



Establishing a Foothold in Cuba: An Interview with David Seleski of Stonegate Bank

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As the diplomatic relationship between the United States and Cuba continues to thaw, an economic relationship is gradually beginning to form. Tourist flights to the island nation have begun, and cruise ships have begun making the 90-mile trip to Havana. A banking relationship is also in its nascent stage, with Stonegate Bank, based in Pompano Beach, Florida, becoming the first U.S. bank authorized to conduct business with Cuba. Karen Gilmore, the regional executive of the Atlanta Fed's Miami Branch, recently talked to David Seleski, Stonegate's president and CEO, about how his bank achieved this distinction.

Karen Gilmore: *Stonegate Bank is the first U.S. bank approved to do business with Cuba. Can you tell us how the bank began down that path?*

David Seleski: Originally, we banked a company that did agricultural supplies to Cuba, and we'd banked them since 2011. I'd been down there a few times because of that customer, mostly doing due diligence. There was a bank out of New York that originally banked the Cuban interest section, and they got out of the embassy business altogether. For about 15 months, the Cuban interest section was without any banking services; they were dealing with cash only. And it really put a lot of strain on issuing visas and for Cuban Americans visiting their families.

One day, my customer was having lunch with the undersecretary of Cuban affairs. They were having a hard time finding a bank, and they said, "Well, what about Stonegate?" So they picked up the phone and they called me. At first I was very skeptical, but after meeting with Cuban government officials and doing our due diligence, we decided to move forward, and the next thing you know, we were banking the [Cuban] embassy. The next thing we did was to start exploring other opportunities, and one thing led to the next—it wasn't part of our strategic plan, let me put it that way.

Gilmore: *How would you characterize the reception of this new business arrangement with your existing clients, your board, and the community?*

Seleski: We lost a few clients in Dade County but gained a few clients who supported our position. So it was probably pretty much of a wash. We did have some light protests outside one of our branches of eight or nine people for a couple of weeks, but besides that, mostly the community has been very supportive. Even the people who don't necessarily agree with what we're doing, I think they respect the fact that we took a chance in terms of "this is something we believe in." Sometimes you've got to take a position, and I think [although] some people don't agree with what we did, they respect the fact that we stepped up and we tried to do this.

Originally, diplomatic relations were contingent on their having a bank and being able to open the embassy. It was really impacting families getting together, remittances, and everything else that was going on that's a real lifeline to the Cuban people. For us, it wasn't a business decision initially; it was more of an ethical and moral decision as to why we did what we did.

Gilmore: *On the other side, though, you had to deal with both legal and regulatory issues because you are a regulated bank. How difficult is that process?*

Seleski: I think a lot of this is communication with the regulators. At first I think they were scratching their heads as to why I was doing this. But I think a lot of it was just communicating with them step by step, everything we were doing. I think the regulators have been very helpful in terms of making sure we follow the policies and procedures, because let's face it: we're in South Florida. We've never banked an embassy before. We were not in the international arena and then all of a sudden we have a correspondent account in a Cuban bank. So, I think a lot of it's just communication and actually relying on them as a partner to help you navigate, making sure that we're doing everything correctly. I think both the OFR [Office of Financial Regulation] and the FDIC [Federal Deposit Insurance Corporation] have fulfilled that role.

Gilmore: *Coming on to close to a year and a half since the bank was approved by U.S. authorities to begin this relationship with Cuba, what would you say have been the most significant hurdles for the bank to overcome?*

Seleski: I think the most significant hurdle is simply that you are caught up in the politics between two countries. There are new executive orders that come out, general licenses, and a lot of it is directed towards banking. So you'll put together a mousetrap basically to figure out how to, let's say, move money between the U.S. and Cuba, and then all of a sudden a new executive order comes out and you basically have to start all over again.

I say it's more just being a very fluid situation and having to have approval from both sides for anything you do. It's more time consuming. It's a slower process. But I think everybody's moving in the right direction.

Gilmore: *It must be fascinating being on the cutting edge of this.*

Seleski: Fascinating and frustrating.

Gilmore: *Do you see additional U.S. banks following in Stonegate's footsteps anytime soon?*

Seleski: I would hope so. We think there are going to be opportunities, and we do believe the embargo will go away. The Cuban people identify more with people in the U.S. than Mexico, Puerto Rico, Spain, or anywhere else. I think what's going to happen is—once the embargo is lifted—the commercial ties between the two countries are going to be much more extensive than people realize. As other banks get involved, the opportunities will be there to make money and to service their clients. And I do believe as more American companies get engaged down there and do business, they're going to put pressure on the financial institutions to support them. I think time will tell, and I think more people will get involved over time.

Gilmore: *Having gone first, you've probably cleared a lot of the major obstacles for other U.S. banks. Do you see it as an easier road for them?*

Seleski: Oh, yeah, there's no question about it. We're definitely the guinea pig. There were probably some people sitting and watching to see if we navigate through without any problems before they jump in. Frankly, I don't blame them—in some cases, that makes a lot of sense. So far it's been very rewarding, and we've not had any issues. I do believe that we are setting a pattern or blueprint for other people to follow. There's going to be a need for more American banks to be involved at some point.

Gilmore: *If you had to tick off three of the most significant accomplishments since your approval as the first U.S. bank to be able to do business with Cuba, what would they be?*



Stonegate Bank's Pompano Beach, FL location



David Seleski

Seleski: Number one was just the initial move. We did not know how it was going to be received. We had additional security in our branches in Dade County—we just didn't know how it was going to be received. I always laugh about how I told my senior management team we're doing this, and they're all like, "Yeah, yeah, it sounds good," and in the back of my mind [I'm thinking that] they're updating their resumes. We just didn't know how it was going to happen.

So that was number one: just that first sinking feeling and not sleeping for a couple of nights wondering, what's their [the general public's] reaction? Five years ago or 10 years ago, I think the reaction would have been entirely different.

Second, really, the challenge for us has been more [that] there's still the embargo, and there's still the inability of Cubans to operate fully with the dollar and having to correspond a relationship with an American bank. The biggest challenge is just figuring out how to get money back and forth—believe or not, it's as simple as that—and complying and making everyone feel comfortable. That's probably the number two hurdle, and probably the biggest accomplishment.

And I think the third accomplishment really was getting my employees and my board members [on board]. They feel very passionate about this now. We've had them down there; they've seen how people in Cuba appreciate what we're doing. And hopefully we're helping this process. The goal here really is about economic freedom for Cubans. There's half a million now who work in private enterprise, and we feel like we're supporting that cause.

And I think, to some degree, a lot of employees are very proud of the fact that what we've done is help them move that ball forward. I think those really are the three main big accomplishments we've been able to achieve.

Gilmore: *Conversely, if you had to tick off three of the things that are critical to moving the U.S. and Cuba banking relationship to the next level, what would they be?*

Seleski: Right now, still the biggest problem is getting money back and forth. I had an interview with the *Tampa Tribune* yesterday about wires still being held up at major banks, and I think that's going to continue—actually, the more executive orders that come out, the more fuzzy it gets, because there's not a specific license for each wire now. What happens is that it creates more uncertainty as to whether this is a permitted activity or not. We have a Cuba desk that handles that. They know, but other banks—if they're just doing one wire a month or two wires a month or something like that—they're not going to know.

So they see Cuba, and it actually creates a little bit more disruption. I think the main thing is, obviously, the embargo needs to go away, allowing Cuban banks to have a correspondent relationship in the U.S. I think it's critical to getting that money back and forth—I think that's really the next step on the financial side. I think also that working on allowing U.S. travelers to use credit cards down there [is key]. On the Cuban side, their having more point-of-sales is critical—it's something they're looking at.

Gilmore: *Now that you've been the leading edge and the first one out there, in retrospect, knowing what you know now, would you have done this?*

Seleski: Yeah, I think so. We've been a very successful bank, and it almost seemed like in the last 18 months we've been defined by Cuba. And today we announced an acquisition, and it was kind of nice—nothing ever came up about Cuba. I mean, we're very proud of what we've done, but I hope [it] never gets lost in the shuffle that we serve our communities and we're still a community bank and still growing and helping our communities' economies and our customers, their businesses, and so on. That's probably the only thing that kind of gets lost in the shuffle.

But we're very proud of what we do, and you know what? We're hopefully having an impact on—in a small, very small way—11 million people. And how many times in life do you have that opportunity—as a company or organization or an individual—to make that happen?

And I feel like we really have made a difference. I think we're going to continue to push forward as much as we can politically, and we'll see where it takes us.



Karen Gilmore

Regional executive of the Atlanta Fed's Miami Branch