

Trump Ends Obama-Era Leniency On Cuba Remittances

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President Donald Trump's administration has clamped down on the provision of remittances to Cuba, as well as payments involving the country made through U.S. correspondent banks.

The measures, published in the Federal Register on Monday but announced in April, put a pin in [brief hopes](#) that the thawing of relations between Havana and Washington under former president Barack Obama would drive a boom in money transfers.

Under the restrictions, which come into effect from October 9, an individual subject to U.S. jurisdiction will only be allowed to remit a total of \$1,000 per quarter to an immediate family member in Cuba.

Payments to close family members of Cuban officials and members of the ruling Communist Party will be banned. Permission for "donative remittances" payments to non-family members has also been scrapped.

However, an amendment to the general license issued by the Office of Foreign Assets Control (OFAC) will allow payments that "support the operation of economic activity in the non-state sector by self-employed individuals," such as private taxi drivers and other small enterprises.

According to a State Department statement, "remittances to private businesses, human rights groups, religious organizations, and other self-employed individuals operating in the non-state sector are authorized with no cap at this time".

An estimated \$3.5bn of remittances flowed from the U.S. to Cuba in 2017, according to the State Department.

Then-President Obama's efforts to normalise relations with Cuba in the twilight of his final term sparked hopes among major remitters that formalised transfers between the Cuban diaspora in the U.S. and the island nation could grow further.

Ultimately, however, major providers like MoneyGram and PayPal shied away and within a year the Trump administration had ended U.S. overtures towards Cuba.

Western Union, which has provided services of some sort to Cuba for at least two decades, added app-based money transfers to the country in 2016, in response to the Obama administration's unpicking of the decades-old embargo.

The Denver-based company did not answer specific questions from PaymentsCompliance but a spokesperson said it is "working through" the details of the announced regulatory amendments.

"Western Union operates in more than 200 countries and territories and complies with all applicable laws and regulations including OFAC's regulations concerning remittances to Cuba," the spokesperson said.

"We are committed to continue serving our customers who send authorized remittances to Cuba, a critical resource to support their loved ones."

Thaddeus McBride, a partner at Bass, Berry & Sims in Washington D.C., said the rule changes may have a "somewhat significant" impact on remittance flows from the U.S. to Cuba.

"Any bank willing to process a remittance to Cuba is likely to scrub the remittance more carefully in light of the new restrictions," said McBride. "So I think ultimately it is individuals trying to make remittances to the people of Cuba that will most feel the impact of these actions."

The U.S. Treasury also swung the axe on so-called "U-turn transactions", in which neither the payer or the payee are subject to U.S. jurisdiction but the payment is wired through a U.S. correspondent bank.

The processing of such transactions were [allowed](#) in March 2016 prior to Obama's historic visit to the country.

McBride said that because U.S. banks largely steered clear of any Cuba-related business even during Obama's rapprochement, they will likely be unruffled by the end of U-turn transactions.

Overseas banks will probably also be unaffected by the move, he suggested.

"I suspect that they already have well-worn paths for Cuba transactions involving their own branches or correspondent relationships," the lawyer said. "So while this may be somewhat inconvenient for them, I do not think it will make that much of a difference."

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Cuban foreign minister Bruno Rodríguez criticised the publication of the restrictions last week.

"I strongly reject the implementation of measures announced by the U.S. in April aimed at reinforcing the blockade and economic siege against Cuba," he wrote on Twitter. "This opportunistic attempt to divide Cubans will fail."

U.S. and overseas financial institutions also face the [risk](#) of private litigation over past business with Cuban government entities after the Trump administration lifted a long-abided suspension of Title III of the Helms-Burton Act, which allows claims for restitution of "trafficked" property confiscated by the Cuban state.

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