

UK Sanctions Regime Expansion: Overview for Indian Businesses

Background

The United Kingdom's (UK) relentless expansion of its sanctions regime against Russia, strengthened in response to Russia's role in "destabilising the situation in Ukraine," has reached a critical juncture with the announcement¹ of 100 new sanctions on September 12, 2025. This sanctions package targets 70 vessels, 27 entities, and 3 individuals for their role in providing financial services and supplying critical military components, chemicals, oil and electronic parts used in Russian missile systems² and to thwart the Russian shadow fleet. The full list of individuals and organisations (**Designated Persons** or **DPs**) has been published [here](#).

The UK Government administers and implements the sanctions via His Majesty's Treasury (**HM Treasury**) through the Office of Financial Sanctions Implementation (**OFSI**). HM Treasury also handles licensing exemptions and ensures compliance with financial sanctions, including via the imposition of **monetary penalties**³ reaching £1 million or 50% of the breach value (whichever is higher)⁴ and/or **criminal imprisonment**⁵ for up to seven years.



The present/subject Financial Sanctions Notice⁶ specifically sanctioned *Hayer's Infotech Private Limited*, an **Indian company**, with an asset freeze and trust services restrictions. The extraterritorial reach of OFSI and direct inclusion of an Indian entity and several non-Russian entities in the package materialises how the UK's evolving sanctions regime now creates *unforeseen* and complex compliance challenges for Indian companies engaged in cross-border trade. The present move underscores the UK's expanded designation criteria, effectively creating *secondary sanctions* against financial service providers.

¹ UK imposes 100 new sanctions targeting Russia's revenues and military supplies | Foreign policy | The Guardian, <https://www.theguardian.com/world/2025/sep/12/uk-imposes-sanctions-russia-revenues-military-supplies-yvette-cooper>.

² UK ratchets up pressure on Putin's military machine as Foreign Secretary travels to Kyiv - GOV.UK, <https://www.gov.uk/government/news/uk-ratchets-up-pressure-on-putins-military-machine-as-foreign-secretary-travels-to-kyiv>.

³ The Policing and Crime Act 2017 (the "2017 Act") contains powers for HM Treasury to impose monetary penalties for breaches of financial sanctions.

⁴ Financial sanctions enforcement and monetary penalties guidance - GOV.UK, <https://www.gov.uk/government/publications/financial-sanctions-enforcement-and-monetary-penalties-guidance/financial-sanctions-enforcement-and-monetary-penalties-guidance>.

⁵ Financial sanctions enforcement and monetary penalties guidance - GOV.UK "1.2. Powers given to HM treasury to impose penalties for financial sanctions breaches" <https://www.gov.uk/government/publications/financial-sanctions-enforcement-and-monetary-penalties-guidance/financial-sanctions-enforcement-and-monetary-penalties-guidance>.

⁶ Financial Sanctions Notice, https://assets.publishing.service.gov.uk/media/68c3ba71838e7712ea2bff08/Notice_Russia_120925.pdf

The UK Sanctions Regime

Since Russia's invasion of Ukraine in February 2022, the UK Government has introduced sweeping financial sanctions under the Sanctions and Anti-Money Laundering Act 2018 (**SAMLA**). These measures, as provisioned by the Russia (Sanctions) (EU Exit) Regulations 2019, include asset freezes, trust service restrictions, and criminal penalties for those providing services or resources that could destabilise Ukraine. This regime has made compliance risks a pressing reality for Indian businesses.⁷

Territorial Scope:⁸

Section 21 of the SAMLA lays down the territorial applicability of the UK sanctions regime. Financial Sanctions are applicable to (i) any individual, business or organisation located or undertaking activities anywhere in the UK (including the territorial sea); (ii) any business or organisation incorporated or constituted under the law of any part of the UK and (iii) any UK individual, business or organisation outside of the UK. Finally, all UK nationals and UK businesses are covered by financial sanctions, regardless of their place of residence or any part of their business existing outside of the UK.

Compliance Scope:⁹

The OFSI records compliance shortfalls and oversees enforcement insofar as companies fail to identify subsidiaries owned by Russian conglomerates- which are either DPs themselves or majority owned by an individual DP. This includes¹⁰ direct ownership of 50% or more control through other means, (voting rights, board control, shareholding etc.) indirect ownership, beneficial ownership or even control through intermediary entities.

The OFSI has identified¹¹ several practices that result in non-compliance and inadvertent penalisation. These include:

- i. Improper maintenance of frozen assets: Debits being made both deliberately and inadvertently from accounts held by Russian Designated Persons at UK banks and Non-Bank Payment Service Providers (**NBPSs**).
- ii. Breaches of OFSI licence conditions: Transactions occurring after licence expiry, incorrect bank account usage, failures to adhere to reporting requirements.
- iii. Inaccurate ownership assessments: Failures to identify subsidiaries owned by designated persons; and
- iv. Inaccurate nexus assessments: Failures to identify connections in transaction chains.

International Sanctions Regimes: Critical Divergences

The divergence in the UK/US/EU sanctions regime creates a treacherous compliance landscape for Indian businesses: the US applies a mechanistic “50% rule” for automatic sanctions application, whilst the UK employs an unpredictable “control” test.¹² Third, the EU uses flexible control assessments-forcing companies to navigate three distinct ownership frameworks simultaneously. The OFAC-OFSI MOU¹³ (January 2025) establishes unprecedented information-sharing protocols, enabling coordinated cross-border enforcement that significantly elevates compliance risks for multinationals, meaning violations now trigger simultaneous investigations with cumulative penalties across both major financial centres.

Investment restrictions further complicate compliance as the US maintains the broadest “commitment of capital” prohibitions covering virtually any financial engagement, while the EU focuses narrowly on Russian energy sector investments with licensing flexibility, and the UK targets specific categories like land acquisitions and joint ventures; creating a matrix whereby Indian businesses must satisfy the most restrictive standard across all jurisdictions.¹⁴

⁷ UK Sanctions Enforcement: Implications for Indian Businesses | Dispute Resolution Blog, <https://disputeresolution.cyrilamarchandblogs.com/2025/07/uk-sanctions-enforcement-implications-for-indian-businesses/>.

⁸ UK financial sanctions general guidance - GOV.UK “1.4 Who needs to comply with financial sanctions?” <https://www.gov.uk/government/publications/financial-sanctions-general-guidance/uk-financial-sanctions-general-guidance>.

⁹ UK financial sanctions general guidance - GOV.UK “7. Compliance and enforcement” <https://www.gov.uk/government/publications/financial-sanctions-general-guidance/uk-financial-sanctions-general-guidance#compliance-and-enforcement>.

¹⁰ UK financial sanctions general guidance - GOV.UK, “4. Ownership and control”, <https://www.gov.uk/government/publications/financial-sanctions-general-guidance/uk-financial-sanctions-general-guidance#ownership-and-control>.

¹¹ OFSI Financial Services Threat Assessment Report, https://assets.publishing.service.gov.uk/media/67f3f2467ed82b90fcf5bffc/OFSI_Financial_Services_Threat_Assessment_Report.pdf.

¹² EU Best Practices: <https://www.skadden.com/insights/publications/2024/09/eu-updates-sanctions-best-practices>.

¹³ OFSI-MoU - GOV.UK, <https://www.gov.uk/government/publications/ofsi-mou>.

¹⁴ UK Sanctions Guide: <https://globalinvestigationsreview.com/guide/the-guide-sanctions/fifth-edition/article/comprehensive-overview-of-sanctions-in-the-united-kingdom>.

India in the Crosshairs: At a Glance

Table 1: UK-Sanctioned Entities With Indian Commercial Connections

Entity Name	Entity Type	Indian Connection	Sanctions Rationale	Compliance Risk Level
Hayers Infotech Private Limited	Indian Private Limited Company	Direct Indian entity (CIN: U7 4999MH2016PTC283169, Mumbai)	High-tech goods export to Russia (\$434M since Feb 2022)	DIRECT
Joint-Stock Company Proton	Russian Closed JSC	Shares company address and potentially, a legal relationship with “ JSC Proton-Electrotex ”, which in turn operates in India through Indian distributor Unified Electro-Tech Ltd.	Defence and electronics manufacturing	HIGH
JSC Ruspolymet	Russian Closed JSC	Trade records with India (Nickel Chromium imports via Ruspolymet GmbH)	Metallurgy and steel production for defence	MEDIUM
JSC Technodinamika	Russian JSC	Aviation service centre in India (2016); contracts with Indian Air Force	Aerospace and defence manufacturing	MEDIUM
Jin Tang Technology Limited	Private Limited Company	Trade/shipment data indicates commercial transactions with India	Technology export with Russia and India as top markets	MEDIUM

Table 2: UK-Sanctioned Vessels With Indian Commercial Connections

IMO Number	Vessel Name	Flag State/Ownership	Indian Connection	Details
IMO 9256078	LITEYNY PROSPECT	Russia flag/Sovcomflot ownership	YES – Indirect (oil supply to Indian refiners)	Reported carrying Urals crude purchased by Indian refiners. ¹⁵
IMO 9256054	NEVSKIY PROSPECT	Russia flag/Sovcomflot ownership	YES – Indirect (oil supply to Indian refiners)	Transported Russian crude bound for India. ¹⁶

¹⁵ <https://www.reuters.com/business/energy/payment-woes-delay-supply-russian-sokol-oil-india-sources-2023-12-26/>.

¹⁶ <https://war-sanctions.gur.gov.ua/en/transport/shadow-fleet/163>.



Extraterritorial Exposure to Indian Entities

The extraterritorial reach of UK sanctions through the designation of entities with direct and indirect commercial creates immediate compliance obligations for Indian businesses operating in affected sectors. The January 2025 OFAC-OFSI MOU establishes unprecedented information-sharing protocols, creating a **dual-jurisdiction enforcement risk** where violations could trigger simultaneous investigations by both US and UK authorities.

The broad jurisdiction of UK sanctions means Indian companies with UK connections- those sharing banking ties with the UK, facilitating payments via London, or even employing UK nationals/subsidiaries must comply with relevant sanctions. This affects Indian tech firms with UK subsidiaries, exporters using London banks, and any company with UK entities, requiring them to screen counterparties, freeze assets, and halt transactions with designated persons.

This demonstrates the *cascading and extraterritorial effect* of the UK sanctions framework: even indirect dealings, routed through jurisdictions such as Dubai, Singapore, or Hong Kong, may be scrutinised if they involve UK persons, UK-linked institutions, or sanctioned counterparties. For Indian businesses, this creates a red-flag compliance risk that cannot be mitigated merely by shifting funds or operations outside the UK.

This extraterritorial application, combined with the UK's broad definition of "economic resources" and "funds," means that virtually any international business with UK nexus points must implement comprehensive **sanctions compliance programmes**, as violations can trigger criminal penalties and civil penalties regardless of *where the actual prohibited activity occurred*.

Conclusion & Way Forward

The UK's post-Brexit adoption of US-style strict liability enforcement, combined with enhanced cross-border cooperation, has transformed theoretical compliance risks into immediate operational realities, rendering jurisdiction-specific compliance strategies obsolete for multinational enterprises. Non-compliance costs now encompass reputational setbacks, operational consequences and disruptions to business continuity. Therefore, jurisdiction-agnostic sanctions compliance is now a strategic imperative rather than merely a regulatory requirement.

Placing an Indian company on the Designated Person list is an alarming escalation since the last reported¹⁷ designation of an Indian company as an "enabler" by the UK Foreign, Commonwealth and Development Office (**FCDO**)¹⁸. This development represents a watershed moment, demonstrating that Indian entities now face *direct*

¹⁷ Indian company on UK's new sanctions package targeting Russia supply chains - ThePrint - PTI Feed, <https://theprint.in/world/indian-company-on-uk-new-sanctions-package-targeting-russia-supply-chains/2509740/>.

¹⁸ List of Russia sanctions targets -24 February 2025, https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fassets.publishing.service.gov.uk%2Fmedia%2F67bc941db3a80ad63e782ce0%2FList_of_Russia_sanctions_targets_-24_February_2025.odt.

exposure to UK sanctions, signalling the extraterritorial reach of the OFSI

The message is unequivocal: **the era of reactive compliance is over**. Indian companies must implement proactive, jurisdiction-agnostic compliance and policy frameworks that anticipate regulatory developments rather than merely responding to them. This requires not only understanding the technical requirements of each sanctions regime but also developing sophisticated strategies that address their complex interactions and the enhanced enforcement coordination. The designation of an Indian entity within the UK sanctions framework serves as both a warning and a call to action.

In practice, compliance demands incorporating robust sanction clauses in commercial agreements, establishing plans for immediate severance from sanctioned entities, maintaining backup commercial arrangements to mitigate disruption, and appointing a dedicated sanctions compliance team tasked with monitoring developments and ensuring readiness. No business operating in international markets can afford to treat sanctions compliance as anything *less* than a fundamental operational requirement with immediate legal and commercial consequences.

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