

Client Update

United States to Ease Cuba Sanctions

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Today, the United States and Cuba announced a major diplomatic breakthrough. The two countries have agreed to release prisoners and reestablish normal diplomatic relations, including the establishment of embassies in Washington, D.C., and Havana. In addition, the United States will be easing certain aspects of the embargo of Cuba.

The embargo changes will be implemented under the licensing authority of the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") and the U.S. Commerce Department's Bureau of Industry and Security ("BIS"). A complete lifting of the embargo on Cuba, however, is likely to require an act of Congress.

Specific details of many of the changes are not yet available, and, importantly, the changes will not take effect until OFAC and BIS issue amendments to their respective regulations. OFAC has announced that it expects to issue amendments to the Cuban Assets Control Regulations "in the coming weeks." The announced sanctions changes include the following:

FINANCIAL SERVICES

Travelers to Cuba will be able to use credit and debit cards issued by U.S. financial institutions.

U.S. financial institutions will be permitted to open correspondent accounts at Cuban financial institutions. However, the accounts may be used only for authorized transactions.

The accounts at U.S. banks of Cuban nationals who have relocated outside of Cuba will be unblocked. Existing law prospectively authorizes transactions with Cuban nationals who permanently reside outside of Cuba but does not unblock assets that previously were blocked.

Remittance forwarders will no longer require a specific license to send authorized remittances to Cuba.

IMPORTS AND EXPORTS

New categories of items that will be authorized for export from the United States to Cuba will include:

- Building materials for private residential construction;
- Goods for use by private sector Cuban entrepreneurs;
- Agricultural equipment for small farmers; and
- Communications devices and related software, applications, hardware and services.

Under existing law, the payment terms for authorized U.S. exports to Cuba must be “cash in advance” or, in some cases, financed by third-country financial institutions. To facilitate exports, the regulatory definition of “cash in advance” will be expanded to mean “cash before transfer of title.”

TRAVEL

OFAC will issue general licenses (that is, blanket authorization) for travel falling within the twelve categories that it has statutory authority to license. These categories do not include tourism. It remains to be seen whether the new general licenses will authorize travel to the full extent of OFAC’s licensing authority or whether travelers will still have to apply for specific licenses in some circumstances.

Authorized travelers will be able to make travel arrangements through any service provider that complies with OFAC regulations.

Authorized travelers returning to the United States will be allowed to bring back with them up to \$400 worth of Cuban goods, including up to \$100 in tobacco products and alcoholic beverages.

REMITTANCES

Under current law, family remittances and remittances to religious institutions in Cuba do not require a specific license. Under the new regulations, specific licenses will no longer be required for donations for humanitarian projects, support for the Cuban people and the development of private businesses in Cuba.

The limit for remittances to Cuba will be raised from \$500 to \$2,000 per quarter.

Remittances to certain officials of the Cuban government and Communist Party will remain forbidden.

OTHER

U.S. persons will be authorized to participate in third-country professional meetings and conferences related to Cuba.

U.S.-owned or -controlled entities in third countries will be authorized to provide services to and engage in financial transactions with individual Cuban nationals in third countries. However, this does not extend to transactions with Cuban companies or the Cuban government, nor does it authorize exports of goods to Cuba.

Under current law, vessels that have traded with Cuba are prohibited from entering any U.S. port for 180 days. The new regulations will create an exception for vessels engaging in humanitarian trade with Cuba.

Other changes are actively under consideration, including the possible removal of Cuba from the State Department's list of State Sponsors of Terrorism. We will continue to provide updates as the situation develops.

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