

PUBLICATION

What Will the "New Chapter" in U.S.-Cuba Relations Entail?

January 16, 2015

On January 15, both the Treasury Department's Office of Foreign Assets Control (OFAC) and the Commerce Department's Bureau of Industry and Security (BIS) published [final rules](#) implementing President Obama's initial reforms. The U.S.'s new approach, details of which were released in a White House fact sheet, includes plans to rekindle diplomatic ties through discussions led by Secretary of State John Kerry, the establishment of a U.S. Embassy in Havana and high-level exchanges between the two governments, beginning with the next round of U.S.-Cuba Migration Talks to be held in Havana later this month. The White House also indicated that OFAC and BIS would make adjustments to existing regulations in order to begin the normalization process. Highlights of the rules include the following changes, effective January 16, 2015:

- **Travel:** OFAC general licenses for 12 specific categories of travelers will make it easier for certain travelers, such as those with family in Cuba, journalists, researchers, educators and performers, to visit Cuba as they will no longer need to apply for specific licenses.
- **Remittances:** The amount a U.S. person will be able to remit to Cuba in one quarter will be increased from \$500 to \$2,000. Remittance forwarders and those sending money to support the development of private businesses in Cuba will no longer require specific licenses from OFAC to do so.
- **Exports:** A small group of goods and services will be allowed to be exported from the U.S. to Cuba, including building materials for residential construction, agricultural equipment, consumer communication devices and related software, applications, hardware, and services, as well as other "goods for use by private sector Cuban entrepreneurs."
- **Imports:** Upon their return to the U.S., travelers to Cuba will be able to import up to \$400 worth of Cuban goods (\$100 of which can consist of tobacco or alcohol products).
- **Shipping:** Certain vessels that have engaged in trade with Cuba will be allowed to enter the U.S.
- **Financial Institutions:** U.S. entities will be allowed to open accounts at Cuban financial institutions and U.S. credit/debit cards will work in Cuba. Transactions incident to Cuban travel and related insurance coverage will also be permitted.
- **Extraterritorial Reach:** The scope of U.S. sanctions against Cuba will be limited so that certain U.S. owned/controlled entities located in third countries will be allowed to transact with Cuban individuals in third countries.

While drastic changes to the sanction regime will not happen overnight, how far OFAC is willing to go in implementing changes to the regulations and subsequent reaction in Congress will give us a better sense of how much support the President has and how fierce the opposition is. These initial steps will help gauge whether a transition to a truly normalized trade relationship with Cuba can be accomplished relatively quickly or if it will take many years to dismantle this long-standing policy. Stay tuned.

If you have any questions or want to discuss how this could impact your business, contact the author of this alert.