

initial or final regulatory flexibility analysis. 5 U.S.C. 603(a), 604(a).

**C. Paperwork Reduction Act**

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3506; 5 CFR 1320), the Bureau reviewed this final rule. No collections of information pursuant to the Paperwork Reduction Act are contained in the final rule.

**List of Subjects in 12 CFR Part 1026**

Advertising, Consumer protection, Credit, Credit unions, Mortgages, National banks, Reporting and recordkeeping requirements, Savings associations, Truth in lending.

**Authority and Issuance**

For the reasons set forth in the preamble, the Bureau amends Regulation Z, 12 CFR part 1026, as set forth below:

**PART 1026—TRUTH IN LENDING (REGULATION Z)**

■ 1. The authority citation for part 1026 continues to read as follows:

**Authority:** 12 U.S.C. 2601, 2603–2605, 2607, 2609, 2617, 3353, 5511, 5512, 5532, 5581; 15 U.S.C. 1601 *et seq.*

**Subpart G—Special Rules Applicable to Credit Card Accounts and Open End Credit Offered to College Students**

■ 2. Section 1026.52(b)(1)(ii)(B) is revised to read as follows:

**§ 1026.52 Limitations on fees.**

\* \* \* \* \*

- (b) \* \* \*
- (1) \* \* \*
- (ii) \* \* \*

(B) §37 if the card issuer previously imposed a fee pursuant to paragraph (b)(1)(ii)(A) of this section for a violation of the same type that occurred during the same billing cycle or one of the next six billing cycles; or

\* \* \* \* \*

■ 3. In Supplement I to part 1026—Official Interpretations:

■ A. Under subpart E, Under *Section 1026.32—Requirements for Certain Closed-End Home Mortgages, 32(a) Coverage, Paragraph 32(a)(1)(ii)*, paragraph 1.ii is added.

■ B. Under subpart E, Under *Section 1026.32—Requirements for Certain Closed-End Home Mortgages, 32(a) Coverage, Paragraph 32(a)(1)(ii)*, paragraph 3.ii is added.

■ C. Under subpart E, Under *Section 1026.43—Minimum Standards for Transactions Secured by a Dwelling, 43(e) Qualified Mortgages, Paragraph 43(e)(3)(ii)*, paragraph 1.ii is added.

■ D. Under subpart G, Under *Section 1026.52—Limitations on Fees, 52(b) Limitations on Penalty Fees, 52(b)(1)(ii) Safe Harbors, subheading i*, paragraph 2.i.C is added.

The additions read as follows:

**SUPPLEMENT I TO PART 1026—OFFICIAL INTERPRETATIONS**

\* \* \* \* \*

**Subpart E—Special Rules for Certain Home Mortgage Transactions**

\* \* \* \* \*

*Section 1026.32—Requirements for Certain Closed-End Home Mortgages*

*32(a) Coverage.*  
*Paragraph 32(a)(1)(ii).*

- 1. \* \* \*
- ii. For 2016, \$1,017, reflecting a .2 percent decrease in the CPI-U from June 2014 to June 2015, rounded to the nearest whole dollar.

\* \* \* \* \*

3. \* \* \*

- ii. For 2016, \$20,350, reflecting a .2 percent decrease in the CPI-U from June 2014 to June 2015, rounded to the nearest whole dollar.

\* \* \* \* \*

*Section 1026.43—Minimum Standards for Transactions Secured by a Dwelling*

\* \* \* \* \*

*43(e)(3) Limits on Points and Fees for Qualified Mortgages*

\* \* \* \* \*

*Paragraph 43(e)(3)(ii)*

1. \* \* \*

ii. For 2016, reflecting a .2 percent decrease in the CPI-U that was reported on the preceding June 1, a covered transaction is not a qualified mortgage unless the transactions total points and fees do not exceed;

A. For a loan amount greater than or equal to \$101,749: 3 percent of the total loan amount;

B. For a loan amount greater than or equal to \$61,050 but less than \$101,749: \$3,052;

C. For a loan amount greater than or equal to \$20,350 but less than \$61,050: 5 percent of the total loan amount;

D. For a loan amount greater than or equal to \$12,719 but less than \$20,350; \$1,017;

E. For a loan amount less than \$12,719: 8 percent of the total loan amount.

\* \* \* \* \*

**Subpart G—Special Rules Applicable to Credit Card Accounts and Open-End Credit Offered to College Students**

*Section 1026.52—Limitations on Fees*

\* \* \* \* \*

52(b)(1)(ii) Safe harbors

\* \* \* \* \*

2. \* \* \*

i. \* \* \*

C. Card issuers were permitted to impose a fee for violating the terms of an agreement if the fee did not exceed \$27 under § 1026.52(b)(1)(ii)(A) and \$38 under § 1026.52(b)(1)(ii)(B), through December 31, 2015.

\* \* \* \* \*

Dated: August 17, 2015.

**Richard Cordray,**

*Director, Bureau of Consumer Financial Protection.*

[FR Doc. 2015–22987 Filed 9–18–15; 8:45 am]

**BILLING CODE 4810-AM-P**

**DEPARTMENT OF COMMERCE**

**Bureau of Industry and Security**

**15 CFR Parts 740, 746, and 772**

[Docket No. 150825774–5774–01]

**RIN 0694-AG67**

**Enhancing Support for the Cuban People**

**AGENCY:** Bureau of Industry and Security, Commerce.

**ACTION:** Final rule.

**SUMMARY:** This rule amends the Export Administration Regulations (EAR) to expand the scope of License Exception Support for the Cuban People (SCP) to facilitate engagement between the U.S. and Cuban people; the free flow of information to, from, and among the Cuban people; and independent economic activity generated by Cuba’s private sector. It also makes temporary sojourns of most vessels to Cuba eligible for License Exception Aircraft, Vessels and Spacecraft (AVS). Additionally, this rule creates a case-by-case review policy of license applications to export and reexport to Cuba items to ensure the safety of civil aviation and safe operation of commercial passenger aircraft. Finally, it amends the deemed export and deemed reexport license requirements for releases of technology and source code to Cuban nationals; removes certain unintended restrictions on exports and reexports under License Exception SCP and License Exception Consumer Communications Devices (CCD); and makes certain technical corrections to License Exception Agricultural Commodities (AGR).

**DATES:** This rule is effective September 21, 2015.

**FOR FURTHER INFORMATION CONTACT:** Foreign Policy Division, Office of Nonproliferation and Treaty Compliance, Bureau of Industry and Security, Phone: (202) 482–4252.

**SUPPLEMENTARY INFORMATION:**

**Background**

The United States maintains a comprehensive embargo on trade with Cuba. Pursuant to that embargo, all items that are subject to the Export Administration Regulations (EAR)

require a license for export or reexport to Cuba unless authorized by a license exception. The Bureau of Industry and Security (BIS) administers export and reexport restrictions on Cuba consistent with U.S. policy and relevant law. Accordingly, BIS may issue specific or general authorizations in the form of licenses or license exceptions for transactions that support the goals of United States policy while the embargo remains in effect.

On December 17, 2014, the President announced that the United States is taking steps to chart a new course in bilateral relations with Cuba and to further engage and empower the Cuban people. The President explained that these steps build upon actions taken since 2009 that have been aimed at supporting the ability of the Cuban people to gain greater control over their own lives and determine their country's future. On January 16, 2015, the Commerce and Treasury Departments took coordinated actions to implement certain elements of this policy, including changes to licensing policy and license exceptions in the EAR that are consistent with U.S. support for the Cuban people (see 80 FR 2286 and 80 FR 2291). Additionally, BIS published a rule implementing the May 29, 2015 rescission of Cuba's State Sponsor of Terrorism designation on July 22, 2015 (see 80 FR 43314).

The Commerce and Treasury Departments are taking additional coordinated actions in support of the President's Cuba policy. This rule amends the terms of existing license exceptions that are available for Cuba, increases the number of license exception provisions that are available for Cuba, and creates a new licensing policy in the EAR to further promote private sector economic activity in Cuba, facilitate travel to Cuba for authorized purposes, and help ensure safety in civil aviation and safe operation of commercial passenger aircraft. This rule also makes the deemed export and deemed reexport license requirements for Cuba consistent with other sanctioned destinations.

### Specific Changes Made by This Rule

#### *Expansion of License Exception Support for the Cuban People (SCP)*

This rule revises § 740.21(b) and (d)(1) of the EAR to remove a requirement that items must be sold or donated when exported or reexported to authorized end-users in Cuba under License Exception Support for the Cuban People (SCP). Paragraph (b) authorizes certain exports and reexports to improve living conditions and support independent

economic activity in Cuba. Paragraph (d)(1) authorizes certain exports and reexports to improve the free flow of information to, from, and among the Cuban people. When License Exception SCP was created in January 2015, BIS included text regarding sales or donations in paragraphs (b) and (d)(1) to clarify that the provisions were not limited to exports and reexports of *donated* items. However, the construction of the sentences addressing sales or donations inadvertently precluded other types of exports and reexports intended to be covered under the license exception, such as those involving leased or loaned items. Consequently, BIS is removing the portions of paragraphs (b) and (d)(1) of License Exception SCP that refer to sales or donations of items to eliminate those unintended restrictions.

This rule revises paragraph (c)(2) of License Exception SCP to authorize certain temporary *reexports* to Cuba. Paragraph (c)(2) previously authorized certain temporary *exports* of items to Cuba from the United States for use in scientific, archeological, cultural, ecological, educational, historic preservation, or sporting activities, or in the traveler's professional research. This change authorizes travelers departing the United States or a foreign country to temporarily export or reexport authorized items to Cuba for eligible end-uses. Additionally, this rule adds professional meetings to the list of eligible end-uses in paragraph (c)(2). This rule also introduces a requirement that the items remain under the traveler's "effective control." The existing EAR definition of effective control in § 772.1 applies to this use of the term. Eligible items continue to be limited to items subject to the EAR but not specified in any Export Control Classification Number (ECCN), *i.e.*, EAR99) or controlled on the Commerce Control List (CCL) only for anti-terrorism reasons.

This rule adds a new paragraph (d)(4) to License Exception SCP to authorize exports and reexports of commodities and software to individuals and private sector entities in Cuba that will be used to develop software that will improve the free flow of information or that will support the private sector activities described in paragraph (b) of License Exception SCP. The Cuban Government, Cuban Communist Party and certain officials thereof are designated as ineligible end users for commodities and software exported under paragraph (d)(4). Existing text in paragraph (d) limits the commodities and software authorized for export or reexport under this new paragraph (d)(4) to those that

are either EAR99 (*i.e.*, items subject to the EAR but not specified in any ECCN) or controlled on the CCL for anti-terrorism reasons only. For example, to qualify for export or reexport under new paragraph (d)(4), a general purpose software development kit must be either EAR99 or controlled in an ECCN where the only reason for control that applies to that kit is anti-terrorism *and* the kit's use in Cuba must be to develop software that will improve the free flow of communication and/or that will support the private sector activities described in paragraph (b) of License Exception SCP.

This rule adds a new paragraph (e) to License Exception SCP. Paragraph (e)(1) authorizes the export and reexport to Cuba of certain items for use by United States Persons (as defined in § 772.1 of the EAR) to establish, maintain, or operate a physical presence in Cuba. Any resulting payments associated with such a physical presence, such as lease payments, are permitted only to the extent authorized by § 515.573 of the Cuban Assets Control Regulations (31 CFR 515.573). To be eligible for the exception under paragraph (e)(1), the end-users must be (1) entities organizing or conducting educational activities in Cuba authorized by the Department of the Treasury, Office of Foreign Assets Control (OFAC) pursuant to 31 CFR 515.565(a); (2) entities providing mail or parcel transmission services authorized by OFAC pursuant to 31 CFR 515.542(a) or providing cargo transportation services in connection with trade involving Cuba authorized by OFAC or exempt from the prohibitions of 31 CFR part 515 as specified in 31 CFR 515.206; (3) religious organizations engaging in religious activities in Cuba authorized by OFAC pursuant to 31 CFR 515.566; (4) persons engaged in transactions authorized by OFAC pursuant to 31 CFR 515.559(b); (5) persons that export or reexport items to Cuba that are exempt from the prohibitions of 31 CFR part 515 as specified in 31 CFR 515.206; (6) providers of travel services or carrier services authorized by OFAC pursuant to 31 CFR 515.572; or (7) persons that export or reexport to Cuba pursuant to a license issued by BIS or a license exception authorized by § 746.2(a)(1) of the EAR.

Items eligible for export and reexport to Cuba pursuant to paragraph (e)(1) of License Exception SCP are limited to those designated as EAR99 (*i.e.*, items subject to the EAR but not specified in any ECCN) or controlled on the CCL only for anti-terrorism reasons.

Paragraph (e)(2) of License Exception SCP authorizes the export and reexport to Cuba of certain items for use by certain additional eligible end-users to

establish, maintain, and operate a physical presence in Cuba. Any resulting payments associated with such a physical presence, such as lease payments, are permitted only to the extent authorized by § 515.573 of the Cuban Assets Control Regulations (31 CFR 515.573). To be eligible for paragraph (e)(2), the end-users must be authorized by OFAC to provide telecommunications services and establish telecommunications facilities pursuant to 31 CFR 515.542(b)–(e) or to provide internet-based services pursuant to 31 CFR 515.578, including subsidiaries, branches, offices, joint ventures, franchises, and agency or other business relationships with any entity or individual who is a national of Cuba. The items authorized pursuant to paragraph (e)(2) are limited to those designated as EAR99 (*i.e.*, items subject to the EAR but not specified in any ECCN) or controlled on the CCL only for anti-terrorism reasons.

Paragraph (e)(3) of License Exception SCP authorizes the export and reexport to Cuba of certain items to be given away for free as gifts for promotional purposes, such as pens, notepads, hats, and t-shirts. Items eligible for export or reexport to Cuba pursuant to paragraph (e)(3) are limited to those items of a type normally given away for free as gifts for promotional purposes that are designated as EAR99.

BIS is creating paragraph (e) of License Exception SCP to facilitate engagement between the U.S. and Cuban people; the free flow of information to, from, and among the Cuban people; and independent economic activity in Cuba generated by Cuba's private sector.

This rule also creates new paragraph (f) to License Exception SCP to authorize certain temporary (not to exceed one year) exports and reexports to Cuba of EAR99 items and items controlled on the CCL only for anti-terrorism reasons. Paragraph (f) authorizes exports and reexports of the following:

- Commodities and software as tools of trade for use by the exporters or employees of the exporters to install, service or repair items that are subject to the EAR and that have been exported or reexported to Cuba under a license or license exception, or foreign-origin items that are not subject to the EAR but are owned and used exclusively by individuals or private sector entities but not the Cuban Government, the Cuban Communist Party or certain officials thereof in Cuba;
- Technology as tools of trade for use by certain persons for the installation, servicing or repair of items that are

subject to the EAR and that have been exported or reexported to Cuba under a license or license exception, or foreign-origin items that are not subject to the EAR but are owned and used exclusively by individuals or private sector entities but not the Cuban Government, the Cuban Communist Party or certain officials thereof in Cuba;

- Kits of replacement parts or components for items that have been exported or reexported to Cuba under a license or license exception, or foreign-origin items that are not subject to the EAR but are owned and used exclusively by individuals or private sector entities but not the Cuban Government, the Cuban Communist Party or certain officials thereof in Cuba;
- Commodities and software for exhibition or demonstration at trade shows or to parties eligible to receive items under License Exception SCP; and
- Containers that are necessary for shipment of commodities being exported or reexported to Cuba under a license or license exception; BIS is creating paragraph (f) of License Exception SCP to help support authorized travel and commerce.

#### *Expansion of License Exception Consumer Communications Devices (CCD)*

This rule revises § 740.19(a) of the EAR to remove references to sales or donations of eligible items authorized under License Exception CCD. License Exception CCD authorizes certain exports and reexports to improve the free flow of information to, from, and among the Cuban and Sudanese people. When License Exception CCD was created in September 2009 to authorize certain exports and reexports to Cuba, the license exception included a donation requirement. BIS revised License Exception CCD in January 2015 to authorize sales, in addition to donations, and to update the list of eligible items. (Sudan was added as an authorized destination in February 2015.) Instead of merely removing the word “donated” from paragraph (a) of License Exception CCD, the January 2015 revision added the phrase “either sold or” to that paragraph. That phrasing inadvertently precluded other types of exports and reexports intended to be authorized by the license exception, such as those involving leased or loaned items. Consequently, this rule removes phrase “either sold or donated” from paragraph (a) to eliminate that unintended restriction.

#### *Availability of License Exception Aircraft, Vessels and Spacecraft (AVS)*

This rule revises § 746.2(a)(1)(x) of the EAR to make paragraphs (b) and (d) of License Exception AVS available for Cuba. It also amends § 740.15(b) and (d) of the EAR to add to License Exception AVS paragraphs (b)(4) and (d)(6) described below that apply only to Cuba.

Paragraph (b) of License Exception AVS authorizes certain exports and reexports of equipment and spare parts for permanent use on vessels and aircraft departing the United States. The paragraph also authorizes certain exports of ship and plane stores for use on board vessels and aircraft departing the United States. Paragraph (d) of License Exception AVS authorizes certain exports and reexports of vessels on temporary sojourn. Paragraph (a) of License Exception AVS, which authorizes certain exports and reexports of aircraft on temporary sojourn, was, prior to publication of this rule, available for Cuba.

This rule adds a note to paragraph (a) prohibiting an aircraft exported or reexported to a country pursuant to that paragraph from remaining in that country for more than seven consecutive days before it departs for a country to which it may be exported without a license or the United States.

This rule also adds new paragraph (b)(4) to License Exception AVS to specify that the commodities eligible for export and reexport to Cuba pursuant to paragraph (b) are limited to those designated as EAR99 (*i.e.*, items subject to the EAR but not specified in any ECCN) or controlled on the CCL only for anti-terrorism reasons.

Additionally, this rule adds new paragraph (d)(6) to License Exception AVS. Paragraph (d)(6) provides that only certain categories of vessels, when engaged in specified activities are eligible for the license exception when destined for Cuba. The types of vessels and activities eligible for temporary sojourn to Cuba are as follows.

(1) Cargo vessels for hire for use in the transportation of items.

(2) Passenger vessels for hire for use in the transportation of passengers and/or items. Vessels used to transport both passengers and items to Cuba may transport automobiles only if the export or reexport of the automobiles has been authorized by a separate license issued by BIS (*i.e.*, not authorized by license exception). The export or reexport to Cuba of personally owned vehicles is not normally necessary to support authorized travel. However, if the need arises, the exporter or reexporter may

submit a license application to BIS for review pursuant to the licensing policy in § 746.2 of the EAR.

(3) Recreational vessels destined for Cuba that are used in connection with travel authorized by the Department of the Treasury, Office of Foreign Assets Control (OFAC).

Finally, this rule adds a note to paragraph (d) prohibiting a vessel exported or reexported to a country pursuant to that paragraph from remaining in that country for more than 14 consecutive days before it departs for a country to which it may be exported without a license or the United States.

BIS is making paragraphs (b) and (d) of License Exception AVS available for Cuba to help facilitate authorized travel and commerce. For clarity, BIS is adding notes to paragraphs (a) and (d) specifying the amount of time an aircraft or vessel exported or reexported to a country pursuant to the paragraphs may remain in that country. Previously, BIS interpreted paragraph (a) to authorize temporary sojourns consisting of only one overnight stay while in-country (see 57 FR 30899, July 13, 1992). BIS selected the time periods of seven days for aircraft and 14 days for vessels based on its experience in licensing aircraft and vessels for temporary sojourn to Cuba. The vast majority of such licenses were for stays of seven days or less for aircraft and 14 days or less for vessels.

#### *New Licensing Policy for Civil Aviation Safety*

This rule amends the licensing policy for Cuba in § 746.2 of the EAR to add a policy of case-by-case review of license applications for exports and reexports of items to ensure safety in civil aviation and safe operation of commercial passenger aircraft. Items that will be reviewed pursuant to this policy include aircraft parts and components related to safety of flight, weather observation stations, airport safety equipment, and commodities used for security screening of passengers. BIS is adding this licensing policy to support international aviation and passenger safety.

#### *Scope of License Requirements for Deemed Exports and Reexports*

This rule amends the license requirements for Cuba in § 746.2 of the EAR to specify that a license is required for the release of technology or source code on the CCL to Cuban nationals in the United States or a third country, but not for the deemed export or deemed reexport of technology or source code designated as EAR99. As described in § 734.2(b), any release of technology or source code subject to the EAR is

deemed to be an export to the home country or countries of the foreign national unless the foreign national is lawfully admitted for permanent residence in the United States or unless the foreign national is a protected individual under the Immigration and Nationality Act (8 U.S.C. 1324b(a)(3)). Additionally, any release of technology or source code subject to the EAR to a foreign national of another country is deemed to be a reexport to the home country or countries of the foreign national unless the foreign national is lawfully admitted for permanent residence. Prior to this amendment, a license was required for the deemed export or deemed reexport of any technology or source code subject to the EAR to a Cuban national. BIS is making this change for consistency with the current deemed export and deemed reexport license requirements for other sanctioned destinations.

#### *Technical Corrections to License Exception Agricultural Commodities (AGR)*

On July 22, 2015, BIS published a rule implementing the rescission of Cuba's State Sponsor of Terrorism designation (80 FR 43314). Among other amendments, that rule removed Cuba from Country Group E:1 in Supplement No. 1 to part 740 of the EAR, which changed the general *de minimis* level for Cuba from 10 to 25 percent. Although the rule made certain technical and conforming changes to the EAR, BIS overlooked references to the former 10 percent *de minimis* level in paragraph (b)(3) of License Exception Agricultural Commodities (AGR) in § 740.18 of the EAR. Consequently, this rule corrects the *de minimis* percentages referenced in paragraph (b)(3) of License Exception AGR.

#### *Conforming Changes to Definition of U.S. Person*

Paragraph (a) of the definition of U.S. Person in § 772.1 of the EAR identifies the EAR provisions to which the definition applies. This rule adds a reference to § 740.21(e)(1) to paragraph (a) of the definition. Paragraph (b) of the definition identifies EAR provisions that have definitions that are specific to those provisions. This rule adds a reference to § 740.21(f)(2) to paragraph (b) of the definition. Both changes are to make those paragraphs conform to changes that this rule makes to § 740.21.

#### **Export Administration Act**

Although the Export Administration Act expired on August 20, 2001, the President, through Executive Order 13222 of August 17, 2001, 3 CFR, 2001

Comp., p. 783 (2002), as amended by Executive Order 13637 of March 8, 2013, 78 FR 16129 (March 13, 2013), and as extended by the Notice of August 7, 2015, 80 FR 48233 (August 11, 2015), has continued the Export Administration Regulations in effect under the International Emergency Economic Powers Act. BIS continues to carry out the provisions of the Export Administration Act, as appropriate and to the extent permitted by law, pursuant to Executive Order 13222 as amended by Executive Order 13637.

#### **Rulemaking Requirements**

1. Executive Orders 13563 and 12866 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). Executive Order 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. This rule has been designated a "significant regulatory action," although not economically significant, under section 3(f) of Executive Order 12866. Accordingly, the rule has been reviewed by the Office of Management and Budget (OMB).

2. Notwithstanding any other provision of law, no person is required to respond to, nor shall any person be subject to a penalty for failure to comply with, a collection of information subject to the requirements of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*) (PRA), unless that collection of information displays a currently valid OMB control number. This rule involves a collection of information approved under OMB control number 0694-0088—Simplified Network Application Processing+ System (SNAP+) and the Multipurpose Export License Application, which are the methods for submitting *all* license applications, commodity classification requests and similar requests to BIS. The estimated annual total burden of all of those submissions is 31,833 hours. BIS believes that this rule will slightly reduce that burden because additional transactions will be eligible for export or reexport to Cuba pursuant to license exception, thereby reducing the number of license applications submitted to BIS. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Jasmeet K. Seehra, Office of

Management and Budget, by email at [jseehra@omb.eop.gov](mailto:jseehra@omb.eop.gov) or by fax to (202) 395-7285 and to William Arvin at [william.arvin@bis.doc.gov](mailto:william.arvin@bis.doc.gov).

3. This rule does not contain policies with Federalism implications as that term is defined under Executive Order 13132.

4. The provisions of the Administrative Procedure Act (5 U.S.C. 553) requiring notice of proposed rulemaking, the opportunity for public participation, and a delay in effective date, are inapplicable because this regulation involves a military or foreign affairs function of the United States (See 5 U.S.C. 553(a)(1)). This rule is a part of a foreign policy initiative to change the nature of the relationship between Cuba and the United States announced by the President on December 17, 2014. Delay in implementing this rule to obtain public comment would undermine the foreign policy objectives that the rule is intended to implement. Further, no other law requires that a notice of proposed rulemaking and an opportunity for public comment be given for this rule. Because a notice of proposed rulemaking and an opportunity for public comment are not required to be given for this rule under 5 U.S.C. 553, or by any other law, the requirements of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) are not applicable.

**List of Subjects**

*15 CFR Part 740*

Administrative practice and procedure, Exports, Reporting and recordkeeping requirements.

*15 CFR Part 746*

Exports, Reporting and recordkeeping requirements.

*15 CFR Part 772*

Exports.

For the reasons set forth in the preamble, the Export Administration Regulations (15 CFR parts 730 through 774) are amended as follows:

**PART 740—[AMENDED]**

■ 1. The authority citation for 15 CFR part 740 continues to read as follows:

**Authority:** 50 U.S.C. app. 2401 *et seq.*; 50 U.S.C. 1701 *et seq.*; 22 U.S.C. 7201 *et seq.*; E.O. 13026, 61 FR 58767, 3 CFR, 1996 Comp., p. 228; E.O. 13222, 66 FR 44025, 3 CFR, 2001 Comp., p. 783; Notice of August 7, 2015, 80 FR 48233 (August 11, 2015).

■ 2. Section 740.15 is amended by adding:

- a. A note to paragraph (a);
- b. Paragraphs (b)(4) and (d)(6); and
- c. A note to paragraph (d).

The additions read as follows:

**§ 740.15 Aircraft, vessels and spacecraft (AVS).**

\* \* \* \* \*  
(a) \* \* \*

**Note to paragraph (a).** An aircraft exported or reexported to a country pursuant to this paragraph (a) may not remain in that country for more than seven consecutive days before it departs for a country to which it may be exported without a license or the United States.

(b) \* \* \*

(4) *Cuba.* Only items designated as EAR99 or controlled on the Commerce Control List (CCL) (Supplement No. 1 to part 774 of the EAR) only for anti-terrorism reasons (*i.e.*, anti-terrorism must be the only reason for control that applies to the item as set forth in the Export Control Classification Number (ECCN) that controls the item) are eligible for export or reexport to Cuba pursuant to this paragraph (b).

\* \* \* \* \*  
(d) \* \* \*

(6) *Cuba.* Only the types of vessels listed in this paragraph (d)(6) departing for Cuba for the purposes listed in this paragraph (d)(6) may depart for Cuba pursuant to this paragraph (d). Vessels used to transport both passengers and items to Cuba may transport automobiles only if the export or reexport of the automobiles to Cuba have been authorized by a separate license issued by BIS (*i.e.*, not authorized by license exception).

(i) Cargo vessels for hire for use in the transportation of items;

(ii) Passenger vessels for hire for use in the transportation of passengers and/or items; and

(iii) Recreational vessels that are used in connection with travel authorized by the Department of the Treasury, Office of Foreign Assets Control (OFAC).

**Note to paragraph (d).** A vessel exported or reexported to a country pursuant to this paragraph (d) may not remain in that country for more than 14 consecutive days before it departs for a country to which it may be exported without a license or the United States.

\* \* \* \* \*  
**§ 740.18—[Amended]**

■ 3. Section 740.18 is amended by removing the number “10%” wherever it appears in paragraph (b)(3) and adding in its place the number “25%”.

**§ 740.19—[Amended]**

- 4. Section 740.19 is amended by removing “, either sold or donated,” from paragraph (a).
- 5. Section 740.21 is amended by:

- a. Removing the third sentence from paragraph (b) introductory text;
- b. Revising paragraph (c)(2) introductory text;
- c. Redesignating paragraph (c)(2)(iii) and (iv) as paragraphs (c)(2)(iv) and (v), respectively;
- d. Adding paragraph (c)(2)(iii);
- e. Removing “, either sold or donated,” from paragraph (d)(1); and
- f. Adding paragraphs (d)(4), (e), and (f).

The revision and additions read as follows:

**§ 740.21 Support for the Cuban People (SCP).**

\* \* \* \* \*  
(c) \* \* \*

(2) The *temporary* export or reexport to Cuba of items by travelers to Cuba for the travelers’ use in scientific, archeological, cultural, ecological, educational, historic preservation, or sporting activities, or professional meetings or research. The following requirements apply:

\* \* \* \* \*

(iii) The items must remain under the traveler’s “effective control” while in Cuba.

\* \* \* \* \*  
(d) \* \* \*

(4) The export or reexport to Cuba of commodities or software that will be used by individuals or private sector entities to develop software that will improve the free flow of information or that will support the private sector activities described in paragraph (b) of this section.

The following are ineligible end-users:

(i) The Cuban Government or the Cuban Communist Party and organizations they administer or control;

(ii) Ministers and vice-ministers; members of the Council of State; members of the Council of Ministers; members and employees of the National Assembly of People’s Power; members of any provincial assembly; local sector chiefs of the Committees for the Defense of the Revolution; Director Generals and sub-Director Generals and higher of all Cuban ministries and state agencies; employees of the Ministry of the Interior (MININT); employees of the Ministry of Defense (MINFAR); secretaries and first secretaries of the Confederation of Labor of Cuba (CTC) and its component unions; chief editors, editors and deputy editors of Cuban state-run media organizations and programs, including newspapers, television, and radio; or members and employees of the Supreme Court (Tribuno Supremo Nacional); and

(iii) Members of the Politburo; the Central Committee; Department Heads of the Central Committee; employees of the Central Committee; and the secretaries and first secretaries of provincial Party central committees.

(e) *Facilitating engagement, communications, and commerce.* This paragraph (e) authorizes the export or reexport to Cuba of certain items intended to facilitate engagement between the U.S. and Cuban people; the free flow of information to, from, and among the Cuban people; and independent economic activity in Cuba. The export or reexport must be within one or more of the following categories:

(1) The export or reexport to Cuba of items for use by eligible end-users to establish, maintain, or operate a physical presence in Cuba. The items authorized pursuant to this paragraph (e)(1) are limited to those designated as EAR99 (*i.e.*, items subject to the EAR but not specified in any ECCN) or controlled on the CCL only for anti-terrorism reasons. To be eligible, the end-users must be “U.S. Persons,” as defined in § 772.1 of the EAR, and must fall within one of the following categories:

(i) Entities organizing or conducting educational activities in Cuba authorized by the Department of the Treasury, Office of Foreign Assets Control (OFAC) pursuant to 31 CFR 515.565(a);

(ii) Entities providing mail or parcel transmission services authorized by OFAC pursuant to 31 CFR 515.542(a) or providing cargo transportation services in connection with trade involving Cuba authorized by OFAC or exempt from the prohibitions of 31 CFR part 515 as specified in 31 CFR 515.206;

(iii) Religious organizations engaging in religious activities in Cuba authorized by OFAC pursuant to 31 CFR 515.566;

(iv) Persons engaged in transactions authorized by OFAC pursuant to 31 CFR 515.559(b);

(v) Persons that export or reexport items to Cuba that are exempt from the prohibitions of 31 CFR part 515 as specified in 31 CFR 515.206;

(vi) Providers of travel services or carrier services authorized by OFAC pursuant to 31 CFR 515.572; or

(vii) Persons that export or reexport to Cuba pursuant to a license issued by BIS or a license exception authorized by § 746.2(a)(1) of the EAR.

(2) The export or reexport to Cuba of certain items for use by eligible end-users to establish, maintain, or operate a physical presence in Cuba. To be eligible for this paragraph (e)(2), the end-users must be authorized by OFAC to provide telecommunications services

and establish telecommunications facilities pursuant to 31 CFR 515.542(b) through (e) or to provide internet-based services pursuant to 31 CFR 515.578, including subsidiaries, branches, offices, joint ventures, franchises, and agency or other business relationships with any entity or individual who is a national of Cuba. The items authorized pursuant to this paragraph are limited to those designated as EAR99 (*i.e.*, items subject to the EAR but not specified in any ECCN) or controlled on the CCL only for anti-terrorism reasons.

(3) The export or reexport to Cuba of items to be given away for free as gifts for promotional purposes. Items authorized pursuant to this paragraph (e)(3) are limited to those items of a type normally given away for free as gifts for promotional purposes that are designated as EAR99 (*i.e.*, items subject to the EAR but not specified in any ECCN).

**Note to paragraph (e).** Any resulting payments associated with establishing maintaining or operating a physical presence in Cuba, such as lease payments, are permitted only to the extent authorized by § 515.573 of the Cuban Assets Control Regulations (31 CFR 515.573).

(f) *Temporary exports and reexports to Cuba.* This paragraph (f) authorizes the export or reexport to Cuba, for periods not exceeding one year, of certain items designated as EAR99 or controlled only for anti-terrorism reasons on the CCL (*i.e.*, anti-terrorism must be the only reason for control that applies to the item as set forth in the ECCN that controls the item). If any other reason for control applies to the item, it is not authorized for export or reexport by this paragraph. This paragraph does not authorize any transaction if the exporter or reexporter has “knowledge” that the item is intended to remain in Cuba for more than one year; if an order to acquire the item, such as a purchase order, has been received before shipment; or when the item is for subsequent lease or rental. The export or reexport must be within one or more of the following categories.

(1) *Tools of trade—commodities and software.* Commodities or software to be used by the exporter or reexporter or its employees for the installation, servicing or repair of items that are subject to the EAR and that have been exported or reexported to Cuba under a license or license exception, or foreign-origin items that are not subject to the EAR that are owned and used exclusively by private sector entities in Cuba, may be exported or reexported under this paragraph (f). The commodities or software must remain under the “effective control” of the exporter or

reexporter or its employees. Examples of security precautions to help prevent unauthorized access include the following:

(i) Use of secure connections, such as Virtual Private Network connections, when accessing IT networks for activities that involve the transmission and use of the software authorized under this license exception;

(ii) Use of password systems on electronic devices that store the software authorized under this license exception; and

(iii) Use of personal firewalls on electronic devices that store the software authorized under this license exception.

(2) *Tools of trade—technology.*

Technology to be used by a ‘U.S. person’ exporter or reexporter or its employees who are traveling to or on temporary assignment in Cuba for the installation, servicing or repair of items that are subject to the EAR and that have been exported or reexported to Cuba under a license or license exception, or foreign-origin items that are not subject to the EAR that are owned and used exclusively by private sector entities in Cuba, may be exported or reexported under this paragraph (f). For purposes of this paragraph (f)(2), a ‘U.S. person’ is: an individual who is a citizen of the United States, an individual who is “lawfully admitted for permanent residence” in the United States as defined by 8 U.S.C. 1101(a)(20) or an individual who is a protected individual as defined by 8 U.S.C. 1324b(a)(3). ‘U.S. person’ also means any juridical person organized under the laws of the United States, or any jurisdiction within the United States (*e.g.*, corporation, business association, partnership, society, trust, or any other entity, organization or group that is authorized to do business in the United States). If the employee who will use the technology is not a ‘U.S. person,’ the release of that technology to that employee must either not require a license or be authorized by a license or a license exception other than this section before it may be exported or reexported to that employee under this paragraph. The exporter or reexporter and the recipient of the technology must take security precautions to protect against unauthorized release of the technology while the technology is being shipped or transmitted and used overseas. Examples of security precautions to help prevent unauthorized access include the following:

(i) Use of secure connections, such as Virtual Private Network connections, when accessing IT networks for email

and other business activities that involve the transmission and use of the technology authorized under this license exception;

(ii) Use of password systems on electronic devices that will store the technology authorized under this license exception; and

(iii) Use of personal firewalls on electronic devices that will store the technology authorized under this license exception.

(3) *Kits of replacement “parts” or “components.”* Kits consisting of replacement “parts” or “components” for items that have been exported or reexported to Cuba under a license or license exception, or foreign-origin items that are not subject to the EAR that are owned and used exclusively by private sector entities in Cuba, may be exported or reexported under this paragraph (f)(3) provided:

(i) The kits remain under “effective control” of the exporter or reexporter or its employees; and

(ii) All parts and components in the kit are returned, except that one-for-one replacements may be made in accordance with the requirements of License Exception Servicing and Replacement of Parts and Equipment (RPL) and the defective parts and components returned (see Parts, Components, Accessories and Attachments in § 740.10(a)).

(4) *Exhibition and demonstration.* Commodities or software for exhibition or demonstration at trade shows, or to any entity that would be eligible to receive the commodities or software under paragraphs (a) through (e) of this section, may be exported or reexported under this paragraph

(f). The commodities or software must remain under the “effective control” of the exporter or reexporter or its private sector agent, may not be exhibited or demonstrated at any one location for more than 30 days and may not be used for more than the minimum extent required for effective exhibition or demonstration.

(5) *Containers.* Containers that would require a license for export or reexport to Cuba but that are necessary for shipment of commodities being exported to Cuba under a license or license exception may be exported or reexported to Cuba. However, this paragraph (f) does not authorize the export of the container’s contents, which, if not exempt from licensing, must be separately authorized for export or reexport under either a license or a license exception.

**PART 746—[AMENDED]**

■ 6. The authority citation for 15 CFR part 746 continues to read as follows:

**Authority:** 50 U.S.C. app. 2401 *et seq.*; 50 U.S.C. 1701 *et seq.*; 22 U.S.C. 287c; Sec 1503, Pub. L. 108–11, 117 Stat. 559; 22 U.S.C. 6004; 22 U.S.C. 7201 *et seq.*; 22 U.S.C. 7210; E.O. 12854, 58 FR 36587, 3 CFR, 1993 Comp., p. 614; E.O. 12918, 59 FR 28205, 3 CFR, 1994 Comp., p. 899; E.O. 13222, 66 FR 44025, 3 CFR, 2001 Comp., p. 783; E.O. 13338, 69 FR 26751, 3 CFR, 2004 Comp., p 168; Presidential Determination 2003–23 of May 7, 2003, 68 FR 26459, May 16, 2003; Presidential Determination 2007–7 of December 7, 2006, 72 FR 1899 (January 16, 2007); Notice of May 6, 2015, 80 FR 26815 (May 8, 2015); Notice of August 7, 2015, 80 FR 48233 (August 11, 2015).

■ 7. Section 746.2 is amended by revising paragraphs (a) introductory text and (a)(1)(x) and adding paragraphs (a)(2) and (b)(6) to read as follows:

**§ 746.2 Cuba.**

(a) *License requirements.* As authorized by section 6 of the Export Administration Act of 1979, as amended (EAA) and by the Trading with the Enemy Act of 1917, as amended, you will need a license to export or reexport all items subject to the EAR (see part 734 of the EAR for the scope of items subject to the EAR) to Cuba, including any release of technology or source code subject to the EAR to a Cuban national, except as follows:

(1) \* \* \*

(x) Aircraft, vessels and spacecraft (AVS) for certain aircraft on temporary sojourn; equipment and spare parts for permanent use on a vessel or aircraft, and ship and plane stores; or vessels on temporary sojourn (see § 740.15(a), (b), and (d) of the EAR).

\* \* \* \* \*

(2) *Deemed exports and deemed reexports.* A license is not required to release technology or source code subject to the EAR but not on the Commerce Control List (*i.e.*, EAR99 technology or source code) to a Cuban national in the United States or a third country.

(b) \* \* \*

(6) License applications for exports or reexports of items to ensure safety in civil aviation, including the safe operation of commercial passenger aircraft will be considered on a case-by-case basis.

\* \* \* \* \*

**PART 772—[AMENDED]**

■ 8. The authority citation for 15 CFR part 772 continues to read as follows:

**Authority:** 50 U.S.C. app. 2401 *et seq.*; 50 U.S.C. 1701 *et seq.*; E.O. 13222, 66 FR 44025,

3 CFR, 2001 Comp., p. 783; Notice of August 7, 2015, 80 FR 48233 (August 11, 2015).

■ 9. In § 772.1, the definition of “U.S. Person” is amended by revising paragraphs (a) introductory text and (b) to read as follows.

**§ 772.1 Definitions of terms as used in the Export Administration Regulations (EAR).**

\* \* \* \* \*

*U.S. Person.* (a) For purposes of §§ 740.21(e)(1), 744.6, 744.10, 744.11, 744.12, 744.13, and 744.14 of the EAR, the term U.S. person includes:

\* \* \* \* \*

(b) See also §§ 740.9, 740.14, and 740.21(f)(2) and parts 746 and 760 of the EAR for definitions of “U.S. person” that are specific to those sections and parts.

\* \* \* \* \*

Dated: September 14, 2015.

**Kevin J. Wolf,**  
*Assistant Secretary for Export Administration.*

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**DEPARTMENT OF THE TREASURY**

**Internal Revenue Service**

**26 CFR Part 1**

[TD 9739]

**RIN 1545–BF51; 1545–BM78**

**Reorganizations Under Section 368(a)(1)(F); Section 367(a) and Certain Reorganizations Under Section 368(a)(1)(F)**

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Final regulations and removal of temporary regulations.

**SUMMARY:** This document contains final regulations that provide guidance regarding the qualification of a transaction as a corporate reorganization under section 368(a)(1)(F) by virtue of being a mere change of identity, form, or place of organization of one corporation (F reorganization). This document also contains final regulations relating to F reorganizations in which the transferor corporation is a domestic corporation and the acquiring corporation is a foreign corporation (an outbound F reorganization). These regulations will affect corporations engaging in transactions that could qualify as F reorganizations (including outbound F reorganizations) and their shareholders.