

Sanctions in Focus: An Overview of Recent Developments

Background

International sanctions are evolving rapidly, increasingly relying on secondary measures that extend beyond their original targets. As a result, compliance assessments can become materially outdated within months.

Against that backdrop, the past two weeks have brought a fresh cluster of developments that pull in two directions at once. The United States of America (**US**) has moved to tighten the net – through new legislation targeting Russia and Iran; and imposition of further sanctions on Iran-linked financial institutions. On the other hand, India has offered a distinctly different judicial perspective: the Delhi High Court has held that contractual obligations governed by Indian law cannot be set aside solely because a counterparty faces sanctions exposure under a foreign regime.

This piece covers each of the above developments in turn, setting out the essential facts and what they mean in practice.

Part I: Sanctions Trends in the United States

A. Lindsey O. Graham Sanctioning Russia and Iran Act of 2026

On September 18, 2026, the US President signed the Lindsey O. Graham Sanctioning Russia and Iran Act of 2026 (**Graham Act**) into law,¹ the implementation of which is due within 30 days of signing, i.e., by around October 18, 2026.



In addition to a conventional sanctions framework targeting Russia's war efforts, the Graham Act introduces a secondary tariff mechanism. This mechanism authorises the US President, among other things, to impose tariffs of up to 100% on goods from countries that: (a) knowingly continue new purchases of Russian-origin crude oil or natural gas after 30 days from the enactment of the Graham Act; and was ranked among the five largest importers of such crude oil or natural gas by volume over the preceding 12 months; or (b) was ranked among the top five facilitators of Russian oil sanctions evasion over that same 12-month period.

¹ H.R. 5334 - Lindsey O. Graham Sanctioning Russia and Iran Act of 2026, available at [Text - H.R.5334 - 119th Congress \(2025-2026\): Lindsey O. Graham Sanctioning Russia and Iran Act of 2026 | Congress.gov | Library of Congress](https://www.congress.gov/bills/119/house/bills/5334).

Implications for Indian businesses: India is likely among the world's largest importers of Russian energy, placing its exports squarely at risk under the Graham Act's tariff mechanism. A 100% secondary tariff could undo existing tariff advantages overnight, undermining the viability of US-bound trade across different sectors, even though the energy sector is the trigger. As a result, Indian exporters should monitor implementation closely over the coming weeks and assess sanctions and tariff-risk exposure.

The practical effect, however, is that once secondary sanctions or tariffs are imposed, the path to reversal is considerably more onerous than conventional delisting.

B. Designation of Iran-Linked Financial Institutions

On August 24, 2026, under "Operation Economic Outcast",² the US Department of State had sanctioned numerous entities, individuals and vessels linked to Iran, targeting those who facilitated strikes against US forces and allies and cutting off revenue streams for the Iranian regime.

On September 14, 2026, the US Office of Foreign Assets Control (OFAC) sanctioned PJSC VTB Bank (VTB Bank) for facilitating correspondent banking ties with sanctioned Iranian banks and an Iranian rial-Russian rouble settlement system.³ Foreign banks dealing with VTB Bank now face heightened sanctions exposure, as VTB remains sanctioned for activities in both the Iranian and Russian financial sectors.

Implications for Indian businesses: Notably, VTB Bank has a branch presence in India which operates a Special Rupee Vostro Account to facilitate the Indian rupee – Russian rouble settlement services as part of bilateral trade arrangements between the two nations. While OFAC has so far targeted the Russia-Iran settlement mechanism rather than VTB Bank's India operations directly, continued dealings with VTB Bank now carry independent sanctions risk primarily for Indian banking institutions.

C. Wind-Down Licence for Lukoil International GmbH

On October 22, 2025, OFAC sanctioned PJSC Oil Company Lukoil, one of Russia's largest oil producers, the impact of which extended to Lukoil International GmbH (LIG) as it held Lukoil's vast portfolio of overseas assets.⁴ OFAC has since issued a rolling series of general licences permitting negotiation of a sale of LIG, subject to separate, specific OFAC approval before closing, together with routine maintenance and wind-down of LIG's existing operations. On September 18, 2026, OFAC extended this authorisation until October 22, 2026, to enable Lukoil to divest its assets outside of Russia to non-blocked parties.⁵ The licence does not permit completion of any sale or transfer of funds to Russia, and any divestment may separately require antitrust and foreign investment clearances in the relevant jurisdictions.

Part II: Foreign Sanctions cannot override Contractual Obligations under Indian Law

A. Nayara Energy Limited v. SAP India Private Limited & Anr.

On September 21, 2026, the Delhi High Court directed SAP India Private Limited (SAP) to immediately restore software and enterprise support services to Nayara Energy Limited (Nayara).⁶

Nayara had been placed on the European Union (EU) sanctions list in July 2025. Relying on that designation, SAP unilaterally suspended Nayara's access to its enterprise systems, prompting Nayara to initiate legal proceedings. At the interim stage, the Court declined relief, holding that the contract limited SAP's liability for suspension or termination triggered by applicable export control laws.

In its final judgement, however, the Court held, *inter alia*, that SAP could not invoke "unproven EU sanctions" to treat its contractual obligations as impossible to perform. Critically, the Court found that the agreement

² U.S. Department of State's Press Release, available at [United States Implements Operation Economic Outcast with Sanctions Targeting Iran's Military Activities and Procurements, and Petroleum and Petrochemical Product Traders](#).

³ US Department of the Treasury Press Release, available at [Operation Economic Outcast Sanctions Major Bank Helping Iran Evade Sanctions | U.S. Department of the Treasury](#).

⁴ Office of Foreign Assets Control, FAQ 1224, available at [1224 | Office of Foreign Assets Control](#).

⁵ *ibid*, FAQ 1225, available at [1225 | Office of Foreign Assets Control](#).

⁶ *Nayara Energy Limited v. SAP India Private Limited & Anr.*, High Court of Delhi, CS (COMM) 1006/2025.

between the parties gave “*conscious and unambiguous primacy*” to Indian law in the event of any conflict with foreign laws, which precluded SAP from relying on an external sanctions regime to justify non-performance.

Implications for Indian businesses: The ruling carries several practical consequences:

1. Foreign sanctions, standing alone, do not excuse non-performance under Indian law – The Court has established that a counterparty subject to foreign sanctions cannot unilaterally suspend or terminate its obligations under an Indian-law-governed contract on that basis alone. To do so, it must demonstrate that performance is genuinely impossible and not merely commercially inconvenient or prompted by group-level compliance policy.
2. Judicial protection in the absence of a blocking statute – Unlike the EU and China, India does not have a dedicated sanctions blocking statute that prohibits Indian persons to observe compliance with foreign sanctions. This ruling partially fills that gap insofar as it affirms that Indian courts will hold counterparties to their contractual commitments and will not permit foreign sanctions regimes to override Indian governing law, as a default rule. For Indian businesses, this judicial backstop is currently the principal shield against service disruptions driven by foreign designations.

Conclusion and Way Forward

What emerges from the past fortnight is not a series of discrete policy events but a structural shift in how sanctions risk materialises. For Indian businesses, the practical consequence is that exposure can no longer be mapped regime by regime or reviewed quarter by quarter. Instead, it must be understood as a single, fast-moving surface that cuts across trade, finance and technology at the same time.

Equally important is the need to think ahead of the curve. India’s absence from the sanctions-issuing table insofar as it has no blocking statute, no consolidated sanctions list and no dedicated enforcement machinery, does not insulate Indian businesses from the consequences of foreign sanctions regimes. If anything, it amplifies the need for self-regulation. It is therefore imperative that companies stress-test their supply chains, financing arrangements and vendor relationships against a range of plausible escalation scenarios, rather than responding to each new designation in isolation.

However, when global sanctions collided with domestic contracts, the Delhi High Court has drawn a firm line: software services cannot be pulled basis unverified foreign bans. As foreign rules clash with domestic law, this landmark decision leaves a critical question hanging: will this ruling embolden other domestic enterprises to defy international blockades, or will it force global tech giants to rethink their operations in sanction-heavy landscapes? Only time will tell how this legal tug-of-war reshapes the future of cross-border commerce and compliance.

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