



EU Takes Steps to Counteract U.S. Withdrawal from Iran Nuclear Deal

As anticipated [last month](#), the European Union has taken steps to strengthen its existing "blocking regulation" in the light of the U.S. withdrawal from the Joint Comprehensive Plan of Action ("JCPOA") (commonly known as the "Iran Nuclear Deal").

Under Council Regulation (EC) No 2271/96 of 22 November 1996 (commonly known as the "[Blocking Regulation](#)"), EU companies are prohibited from complying with "blocked" sanctions set out in the Annex to the Regulation. Importantly, judgments or administrative decisions from third countries giving effect to such blocked sanctions will not be recognized or enforced within the European Union and EU companies may "claw back" damages caused by any blocked sanctions.

On June 6, 2018, the European Commission adopted a [Delegated Regulation](#) amending the Annex to the Blocking Regulation to cover the Iran-related secondary sanctions that the United States will be reimposing by November 2018. The amendment also covers the core U.S. primary sanctions relating to Iran—namely the Iranian Transactions and Sanctions Regulations ("ITSR"). With inclusion of the ITSR, the Blocking Regulation may have significant implications for EU-incorporated subsidiaries of U.S. companies (where penalties for noncompliance with the ITSR fall on their parent companies) and EU companies exporting U.S.-controlled items to Iran.

The stated intention is that the Delegated Regulation will enter into force within two months of its [notification](#) to the European Parliament and the Council, unless either opposes this proposal. The Delegated Regulation is therefore expected to take effect by the time the first set of U.S. sanctions relating to Iran are reimposed on August 6, 2018.

The practical implications of this expansion of the Blocking Regulation will only become apparent over time. Enforcement of the Blocking Regulation is a matter for national regulators, and enforcement actions have, to date, been limited. However, there is a clear potential impact on U.S. companies doing business in the EU, EU subsidiaries of U.S. companies, and EU companies with exposure to U.S. markets. These groups will face a significantly more complex compliance landscape beginning in August 2018, with potentially conflicting obligations in respect of dealings with Iran.



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