

SM/60/10

February 19, 1960

To: Members of the Executive Board
From: The Secretary
Subject: Cuban Exchange Measures

Attached for the information of the Executive Directors is a report by the staff of certain exchange measures recently introduced in Cuba. The staff will be in further contact with the Cuban authorities with regard to these matters.

Att. (1)

Other Distribution:
Department Heads
Division Chiefs

INTERNATIONAL MONETARY FUND

Cuban Exchange Measures

Prepared by the Exchange Restrictions
and Western Hemisphere Departments

(In consultation with the Legal Department)

Approved by Irving S. Friedman and Jorge Del Canto

February 19, 1960

The Executive Director elected by Cuba has transmitted to the staff copies of certain circulars of the Cuban Monetary Stabilization Fund which deal with various exchange measures recently introduced in Cuba. The principal significance of these changes is the extension of licensing requirements to virtually all imports and the introduction of exchange controls in respect of a wide range of nontrade payments. Also, the surrender of exchange requirements hitherto applying only to the proceeds of exports of sugar and tobacco are now extended to all exports and to receipts arising from service transactions. The more important aspects of these measures are outlined below.

1. Licensing of imports

The Monetary Stabilization Fund on December 11, 1959, issued a modification of its Instruction No. 4 which dealt with import licensing and transactions in foreign exchange. The modified instruction, which was made retroactive to December 4, 1959, provided in relation to licensing that the importation of all merchandise detailed in an annex to the instruction would henceforth be subject to the issue of an import license by the Stabilization Fund. The annex listed virtually all merchandise with the exception of certain luxury items previously requiring licenses under a separate instruction which still remains in force.

It is provided that a license must be obtained by the importer prior to the date of order of the merchandise or signature of a purchase contract. If shipment is to be made on a commercial credit basis, the license must be obtained prior to the issue of the relative credit. It is understood that, as a general rule, licenses are valid for 90 days from the date of issue. The prior approval of the Monetary Stabilization Fund is required for the issuance by Cuban banks of commercial letters of credit as well as any amendments to these credits; for the reimbursement of cover for merchandise imported on a documentary collection basis; and for the reimbursement of cover for merchandise imported on an open account basis.

2. Transactions in foreign exchange

The revised Instruction No. 4 also imposes restrictions on dealings in foreign exchange not covering the importation of merchandise. Inter alia, it prohibits, except with the specific approval of the Monetary Stabilization Fund, the substitution of an obligation payable abroad in foreign exchange

by an obligation payable in local currency which results in an anticipated remittance of funds or which results in the export of capital. Also, the sale of exchange for credit to accounts maintained abroad by residents of Cuba is prohibited; and banks and other local entities are prohibited from paying checks or other payment orders drawn on accounts domiciled in Cuba and either negotiated or presented for collection from abroad.

(a) The sale of exchange not requiring prior approval of the Monetary Stabilization Fund is authorized for certain transactions and generally within limited amounts. It is necessary, however, to furnish the Monetary Stabilization Fund with detailed documentation in respect of these transactions, the more important of which are as follows:

- (i) Payments to Cuban diplomatic personnel abroad.
- (ii) Sales of exchange to foreign diplomatic personnel accredited to Cuba.
- (iii) Remittances abroad for family subsistence, limited to \$150 per month.
- (iv) Remittances in payment for tuition and accommodation of Cuban nationals studying abroad, up to \$2000 per academic year.
- (v) Travel funds limited to a maximum of \$150 per person during a period of 12 months; only one sale may be made without prior permission during the 12-month period. Also the sale of tickets not exceeding \$500 covering travel abroad and payable in pesos may be made only once each 12-month period without prior approval of the Fund.
- (vi) The sale of exchange may be made without prior approval for the purchase of books up to \$25 a month, and for payment of subscriptions up to \$50 during a period of 12 months.

(b) The prior approval of the Monetary Stabilization Fund is required before exchange may be made available for the following transactions, and specific documentation must also be presented to that institution:

- (i) Payment of royalties.
- (ii) Payment of premiums, commissions, and indemnities under insurance and reinsurance contracts.
- (iii) Transfers abroad in payment of freight and passages.
- (iv) Payment of freight and other expenses abroad in respect of merchandise imported to Cuba.
- (v) Payments for the rental of foreign films exhibited in Cuba.
- (vi) Alimony payments abroad to former residents.

- (vii) The sale of exchange in payment of the services in Cuba of entertainers, musicians or professional athletes, as well as remittances abroad to their families.
- (viii) The payment to foreign residents of rents or interest derived from property in Cuba not exceeding \$250 monthly. This limit may be exceeded if the total remittance during a period of 12 months does not exceed \$750.
- (ix) Remittances to cover the cost of maintaining offices, branches, or agencies abroad, or for salaries or commissions due to persons resident abroad.
- (x) Remittances to cover loan redemptions and payments of interest due abroad.
- (xi) Remittances of dividends and profits.
- (xii) Remittances in payment of amounts due under installment sale contracts if the contracts were signed before January 1, 1959.
- (xiii) Payment of commissions to persons resident abroad on the sale of Cuban products.

(c) Banks are permitted to sell foreign exchange to tourists and other foreign residents just prior to their departure from Cuba, up to an amount of US\$200, without obtaining the prior approval of the Stabilization Fund. However, banks may only engage in this transaction if they had previously purchased from the parties a larger amount in the same currency. Sales of exchange in excess of the equivalent of US\$200 require prior approval. Not more than US\$50 of the funds sold may be in cash.

3. Surrender of exchange receipts

On November 3, 1959, the Monetary Stabilization Fund issued an Instruction No. 11 which provided that the foreign exchange proceeds of all exports, and exchange receipts on account of services, would be required in future to be surrendered. This extended the provisions of a Decree of January 26, 1959, which applied only to the surrender of export proceeds of sugar, syrups and cane molasses, and tobacco.

4. Conclusion

The controls in Cuba have been extended very considerably by these recent measures and now apply to almost all payments. While it is possible that these controls are only being used to regulate capital payments, the presumption is that they are also restricting current payments, but it is not known how the controls are being operated. The staff will be in further contact with the Cuban authorities to explore this matter and to obtain additional data, including information with respect to any later developments in the restrictive system.