

# Normalizing Relations with Cuba

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On Wednesday, December 17, President Obama announced that the United States and Cuba will begin talks to resume full diplomatic relations. The negotiations finalized on December 17 resulted in a prisoner exchange and an understanding between President Obama and Cuban President Raúl Castro that the countries would take steps towards normalizing relations.

Only the U.S. Congress through legislation can terminate entirely the current Cuban embargo and sanctions. Nonetheless, the President's announcement may lead to significant changes for certain limited and carefully defined transactions and exchanges between the United States and Cuba. Over the years, Congress has codified the sanctions through legislation. Accordingly, the vast majority of U.S. restrictions relating to Cuba remain in place unless further action is taken by the President and Congress. However, the United States is easing certain Cuban sanctions, most notably certain restrictions involving exports, travel, and banking. Among these actions, the Obama Administration announced plans to:

1. Authorize certain financial services for travelers to Cuba, including the use of U.S. credit and debit cards while in Cuba and allowing certain financial institutions to facilitate the processing of these authorized transactions.
2. Authorize exports to Cuba's private sector – meaning entities not owned or controlled by the Cuban government – including construction materials and agricultural equipment.
3. Expand licenses permitting U.S. companies to transact with Cuban nationals located in third countries.
4. Instruct the U.S. State Department to review Cuba's designation as a State Sponsor of Terrorism. This designation, among other consequences, makes licensing a requirement for almost all U.S. exports to Cuba.
5. Issue general licenses authorizing certain types of travel to Cuba, including family visits. However, there has been no suggestion that general tourist travel to Cuba will be permitted.
6. Authorize exports of commercial consumer communications devices and related software and equipment to update Cuba's telecommunications infrastructure.

None of the announced changes takes effect until the new regulations are issued. According to OFAC, it will implement the U.S. Treasury Department-specific changes via amendments to its Cuban Assets Control Regulations. The U.S. Department of Commerce will implement the remainder of the changes via amendments to its Export Administration

Regulations. OFAC expects to issue its regulatory amendments in the coming weeks.

The team at Holland & Hart is prepared to assist in answering any questions about the changes to Cuban relations and how they may impact your compliance posture. We will continue to provide you updates regarding this new, changing normalization of the Cuban sanctions regime.

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