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Week in review

Featured Article

U.S. Shift on Cuba Remittances Spurring Scramble Among MSBs

By [Brian Monroe](#)

The Obama administration said Monday that it would lift restrictions on how much money Cuban Americans can send to Cuba, easing financial constraints first established in the 1960s.

The policy shift, which was coupled with announcements on rollbacks of restrictions on Cuban travel and telecommunications deals, will allow Cuban Americans to send an unlimited number of remittances to Cuban relatives in households that don't include communist officials, White House Press Secretary Robert Gibbs said, in a press briefing.

The policy change is likely to triple the amount of money annually remitted to the communist country since 2004, when the Bush administration limited wires to \$300 or less per quarter to immediate family members, according to Michael McDonald, a Miami, Fla.-based anti-money laundering consultant and former Internal Revenue Service special agent.

The news has already caused a "flurry of activity" from South Florida money services businesses (MSBs) trying to figure out how they can "get into the business," he said. "Companies are lining up trying to see how they can jump on the bandwagon. This is a very large market."

Prior to the 2004 change, the U.S. Treasury Department had allowed \$300 per quarter to be sent to any Cuban household that did not include government officials. Cuba receives between \$900 million to \$1 billion a year in foreign remittances, of which between \$400 million and \$800 million originate from the United States, according to a September report by the Congressional Research Service.

In addition, family members will now be able to travel with up to \$3,000 in remittances, though they are still limited to sending money only to individuals within three degrees of a family relationship, such as a second cousin. The government will do this by establishing a "general license" for banks and other depository institutions to forward remittances.

Officials in the State, Treasury and Commerce Departments will meet to discuss how to implement regulation changes involving the policy shift, said Gibbs, during the press briefing. Calls to the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) seeking clarification on how changes might be implemented were not immediately returned.

While the announcement could open up new business channels for money services businesses (MSBs) remitting money, there are still "a lot of issues for OFAC to iron out," such as how the Treasury Department will change licensing requirements, said McDonald.

If OFAC decides to maintain a licensing policy similar to what is currently in place, the agency will be "inundated" with requests that typically take months or years to approve, he said. A slow reaction by the agency could prompt remitting companies to send money to the island illegally, "hawala-style," McDonald said.

Should the Treasury Department decide to simplify licensing for remittances, it could open the door to criminals because "MSBs have no frame of reference for what suspicious activity to Cuba might look like," said a compliance officer for a large MSB who asked not to be named.

Ending or simplifying the licenses would be a boon for MSBs, however, which must fill out a complicated and convoluted 60-plus page document to get the approval for a license that can take up to two years to obtain, said a senior MSB compliance officer at a large, national MSB.

The industry may ultimately have to wait "at least a year or more" for OFAC to implement new rules, because it must first propose regulations and open the rules up for industry comment, the person said.

The Obama administration will implement rules lifting travel restrictions for family members and allowing cellular companies to link both countries so relatives can communicate with each other, according to a White House fact sheet. The United States will also expand the scope of humanitarian aid that can be sent to the country, according to the fact sheet.

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