



Brussels, 3.9.2021  
COM(2021) 535 final

**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND  
THE COUNCIL**

**relating to Article 7(a) of Council Regulation (EC) No 2271/96 ('Blocking Statute')**

## **Report from the Commission to the European Parliament and the Council relating to Article 7(a) of Council Regulation (EC) No 2271/96 ('Blocking Statute')**

Restrictive measures (sanctions) are an essential tool for the Union's common foreign and security policy, through which the European Union (EU) can intervene where necessary to prevent conflict or respond to emerging or current crises. While EU sanctions inherently aim to affect policies or activities in non-EU countries, they apply only where the EU has jurisdiction. In other words, the obligations they impose are binding on EU nationals or persons located in the EU or doing business here. By contrast, other jurisdictions apply some of their sanctions extra-territorially i.e. they expect citizens and companies of third countries, including EU countries to act in accordance with them. As a matter of principle, the EU considers the extra-territorial application of sanctions contrary to international law.

In 1996, the EU adopted Council Regulation (EC) No 2271/96<sup>1</sup> (the 'Blocking Statute') to give effect to this principle. The purpose of the Blocking Statute is to counteract the extra-territorial application of laws, regulations, and other legislative instruments of non-EU countries that purport to regulate activities of natural and legal persons under the jurisdiction of the Member States.

Under the Blocking Statute, the Commission must inform the European Parliament and the Council of the effects of the legislative instruments and ensuing actions, based on the information obtained under the Regulation, and regularly provide a full public report on its findings<sup>2</sup>.

Following the reactivation of the Blocking Statute through an amendment of its annex in 2018<sup>3</sup>, EU persons and companies share with the Commission information on how the listed extra-territorial sanctions are affecting their economic and/or financial interests<sup>4</sup>. From the amendment to the Blocking Statute in 2018 onwards, and the reactivation by the United States of Title III and Title IV of the Helms-Burton Act in 2019, the Commission has received a substantial number of notifications. This report details these notifications and aims to provide an overview of the effects caused by the extra-territorial application of non-EU countries' sanctions. The report is based on information provided to the Commission under this procedure. As such, it is not exhaustive and cannot address cases not reported to the Commission.

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<sup>1</sup> Council Regulation (EC) No 2271/96 of 22 November 1996 protecting against the effects of the extra-territorial application of legislation adopted by a third country, and actions based thereon or resulting therefrom (OJ L 309, 29.11.1996, p.1).

<sup>2</sup> Article 7(a) of the Blocking Statute.

<sup>3</sup> See Section 2 below.

<sup>4</sup> Article 2 of the Blocking Statute.

## 1. THE BLOCKING STATUTE

The Blocking Statute consists of 12 articles and contains an annex that lists the specific laws it targets<sup>5</sup> ('listed extra-territorial laws'). It should be read alongside three other key texts:

- [Commission Delegated Regulation \(EU\) 2018/1100](#)<sup>6</sup> which implemented the most recent amendments to the Blocking Statute's annex,
- [Commission Implementing Regulation \(EU\) 2018/1101](#)<sup>7</sup>, which lays down the criteria that the Commission applies in authorising applications to comply with a listed extra-territorial law, and
- [The Guidance note: Questions and Answers on the adoption of update of the Blocking Statute \(2018/C 277 I/03\)](#)<sup>8</sup> which provides for a comprehensive explanation to common enquiries in a 'question and answer' format.

Overall, the Blocking Statute protects EU interests, persons and companies<sup>9</sup> by:

- nullifying the effect in the EU of any foreign court ruling based on the listed extra-territorial laws (Article 4);
- prohibiting EU persons and companies from complying with any requirement or prohibition contained in the listed extra-territorial laws (Article 5, first paragraph);
- allowing EU persons and companies to recover in court damages caused by the extra-territorial application of the listed extra-territorial laws (Article 6); and
- requiring EU persons and companies to inform the Commission if these listed extra-territorial laws affect their economic or financial interests (Article 2).

Specific provisions of the Blocking Statute of particular relevance for this report:

- Obligation to report damage to economic and financial interests

The Blocking Statute provides that EU persons and companies must inform the Commission if the listed extra-territorial laws affect directly or indirectly their economic or financial interests<sup>10</sup>. They should inform the Commission within 30 days of any

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<sup>5</sup> Currently, the annex contains US laws targeting Iran and Cuba.

<sup>6</sup> OJ L 199I, 7.8.2018, p. 1–6.

<sup>7</sup> OJ L 199I, 7.8.2018, p. 7–10.

<sup>8</sup> OJ C 277I, 7.8.2018, p. 4–10.

<sup>9</sup> The Blocking Statute applies to the natural and legal persons specified in Article 11.

<sup>10</sup> Article 2 of the Blocking Statute.

damage or event<sup>11</sup>. For a company, this obligation lies with directors, managers or persons exercising management responsibilities<sup>12</sup>.

Through such notifications, the Commission collects information from EU persons and companies on the possible application of the listed extra-territorial laws. When a 'notification' is submitted directly to the Commission, it immediately informs the competent authorities of the Member State. EU persons and companies can also reach out to the competent authority of the Member State where the person is living or the company is based.

- Information to the European Parliament and the Council

Building on the information it collects from notifications in the implementation of the Blocking Statute, the Commission informs the European Parliament and the Council of the effects of the listed extra-territorial laws<sup>13</sup>.

Other competences of the European Commission under the Blocking Statute are:

- **Granting authorisations to comply with the listed extra-territorial laws:** in exceptional circumstances, the Commission can grant EU persons or companies an authorisation to comply fully or partially with a listed extra-territorial law if not doing so would seriously damage their interests or those of the EU<sup>14</sup>.

Such an authorisation may be granted in specific and duly motivated circumstances as an exception to the prohibition to comply with listed extra-territorial laws. Applications are assessed based on the criteria set out in Implementing Regulation 2018/1101. The Committee on Extra-territorial Legislation, which is composed of a representative of each Member State, assists the Commission in assessing these applications<sup>15</sup>.

- **Supporting EU countries, persons and companies:** the Commission liaises with EU persons and companies, and Member States to support them in the application of the Blocking Statute, including by issuing guidance. The Commission also supervises and monitors the implementation of the Blocking Statute by Member States.
- **Updating the list of the extra-territorial laws:** the Commission is empowered to add to the annex to the Blocking Statute any laws of non-EU countries with extra-territorial application that affect the interests of EU persons and companies, and the EU as a whole<sup>16</sup>. This was last done in 2018.

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<sup>11</sup> See note 6 above.

<sup>12</sup> See note 6 above.

<sup>13</sup> Article 7(a) of the Blocking Statute.

<sup>14</sup> Articles 5 and 7(b) of the Blocking Statute.

<sup>15</sup> Article 8 of the Blocking Statute.

<sup>16</sup> Article 1 of the Blocking Statute.

- **Outreach to international partners:** the Commission supports the European External Action Service in the outreach to international partners who share the concerns on the extra-territorial application of non-EU sanctions<sup>17</sup>.
- **Publication of the details of the national competent authorities for the Blocking Statute:** the Commission publishes in the Official Journal of the EU the names and addresses of the competent authorities of the Member States referred to in Article 2 of the Blocking Statute<sup>18</sup>.

## 2. LISTED EXTRA-TERRITORIAL LAWS IN THE ANNEX TO THE BLOCKING STATUTE

The Blocking Statute applies exclusively to sanctions of the United States against Iran and Cuba.

The following extra-territorial laws are listed in the annex.

### 2.1. Iran:

Following its withdrawal from the Joint Comprehensive Plan of Action ('JCPOA' or 'Iran nuclear deal'), the US re-imposed sanctions against Iran. On 7 August 2018, the European Commission amended the Blocking Statute to take into account these developments. The listed extra-territorial laws concerning Iran are the following:

- The 'Iran Sanctions Act of 1996';
- The 'Iran Freedom and Counter-Proliferation Act of 2012';
- The 'National Defense Authorization Act for Fiscal Year 2012';
- The 'Iran Threat Reduction and Syria Human Rights Act of 2012'; and
- The 'Iran Transactions and Sanctions Regulations'.

A summary of these laws and regulations is published in [Commission Delegated Regulation \(EU\) 2018/1100](#). For full provisions, see the relevant instruments<sup>19</sup>.

Generally, the risks associated with the violation of US extra-territorial sanctions are the following:

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<sup>17</sup> See e.g. the Joint Statement by Federica Mogherini, Chrystia Freeland and Cecilia Malmström on the decision of the United States to further activate Title III of the Helms-Burton (Libertad) Act, available at: [https://eeas.europa.eu/headquarters/headquarters-homepage/61181/joint-statement-federica-mogherini-chrystia-freeland-and-cecilia-malmström-decision-united\\_ko](https://eeas.europa.eu/headquarters/headquarters-homepage/61181/joint-statement-federica-mogherini-chrystia-freeland-and-cecilia-malmström-decision-united_ko).

<sup>18</sup> List of national competent authorities is available, OJ C 251, 28.6.2021, p. 11–15, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021XC0628%2801%29>.

<sup>19</sup> See <https://www.govinfo.gov/>

- **Civil, criminal and administrative penalties.** Companies and individuals may face civil fines up to USD 250 000 or double the transaction value<sup>20</sup>. Administrative sanctions, such as the denial of export and re-export rights for US-origin goods, are also in place. In addition, wilful violations can be considered a criminal offence, with fines and the possibility of prison sentences for individuals.
- **Specially designated nationals (SDN) listings.** The US Treasury Department's Office of Foreign Assets Control (OFAC)<sup>21</sup> maintains a list of individuals and companies, referred to as 'specially designated nationals and blocked persons' ('SDNs') that are placed on the list if they have acted against US sanctions policy. EU persons and companies can be listed if OFAC finds they have acted in violation of US extra-territorial legislation by engaging in certain transactions. EU persons and companies can also be designated for engaging in business with an SDN (for example a listed Iranian entity).
- **Restrictions to the United States.** Such restrictions can result in exclusion from the US market due to a denial of access to the US financial system, or the loss of US correspondent banking accounts or prohibition of entry into the US for individual persons.

## 2.2. Cuba:

- The National Defense Authorization Act for Fiscal Year 1993, Title XVII 'Cuban Democracy Act 1992, sections 1704 and 1706';
- The Cuban Liberty and Democratic Solidarity Act of 1996 ('Helms-Burton Act').

The Helms-Burton Act codifies US measures against Cuba. It aims to discourage companies from doing business in Cuba by subjecting them to US embargo compliance (Title I), exposing them to private civil litigation (Title III) and administrative sanctions (Title IV).

The US had suspended application of the Helms-Burton Act since 1996. On 2 May 2019, the US announced the full reactivation of Title III and re-enforcement of Title IV of this Act.

- **Title I:** Title I provides for an economic and financial embargo concerning Cuba and has an extra-territorial scope of application. In practice, this mainly concerns exports to the US of goods from Cuba or transported through Cuba, imports of goods or services originating from the US to Cuba and the blocking of financial transactions with Cuba.

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<sup>20</sup> 31 Code of Federal Regulations, part 501 Economic Sanctions Enforcement Guidelines, see [https://home.treasury.gov/system/files/126/fr74\\_57593.pdf](https://home.treasury.gov/system/files/126/fr74_57593.pdf)

<sup>21</sup> OFAC is the US agency that administers and enforces economic and trade sanctions in support of US national security and foreign policy objectives.

- **Title III:** Title III provides a cause for legal action in US courts against individuals or companies which, in the view of the claimant, ‘traffic’ in property that was expropriated by the Cuban Government. The term ‘trafficking’ is defined very broadly (owning property, occupying land, profiting from land or property).
- **Title IV:** The US Department of State also pursues proceedings under Title IV of the Helms-Burton Act. Under this Title, the administration may deny entry to the US to foreign persons, in particular executives of companies, as well as their family members.

### 3. OVERVIEW OF NOTIFICATIONS UNDER ARTICLE 2 OF THE BLOCKING STATUTE

The Commission has received a majority of notifications from companies engaged in international trade or banking activities. It has also received a number of notifications from individuals and other entities, like associations, diplomatic missions, and business federations.

In **total**, between 1 August 2018 and 1 March 2021 the Commission received 63 notifications:

- 35 related to US sanctions against Cuba; and
- 28 related to US sanctions against Iran.

The Commission received notifications from persons and entities based in **12 different Member States**. The number of notifications received varies greatly by Member State.

The Commission was made aware of 10 notifications linked to, or followed by, court proceedings before EU national courts (see section 4.2).

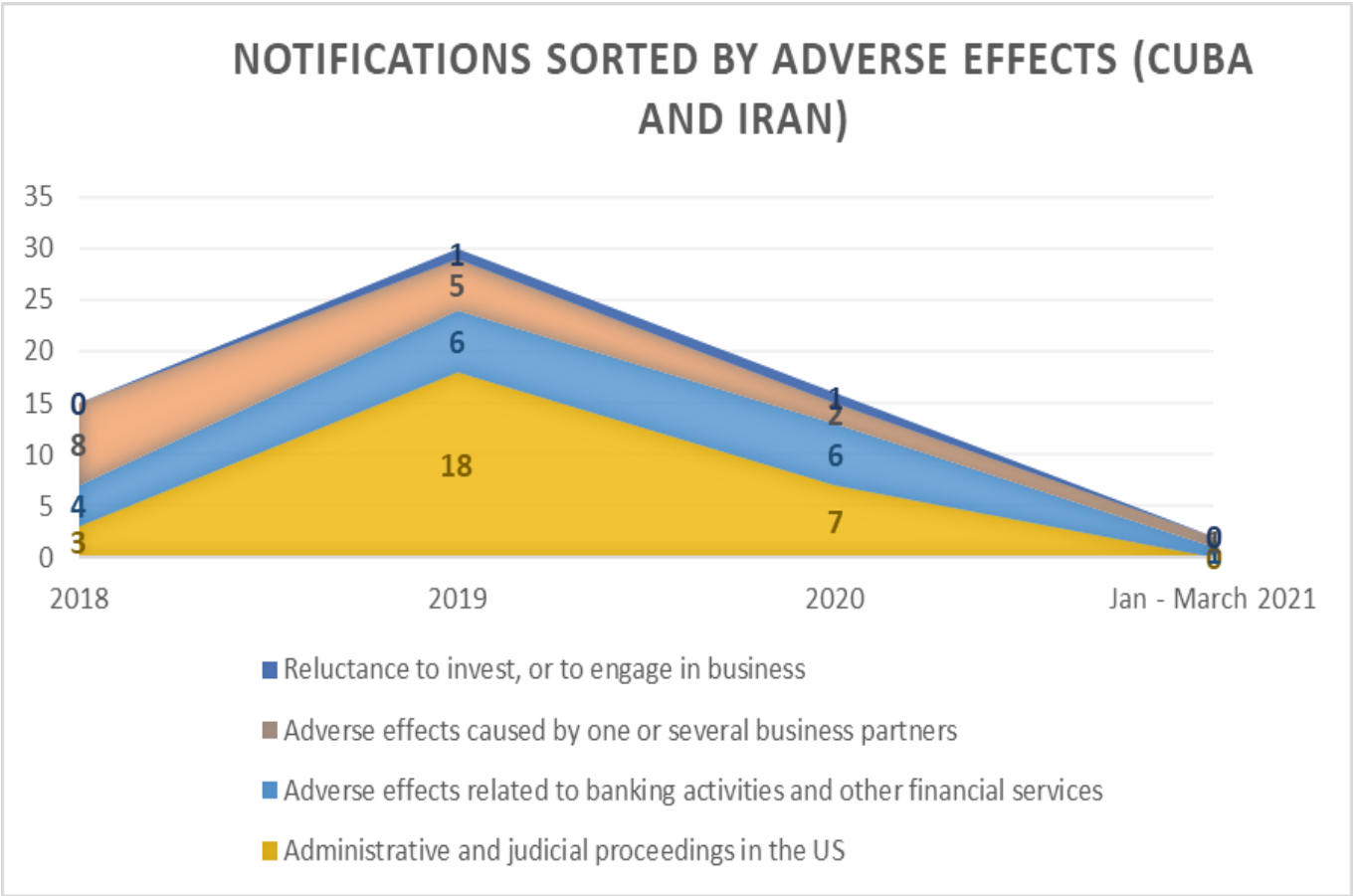
This report breaks down the notifications received by type of adverse effects reported:

- **Adverse effects related to banking activities or other financial services:** many EU persons and companies informed the Commission about adverse effects relating to access to daily banking services or unilateral terminations by a financial institution of the provision of banking services.
- **Adverse effects caused by one or several business partners:** EU persons and companies frequently notified the Commission about adverse effects caused by their business partners, most often due to a business partner’s decision to terminate the business relationship with the notifying party.
- **Administrative and judicial proceedings in the United States:** many notifications related to Cuba, and some notifications regarding Iran, reported the existence or threat of proceedings before US administrative or judiciary authorities.

- **Reluctance to invest, or to engage in business in countries targeted by the listed extra-territorial laws:** a limited number of EU persons and companies formally notified the Commission about their reluctance to invest, or to engage in business, in the countries targeted by the listed extra-territorial laws because they anticipated adverse effects if they were to do so.



The distribution of adverse effects among the 63 notifications received by the Commission is as follows:



### **3.1. Methodology for the counting of notifications**

The scope of this report covers notifications directly received by the Commission or notified to the Commission by a national competent authority between 1 August 2018 and 1 March 2021.

Notifications consist of formal submissions to the Commission in order to report adverse effects caused by the listed extra-territorial laws. Notifications can be submitted by individuals, companies or other entities like associations, diplomatic missions, business federations. Joint notifications have also been received (i.e. several notifying parties for one notification).

Strictly speaking, the Commission can only consider notifications sent by persons falling under the scope of Article 11 of the Blocking Statute. Nevertheless, the Commission has also included a number of notifications received by foreign representations in EU countries.

In some cases, the notifying party provides the Commission or the national competent authority with additional information and updates relating to the same adverse effect. In such cases, these follow-ups are not considered as new notifications but are handled as a follow-up to the first notification.

If, however, the adverse effects reported by the notifying party in its subsequent exchanges with the Commission or the national competent authority is not identical to the adverse effects reported in its first notification, it is considered a new notification. Only a few EU persons and companies have informed the Commission or the national competent authority of their being affected by various types of adverse effect.

The following sections provide detailed information on the identified negative effects on EU persons and companies, and on their context.

### **3.2. Adverse effects related to banking activities and other financial services**

EU persons and companies, including banks, have regularly notified the Commission of adverse effects relating to banking activities or financial services, whether in relation to Cuba or to Iran. In some instances, the same notification was made by several persons or companies by way of a joint notification.

Between 1 August 2018 and 1 March 2021, the Commission received 18 notifications reporting adverse effects relating to banking activities. Most of these notifications were linked to US extra-territorial sanctions against Iran.

There is a high level of interaction between financial systems which exposes EU banks and other financial service providers to extra-territorial sanctions. Accordingly, EU banks and other financial service providers suffer adverse effects but also, through a knock on

effect, may cause other EU persons and companies such adverse effects when complying with extra-territorial sanctions.

The adverse effects are manifold and may include the following:

- blocking of banking operations relating to Cuba or Iran (for instance, when the operation involves a national of these countries or an ultimate client or supplier in these countries);
- excessive undue delay in processing unrelated banking operations;
- termination of the banking relationship; or
- inability to open or have a functioning bank account.

In several cases, the suspension of the banking relationship has caused severe financial and economic damage to the notifying party. Typically, a bank will block transfers relating to the export of goods or services from or to Cuba and Iran, and the EU company will, in turn, be unable to receive payment. Many notifying parties pointed out that their business partner was not an SDN-listed person.

In addition, several banks operating in the EU with head offices located in Iran or in Cuba reported unilateral termination by EU banks of banking and financial services contracts. In the same vein, the Commission was notified of such terminations by foreign representations in EU countries.

Lastly, a few individuals also notified the Commission about the blocking of certain banking operations relating to Cuba or Iran.

### **3.3. Adverse effects caused by one or several business partners**

Adverse effects caused by a business partner are recurrent, irrespective of whether the notifying party did business with Iran or Cuba. The persons notifying the Commission of these adverse effects are EU companies, including EU banks, and individuals.

Between 1 August 2018 and 1 March 2021, the Commission received 15 notifications reporting adverse effects caused by one or several business partners of the notifying party. Most of these notifications related to Iran.

The reported adverse effects relate to the unilateral termination of the business relationship, often in breach of contract. Business partners that have allegedly infringed the Blocking Statute are import-export companies, software and telecommunication providers, industrial firms, airlines, postal and delivery services, and shipping and consumer product companies<sup>22</sup>.

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<sup>22</sup> Banks and other financial services providers are not included in this category as they were included in the dedicated category mentioned above (see above 3.2).

Notifying parties reported having suffered severe detrimental effects as a result of the non-fulfilment of contractual obligations or as a result of the termination of the business relationship. These effects vary from serious impediments to export or deliver goods to Iran or Cuba, to the material inability to carry out any economic operation. Several notifying parties chose to start legal proceedings to challenge these violations. The Commission closely monitors court cases of which it has been made aware and, on request, it provides technical support on request to EU persons and companies who have been adversely affected.

Typically, an EU company will face a sudden unilateral termination of the business relationship from one or several business partners. These business partners are allegedly infringing their contractual obligations despite the notifying party's not being directly concerned by US sanctions. The stated, implied or suspected reasons may relate to, for example, Cuba or Iran being the country of the parent company or ultimate beneficial owner of the EU affected company, the destination of the products in question, or the country of the beneficiary of the services or products. On rare occasions, the Commission was notified by an EU company of adverse effects caused by foreign business partners being directly subject to US sanctions.

In addition, several banks operating in the EU with head offices located in Iran or in Cuba reported that they believed some of their business partners, including telecommunication providers and manufacturers, interrupted their relationships to comply with US sanctions (so called overcompliance).

Lastly, one individual notified the Commission about the refusal of a postal company to deliver a package to Cuba. The postal company indicated expressly to its client that the delivery was not possible due to the US embargo on Cuba.

### **3.4. Administrative and judicial proceedings in the United States**

In total, 28 notifying parties informed the Commission or the relevant national competent authority about litigation before a US judicial authority or proceedings before a US administrative authority. Most of these notifications concern the application of Title III of the Helms-Burton Act which covers 'trafficking' in property expropriated by the Cuban government. While actions taken under Title III exclusively affect EU companies, Title IV proceedings target individuals. There were limited cases concerning Iran.

#### ***3.4.1. Litigation related to the application of Title III of the Helms-Burton Act (Cuba)***

Several EU persons and companies reported that they received a notice of intent to start an action before US courts under Title III of the Helms-Burton Act. These notices were sent by US persons or companies claiming that EU companies had engaged in 'trafficking' of expropriated properties in Cuba. They generally inform the EU company that legal action will be initiated unless the recipient of the notice immediately 'ceases to traffic' in the property.

The Commission was also notified of the start of formal proceedings before US courts. In this regard, courts in the US on two occasions accepted to stay the proceedings while the EU defendant requests authorisation from the Commission. The Commission is currently assessing an application for authorisation in such a case.

#### ***3.4.2. Administrative proceedings in the United States under Title IV of the Helms-Burton Act (Cuba)***

A few individuals reported that the US Department of State had informed them of the start of, or the intention to initiate, proceedings under Title IV of the Helms-Burton Act. Title IV allows the US Department of State to deny entry to US territory to any foreign natural person and their families whom the Department of State recognises as having ‘trafficked’ in confiscated property in Cuba claimed by US nationals.

The individuals targeted are managers or high-level employees of companies accused of ‘trafficking’ in confiscated US properties. The Commission is also aware that certain EU citizens and their families have been barred from entering the US on these grounds.

#### ***3.4.3. Notifications regarding United States court proceedings related to United States sanctions against Iran***

A few notifications concern court proceedings in the US against EU persons and companies relating to US extra-territorial sanctions against Iran. Other notifications reported requests by the US to extradite Iranian nationals living in the EU who are accused of breaches of US sanctions. Further notifications are linked to administrative proceedings in the field of banking.

### **3.5. Reluctance to invest, or to engage in business in countries targeted by the listed extra-territorial laws**

EU persons and companies also notified the Commission of their reluctance to invest in countries targeted by the listed extra-territorial laws. Anticipating possible adverse effects, they were deterred from pursuing legitimate and lawful business in Cuba and Iran. EU persons and companies informing the Commission or their national competent authorities also sought reassurances and support before making an investment decision.

While the Commission has received only a limited number of notifications on these grounds, its assessment is that many more EU persons and companies may share the same concern. The Commission closely monitors all notifications and encourages EU persons and companies to contact its services<sup>23</sup> to notify them of the adverse effects of the listed extra-territorial laws.

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<sup>23</sup> The Commission can be reached at Unit E5, Rue de Spa 2, 1049 Brussel Belgium or at the following email address: [RELEX-SANCTIONS@ec.europa.eu](mailto:RELEX-SANCTIONS@ec.europa.eu).

#### **4. JUDICIAL INTERPRETATION OF THE BLOCKING STATUTE BEFORE EU AND NATIONAL COURTS**

The Commission is aware of the following judicial proceedings regarding the Blocking Statute at EU and national levels.

##### **4.1. EU level**

*Request for a preliminary ruling (Bank Melli Iran v. Telekom Deutschland GmbH, case C-124/20)*

The case pending before the European Court of Justice concerns a request for a preliminary ruling pursuant to Article 267 of the Treaty on the Functioning of the European Union (TFEU) from the *Hanseatisches Oberlandesgericht Hamburg* (Germany). The dispute concerns the termination of telecommunications services between the applicant, Bank Melli Iran, and the defendant, Telekom Deutschland GmbH. The applicant is an Iranian bank incorporated under Iranian law, which has a branch in Hamburg, Germany. The defendant is a subsidiary of Deutsche Telekom AG, which is one of the leading German telecommunication service providers, headquartered in Bonn, Germany.

*Action for annulment before the General Court (IFIC Holding v Commission, case T-8/21)*

IFIC Holding, an investment arm of Iran Foreign Investment Company (IFIC) based in Germany, has brought an action before the General Court, challenging the authorisation granted by the European Commission on 28 April 2020 to Clearstream Banking AG, pursuant to Article 5 paragraph 2 of Council Regulation 2271/96 *inter alia* on the following grounds: infringement of the plaintiff's right to be heard and infringement of the obligation to state reasons.

It is expected that these pending cases before the European Court of Justice will make it easier to interpret and implement certain provisions of the Blocking Statute and bring additional legal certainty and clarity in the different procedures enshrined therein.

##### **4.2. National level**

The Commission was made aware of 10 legal proceedings that made reference to the Blocking Statute before courts of EU Member States.

In Germany, a bank notified an international logistics company that it would terminate its services, citing the risk of the potential application of US extra-territorial sanctions as a reason<sup>24</sup>. Under the bank's general terms and conditions, it could terminate its services if it provided a valid reason. The court deemed the termination lawful considering that the Blocking Statute did not oblige EU companies to continue trading with Iranian entities

when doing so would run against their commercial interests. It found that the risk at stake and the risk that other corresponding banks would terminate their cooperation to avoid exposing themselves to extra-territorial sanctions constitutes such a justified reason to terminate the contract.

Another case in Germany concerned the termination of telecommunication services between an EU-based branch of an Iranian bank subject to US sanctions and a major telecommunication provider<sup>25</sup>. As the bank was able to demonstrate that it could continue to pay for the services, and that it had always done so, the German court granted an interim injunction ordering the telecommunication provider to restore its services until the expiry of the contracts. The proceedings have been stayed following a request for a preliminary ruling pending before the European Court of Justice (see above, *Bank Melli Iran v. Telekom Deutschland GmbH*, C-124/20).

In the Netherlands, a case concerned a distribution agreement between Exact B.V. and Curaçao-based PAM International N.V. ('PAM')<sup>26</sup>. PAM distributed software supplied by Exact B.V. to companies in Cuba. Exact B.V. terminated this agreement following its acquisition by a US-based investment company. The court ordered Exact B.V. to continue to provide its services and further noted that Exact B.V. might have breached the Blocking Statute by terminating the agreement.

The Commission was made aware of two cases initiated in Italy. In the first case, a bank notified its client, a company controlled by partners in Iran, that it would terminate its banking services. The company initiated interim relief proceedings to have the bank ordered to continue its services. An Italian court determined that terminating these services would amount to a breach of the Blocking Statute and issued a provisional injunction against the bank to prevent the termination of these services<sup>27</sup>.

In the other case, an Italian company concluded a supply contract with an Iranian company that later became subject to US sanctions. The payment by the Iranian company was frozen by the Italian company's bank. The court ordered the release of the funds as, under the Blocking Statute, the US' placing of the Iranian company on the OFAC SDN list had no effect in the EU, and it was not subject to any sanctions in the EU<sup>28</sup>.

The Commission was informed of multiple proceedings concerning the same company in France. After the conclusion of a contract for the provision of goods to Iran, the company was unable to receive payment. This was a long-standing issue as the company had faced several closures of its bank accounts over many years. The bank refused to transfer these funds, invoking various reasons, including compliance with US sanctions. In the latest update on the court proceedings received by the Commission, the court of first instance

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<sup>24</sup> LG Hamburg 18th civil chamber, judgment of 15.10.2018, 318 O 330/18.

<sup>25</sup> LG Hamburg 19th civil chamber, judgment of 28.11.2018, 319 O 265/18.

<sup>26</sup> PAM International N.V., Curaçao v Exact Software Nederland B.V., judgement of 25.06.2019, Case no. C-09-573240-KG ZA 19-430.

<sup>27</sup> See 'Italian Judgments on the EU Blocking Regulation' (EU Sanctions, 2 October 2019), [www.europeansanctions.com/2019/10/italian-judgments-on-the-eu-blocking-regulation](http://www.europeansanctions.com/2019/10/italian-judgments-on-the-eu-blocking-regulation)

<sup>28</sup> See note 27.

found that the bank should not have closed the company's account and terminated the banking services without notice. However, the court also considered that terminating the banking services was legitimate on the grounds that the bank faced economic and strategic constraints, including the possible imposition of US sanctions.

## **5. CONCLUSION**

The EU considers that the extra-territorial application by third countries of measures against EU operators is contrary to international law. These measures threaten the integrity of the Single Market and the EU's financial systems, reduce the effectiveness of the EU's foreign policy and puts strain on legitimate trade and investment in violation of basic principles of international law.

With the information collected inter alia through the notification procedure pursuant to Article 2 of the Blocking Statute, the Commission has been kept abreast of a variety of policy, legal, economic and financial developments affecting EU persons and companies, and the Union as a whole. The Commission will continue to monitor the impact of the listed extra-territorial laws and inform the European Parliament and the Council in accordance with Article 7(a) of the Blocking Statute.

The proliferation of such sanctions requires a deeper debate on possible additional measures to increase deterrence and, if needed, to counteract them. This report will feed into the discussion on the implementation of the Commission's 19 January 2021 communication on "The European economic and financial system: fostering openness, strength and resilience"<sup>29</sup>. The Commission launched a general reflection on policy options to modernise the EU's toolkit to counter the effects of the unlawful extra-territorial application of third-country unilateral sanctions to EU individuals and entities.

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<sup>29</sup> See [https://ec.europa.eu/info/publications/210119-economic-financial-system-communication\\_en](https://ec.europa.eu/info/publications/210119-economic-financial-system-communication_en)