.

Capablanca and David Schwartz, chief executive of the Florida International Bankers Association, sat down with the Miami Herald to talk about the historic workshop and how it came about.

It meant coordinating with the State Department and the Office of Foreign Assets Control, which

Cuban banks. Cuba had a very robust banking system in 1958 — perhaps the strongest in Latin America."

When he got the green light from the Banco Nacional, he went to the board of the Cuban Banking Study Group. The board gave its approval, but it was skeptical about pulling off the workshop. With board approval, Capablanca recruited the Florida International Bankers Association as a partner.

Then began the process of coordinating with U.S. officials and sending agendas and revised agendas to Havana for approval. Last spring Capablanca and Schwartz traveled to Havana to finalize the agenda in hopes of holding the workshop in the fall. But federal officials told Capablanca the only dates they had open for such a meeting were July 14 and 15.

Finally the stage was set for the workshop at the Hotel Nacional that included 15 members of the federal government, including representatives from OFAC, the Federal Reserve, the State Department, Treasury and Commerce; around two dozen Cuban government officials from various agencies, Cuban bankers, U.S. bankers — mainly from Florida, and a few representatives of international banks with offices in Cuba.

"The interaction was

attended the workshop to gain a better understanding of the Cuban banking system, meet some Cuban central bankers in person, and see how Cuban banks are working with private Cuban entrepreneurs.

He said he learned a new Spanish acronym on the trip, TCPs, short for *trabajadores de cuenta propia*, the Cuban term for those who work on their own and don't hold state jobs.

"There is some financing available for their businesses," he said. And more surprising to him, the Cuban bankers "were speaking proudly of them," he said.

"I'm really glad I went," Valdes-Fauli said. "There was a lot of good talking going on during the coffee breaks and at the closing reception. And those conversations were probably as important as what was going on in the formal sessions. This is how relationships begin."

He said he's unclear what next steps his bank might take. "I'm still trying to get my head around what I heard there," he said.

"It was really an educational opportunity and we also reviewed all the regulatory changes since December 2014," Capablanca said. Armed with new information from the workshop, he said, the Cuban Banking Study Group plans to update its 1995 book, "Cuba: Past, Present and

be held," he said. "We're not ramping up to do any business with Cuba at this point, but we do want to keep on top of things."

Most bankers are still on the fence when it comes to Cuba. After the workshop, Capablanca said that "no one is taking the next step of trying to enter the Cuban market, but they did want to learn more."

There's still only one U.S. bank operating in Cuba."

And that is Stonegate, which not only serves as the banker for the Cuban Embassy in Washington, but also offers MasterCard debit and credit cards that can be used in Cuba by authorized U.S. travelers and has signed a correspondent banking deal with Cuba's Banco Internacional de Comercio.

San Juan-based Banco Popular de Puerto Rico has announced plans to offer MasterCard services in Cuba soon, but so far other banks have been reluctant to follow suit, saying currently the potential risk of doing business with Cuba outweighs the potential monetary benefits.

"It's going to have to be the two governments that will get the doors open. As the Cuban market opens up more and more, I can assure you that every major credit card provider will want to be there," Dailey said. But he said there's still a "bumpy road" ahead before that day arrives.

But Stonegate has been

12 categories of travel currently authorized by the U.S. government. "We rely on the traveler [to be truthful]," Seleski said. "The liability is with the individual."

Stonegate's Cuba business also is moving ahead on other fronts. Although it still must work through third-party banks, "We are making transfers to Cuba regularly for our corporate customers," Seleski said. "We also have a lot of Cuban entrepreneurs who bank with us."

At this point he said it's mostly Cuban artists who sell their work at U.S. galleries, musicians and some owners of private businesses on the island who are opening the accounts. "We're getting a lot of feedback that are other banks also are interested in doing this too," Seleski said.

"We feel very strongly about what we're doing. It's been because it's the right thing to do, not about making a whole lot of money. It's about building a relationship," Seleski said. Because Stonegate agreed to bank the Cuban Embassy, it got something of a head-start and "we've gotten comfortable dealing with the Cubans," he said.

Right now, Seleski said, "it's important for U.S. banks and Cuban banks to increase the dialogue." Hopefully there will be more of these events both here and in Cuba."

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