A BHATT & JOSHI PUBLICATION
PUBLICATION SERIES · VOL. II · MAY 2026 · FIRST EDITION

THE CHABAHAR WIND-DOWN

A Compliance-Led Legal and Strategic Analysis

On India's IPGCFZ → local-Iranian-entity disposal pursuant to OFAC's wind-down letter of 28 October 2025; the GIFT-City IFSC legal-architectural analysis; the FEMA-OFAC paradox; comparative US/EU/UK sanctions standards; structural options and diplomatic pathways.

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OFAC ITSR 31 CFR 560 · NSPM-2 of 4 FEB 2025 · IFCA s. 1244(f)
IRAN THREAT REDUCTION ACT · CAATSA · EU REG 267/2012
UK OFSI · FATF GUIDANCE ON IRAN
IPGL 13 MAY 2024 LONG-TERM CONTRACT · OFAC LETTER 28 OCT 2025
IFSCA ACT 2019 · FEMA 1999 · RBI ODI MD 2022

PUBLISHED BY
BHATT & JOSHI ASSOCIATES

DISCLAIMER & EDITORIAL NOTE

This publication is produced by Bhatt & Joshi Associates, Ahmedabad (the "Firm") for informational and academic purposes only. It does not constitute legal advice and must not be relied upon as such. Readers are advised to seek specific professional advice before acting on any matter addressed herein.

This is Volume II in the Firm's Publication Series on International Trade, Energy & Sanctions Law. It provides a compliance-led legal and strategic analysis of India's wind-down of operations at the Chabahar Port pursuant to OFAC's letter of 28 October 2025 and the 26 April 2026 deadline, the IPGCFZ → local Iranian entity disposal architecture, the legal contours of the GIFT-City IFSC gateway, the FEMA-OFAC regulatory paradox, and the comparative US / EU / UK sanctions standards now applicable.

The Firm's Standard of Practice and Compliance Posture

The Firm advises and assists clients exclusively in matters consistent with applicable U.S., European Union, United Kingdom, United Nations and Indian sanctions and anti-money-laundering regimes.

Nothing in this publication should be read as advice, encouragement or assistance to evade, circumvent or undermine any sanctions or anti-money-laundering regime. The Firm regards strict compliance with the applicable regimes as a foundational professional obligation.

This publication analyses the publicly reported architecture of India's Chabahar wind-down, identifies the legal contours of that architecture under the applicable regimes, and provides clients with a structured assessment of the regulatory risks and the residual lawful strategic optionality. It does not propose, design or recommend any structure intended to defeat the operation of any sanctions regime.

Where the publication discusses the GIFT-City International Financial Services Centre, it does so to assess — and largely to negate — the proposition that the IFSC framework can serve as a sanctions firewall. The Firm's settled view, set out at length in Chapter 9, is that the GIFT-City IFSC is not a sanctions-protection device and any attempt to deploy it as such would attract both U.S. secondary-sanctions exposure and Indian regulatory enforcement.

The Firm encourages clients facing sanctions exposure to seek a specific OFAC licence where one is available; to coordinate with the Reserve Bank of India and the Ministry of External Affairs on any wind-down or divestiture; to retain independent U.S.-qualified sanctions counsel for transactions touching the United States dollar clearing system; and to maintain full transparency with all applicable regulators throughout.

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PREFACE

This Volume answers a precise legal-architectural question with two related limbs. India has publicly announced its intention to wind down operations at the Chabahar Port and has informed the U.S. Department of the Treasury accordingly. Contemporaneous reporting indicates that India Ports Global Limited ("IPGL") is preparing to dispose of its operational vehicle — India Ports Global Chabahar Free Zone ("IPGCFZ") — to a local Iranian acquirer prior to the 26 April 2026 wind-down deadline imposed by OFAC's letter of 28 October 2025. What, in legal terms, is the architecture of that disposal; and is there a parallel onshore structuring layer — running through India's International Financial Services Centre at GIFT City, Gandhinagar — that has any lawful role in preserving Indian strategic optionality after the wind-down?

> *The Firm's professional position, set out fully in the Disclaimer and reiterated throughout this publication, is that the GIFT-City IFSC framework is not a sanctions firewall and cannot be deployed as one. The IFSC discussion in this booklet is an analytical assessment of why that is so under U.S., EU and UK law, and a careful identification of the narrow, lawful, ancillary functions that an IFSC vehicle can in fact perform within the boundaries of applicable sanctions and AML/CFT compliance.*

The question's first limb — what India is doing at Chabahar — is no longer speculative. The architecture is in formation: a clean disposal of IPGCFZ to a Chabahar-Free-Zone-Organisation-affiliated or independent local Iranian port operator, executed within the wind-down window, with the USD 120 million in port equipment transferred to the Iranian acquirer and a publicly-acknowledged understanding that operational reversion to India may follow upon sanctions relief. The legal-architectural challenge is to ensure that this disposal genuinely satisfies the wind-down representation made to OFAC, and survives the application of OFAC's substance-over-form doctrine as articulated in the Sanctions Advisory on Sham Transactions and Sanctions Evasion of 31 March 2026.

The 2026 Sham-Transactions Advisory is the single most consequential piece of contemporary OFAC guidance for the Chabahar wind-down. Read alongside the maximum statutory penalty against GVA Capital Ltd. of 12 June 2025 (USD 215.99 million) and the December 2025 fiduciary settlement (USD 1.09 million), it establishes that OFAC will (i) look through ostensibly clean transfers to identify retained beneficial control, (ii) penalise the gatekeepers (lawyers, fiduciaries, managers) who facilitate sham transactions, and (iii) reject formalistic legal opinions where the underlying substance demonstrates concealment of a continuing interest.

The Indian wind-down architecture must be designed and documented in full awareness of this enforcement posture.

The European Union's functional-control test, sharpened in the 18th sanctions package of July 2025 and demonstrated in the designation of Nayara Energy notwithstanding Rosneft's deliberate sub-50% holding, presents a parallel and additional dimension of risk. The United Kingdom's "hypothetical control" jurisprudence under Regulation 7 of the Russia (Sanctions) (EU Exit) Regulations 2019 — running through Mints v PJSC National Bank Trust, Litasco SA, Nikolay Fetisov v PJSC National Bank Trust and the December 2025 High Court judgment in PJSC VTB Bank v. HM Treasury — presents a third. The compliance question is therefore not merely "does the wind-down satisfy OFAC?" but "does the resulting architecture withstand scrutiny by OFAC, the EU and OFSI simultaneously?"

Layered upon these external regimes is a profound domestic-Indian regulatory tension. The Foreign Exchange Management (Overseas Investment) Rules 2022 require any disinvestment of an overseas joint venture or wholly-owned subsidiary to be effected at not less than Fair Market Value, with the proceeds repatriated within 90 days through reporting on Form OI. OFAC's clean-wind-down requirement is, by contrast, structurally inhospitable to a fair-market-value-with-repatriation construct because correspondent-banking channels for the transfer of value out of Iran are themselves sanctions-constrained. This paradox — set out in Chapter 10 — cannot be resolved at the corporate-counsel level. It requires high-level inter-ministerial coordination between MoP&NG (the parent ministry of SDCL/IPGL), RBI, MoF, MEA and the OFAC interlocutor channel, and likely the deployment of administrative instruments such as Late Submission Fees (LSF) or specific RBI dispensations to harmonise the domestic and external regimes.

The Firm's professional view, reflected throughout this Volume, is that the lawful path through this thicket runs as follows. First, execute the IPGCFZ disposal as a clean and absolute transfer, with no documented buy-back option, no formal bilateral reversion treaty and no retained management influence. Second, document, where commercially appropriate, only a passive right of first refusal of a kind common to ordinary commercial divestitures. Third, structure the FEMA-side compliance with full RBI coordination, deploying LSF and FMV-attestation mechanisms transparently. Fourth, retain a GIFT-City IFSC vehicle — wholly owned by SDCL/IPGL — for the lawful, ancillary purposes set out in Chapter 9: treasury, multi-currency administration of non-sanctions-targeted business lines, and the holding of contingent rights that arise on sanctions relief. Fifth, sustain continuous diplomatic engagement through the Ministry of External Affairs to preserve the option of a specific OFAC licence under any future re-instantiation of the Section 1244(f) humanitarian-transit predicate.

The booklet is structured in fifteen chapters. Chapters 1 through 5 set out the strategic geography, the Iran sanctions architecture, the original Section 1244(f) carve-out, the May 2024 long-term contract, and the NSPM-2 cascade. Chapter 6 examines the public-record wind-down disposal architecture. Chapters 7 and 8 establish the contemporary U.S. enforcement environment and the comparative EU and UK regimes against which any architecture must be tested. Chapter 9 provides the Firm's analytical assessment of the GIFT-City IFSC framework. Chapter 10 sets out the FEMA-OFAC regulatory paradox. Chapters 11 through 14 set out comparators, risk matrices, structural options and diplomatic pathways. Chapter 15 synthesises the analysis into a blueprint for compliance-led connectivity investment, including a Sovereign Connectivity Holding Vehicle proposal. The Annexure consolidates the primary-source legal apparatus.

CHAPTER 1 THE CHABAHAR IMPERATIVE

Strategic Geography and the Original Three-Tier Architecture

1.1 Why Chabahar Matters

The Chabahar Port is situated on the Gulf of Oman in Sistan-Baluchistan province of south-eastern Iran, approximately 170 km west of Pakistan's Gwadar Port and 940 km east of the Strait of Hormuz. For India, Chabahar is the only operational deep-water maritime gateway from the Indian Ocean to Afghanistan, Central Asia and the wider Eurasian landmass that bypasses Pakistan. The port is the southern anchor of the International North-South Transport Corridor (INSTC) and is the only Iranian deep-water port directly accessible from open sea without transit of the strategically congested Strait of Hormuz.

The strategic logic of Chabahar combines four converging Indian interests. First, connectivity to landlocked Afghanistan — India's most consequential humanitarian-and-development bilateral partner in Central Asia. Second, access to Central Asia and to the gas-and-mineral economies of Turkmenistan, Uzbekistan and Kazakhstan. Third, a balancing position against China's investment in Gwadar — the western terminus of the China-Pakistan Economic Corridor. Fourth, an alternative to dependence on a Pakistan-controlled transit route for Indian trade with Afghanistan and Iran.

1.2 India's Investment History (2003–2024)

- 2003 New Delhi Declaration — strategic framework agreement between India and Iran contemplating trilateral India-Iran-Russia connectivity.
- May 2015 — MoU between India and Iran on Chabahar development executed during Prime Minister Modi's Tehran visit.
- May 2016 — trilateral India-Iran-Afghanistan Transit and Transport Agreement signed in Tehran. India committed to develop two berths at the Shahid Beheshti terminal and to operate them for ten years.
- December 2017 — Phase I of Shahid Beheshti operational; first Indian wheat shipment to Afghanistan transited through Chabahar.
- November 2018 — U.S. State Department announced a Chabahar-specific exception from secondary sanctions under IFCA Section 1244, citing the Afghanistan-reconstruction policy ground of Section 1244(f).

- 24 December 2018 — operational management of Chabahar transferred from IPGL directly to IPGCFZ, IPGL's wholly-owned Iranian subsidiary.
- June 2020 — the Trump Administration reaffirmed the Chabahar carve-out, citing the Afghanistan-stability ground.
- 13 May 2024 — IPGL and the Ports and Maritime Organisation of Iran (PMO) executed a 10-year long-term contract for development and operation of the Shahid Beheshti terminal.

1.3 The Three-Tier Original Holding Architecture

India's Chabahar operating architecture is a three-tier corporate-jurisdictional structure that is intentionally distanced from any "core" Government-of-India PSU:

Tier 1 — Sagarmala Development Company Limited (SDCL)

Sagarmala Development Company Limited is a Government of India Central Public Sector Enterprise under the Ministry of Ports, Shipping and Waterways. SDCL is the policy-and-financing vehicle for India's broader Sagarmala port-development programme and holds 100% of the equity of IPGL since 17 December 2018.

Tier 2 — India Ports Global Limited (IPGL)

IPGL was incorporated under the Companies Act 2013 (CIN U61100MH2015GOI261274) as a special-purpose vehicle for India's overseas port investments. It was originally a 60:40 joint venture between Jawaharlal Nehru Port Trust and Deendayal Port Trust. On 17 December 2018 all shares of IPGL were transferred to SDCL, making IPGL a wholly-owned subsidiary of SDCL. IPGL is the Indian-side party to the 13 May 2024 long-term contract with PMO Iran.

Source: PIB — Cabinet release on DPE Guideline exemption for IPGL; Business Standard — IPGL profile (May 2024)

Tier 3 — India Ports Global Chabahar Free Zone (IPGCFZ)

IPGCFZ is a wholly-owned Iranian subsidiary of IPGL, incorporated as a Free Zone company under Iran's Chabahar Free Zone Authority framework. IPGCFZ has operated the Shahid Beheshti terminal since 24 December 2018.

> *This three-tier structure — SDCL → IPGL → IPGCFZ — was designed for sovereign-risk compartmentalisation: a port-sector CPSE rather than an oil major as the ultimate Indian shareholder, an Indian SPV for board-and-treasury insulation, and a free-zone Iranian operating entity insulated from broader Iranian state apparatus. The compartmentalisation was the structural feature that made the May 2024 long-term contract feasible and that now makes the wind-down disposal operationally executable.*

1.4 The 2024 Contract in Numbers

- Equipment procurement commitment by IPGL: USD 120 million for Shahid Beheshti terminal.
- Credit-line commitment by India: USD 250 million for ancillary Iranian infrastructure.
- Total envelope: approximately USD 370 million.
- Contract term: 10 years, with extension contemplated subject to satisfactory performance.
- Operator: IPGCFZ; equipment supply and financing flow: IPGL.
- Counterparty: Ports and Maritime Organisation of Iran (PMO) — an Iranian-state regulator-cum-operator not on the OFAC SDN List.

Primary source: PIB release: Long-term Main Contract for Shahid Beheshti, 13 May 2024; Indian Council of World Affairs — Chabahar Port Agreement

CHAPTER 2 THE IRAN SANCTIONS ARCHITECTURE

IEEPA, IFCA, JCPOA, and Maximum Pressure 2.0

2.1 Legal Foundations

U.S. sanctions on Iran are administered by the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury under a layered statutory and executive framework. The principal statutory bases are the International Emergency Economic Powers Act (IEEPA, 50 U.S.C. §§ 1701–1706), and the Trading with the Enemy Act (TWEA, 50 U.S.C. § 4301 et seq.). Iran-specific statutory overlays include the Iran Sanctions Act of 1996, the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA), the Iran Threat Reduction and Syria Human Rights Act of 2012 (ITRSHRA), the National Defense Authorization Act for FY 2012 (introducing Section 1245), and the Iran Freedom and Counter-Proliferation Act of 2012 (IFCA), codified at 22 U.S.C. §§ 8801–8811.

2.2 The Iran Freedom and Counter-Proliferation Act 2012

IFCA is the principal sectoral-sanctions statute relevant to Chabahar. It was signed into law on 2 January 2013 as Subtitle D of Title XII of the National Defense Authorization Act for FY 2013 (Pub. L. 112-239). IFCA authorises secondary sanctions on non-U.S. persons that engage in significant transactions with Iran's energy, shipping, shipbuilding, port, mining, manufacturing or textile sectors, or that provide significant material support to persons sanctioned under those sectoral provisions.

Section 1244 (22 U.S.C. § 8803) — Energy, Shipping and Port Sanctions

Section 1244 directs the President to impose sanctions on foreign persons that are part of the energy, shipping or shipbuilding sectors of Iran, that operate a port in Iran, or that knowingly provide significant financial, material, technological or other support to such persons. The port-sector hook in Section 1244 is the principal statutory basis on which Chabahar transactions would otherwise have been sanctioned, but for the operation of Section 1244(f).

Section 1244(f) — The Afghanistan Reconstruction Exception

Section 1244(f) provides a specific Presidential exception from Section 1244 sanctions for transactions vital to the reconstruction and economic development of

Afghanistan, including transactions involving the port of Chabahar where such transactions are determined to be necessary for Afghan reconstruction. This is the statutory hook on which the November 2018 OFAC Chabahar exception was issued and which the Trump Administration reaffirmed in June 2020.

Statutory source: 22 U.S.C. § 8803 — IFCA energy/shipping/port sanctions; IFCA chapter — 22 U.S.C. §§ 8801–8811

2.3 The JCPOA Interregnum (2015–2018)

On 14 July 2015 the United States, the United Kingdom, France, Germany, Russia, China and Iran concluded the Joint Comprehensive Plan of Action (JCPOA). Following Implementation Day on 16 January 2016, the United States suspended (but did not repeal) most nuclear-related secondary sanctions under IFCA, the Iran Sanctions Act, CISADA and related authorities. The JCPOA framework permitted a substantial expansion of European, Asian and Indian commercial engagement with Iran during the 2016–2018 window.

2.4 The 2018 Withdrawal and EO 13846

On 8 May 2018 President Trump announced U.S. withdrawal from the JCPOA. The administration adopted a phased re-imposition of sanctions through a 90-day and a 180-day wind-down. On 6 August 2018 the 90-day wind-down expired and EO 13846 was issued, reimposing certain Iran sanctions. On 4 November 2018 the 180-day wind-down expired and the full architecture of pre-JCPOA secondary sanctions was reactivated — including Section 1244 port-sector sanctions. It was in this 4-5 November 2018 window that the U.S. Department of State announced the eight-country Significant Reduction Exception (SRE) for Iranian oil imports, and a separate, specific exception for Chabahar.

2.5 EO 13902 (10 January 2020) — Sectoral Secondary Sanctions

Executive Order 13902, issued by President Trump on 10 January 2020, expanded the sectoral-secondary-sanctions architecture to authorise OFAC to designate non-U.S. persons for operating in or knowingly engaging in a significant transaction for the sale or supply to or from Iran of significant goods or services in connection with Iran's construction, mining, manufacturing or textile sectors. The Iranian financial sector was added by separate designation in October 2020.

2.6 ITSR — The Primary-Sanctions Bedrock

The Iranian Transactions and Sanctions Regulations (ITSR), codified at 31 CFR Part 560, prohibit U.S. persons from engaging in virtually all transactions with Iran. ITSR is the primary-sanctions instrument under which OFAC enforces against U.S. persons; it operates alongside, and is referenced by, IFCA's secondary-sanctions authorities.

2.7 NSPM-2 — Maximum Pressure 2.0 (4 February 2025)

National Security Presidential Memorandum NSPM-2 was issued by President Trump on 4 February 2025 ("Imposing Maximum Pressure on the Government of the Islamic Republic of Iran, Denying Iran All Paths to a Nuclear Weapon, and Countering Iran's Malign Influence"). NSPM-2 is the directive instrument that re-instituted, and significantly extended, the first-term maximum-pressure campaign. Its core operative provisions, as relevant to Chabahar, include:

- A direction to the Secretary of State to "modify or rescind sanctions waivers, particularly those that provide Iran any degree of economic or financial relief, including those related to Iran's Chabahar port project."
- A direction to drive Iranian oil exports to zero, including by sanctioning purchasers in China and elsewhere.
- A direction to lead a global diplomatic effort to further isolate Iran.
- Aggressive use of secondary sanctions, including under IFCA Section 1244 and EO 13902, against entities maintaining commercial relations with Iran in the targeted sectors.

Primary sources: NSPM-2 (The White House); American Presidency Project — NSPM-2 full text; Crowell & Moring — "Maximum Pressure on Iran Is Back"

CHAPTER 3 THE ORIGINAL PROTECTION

IFCA Section 1244(f), the November 2018 SRE, and Why It Worked

3.1 The Statutory Architecture of Section 1244(f)

Section 1244 of IFCA — codified at 22 U.S.C. § 8803 — establishes the principal port-sector secondary-sanctions authority for Iran. Subsection (f) carves out a specific Presidential exception: the President may not impose sanctions under Section 1244 with respect to any person for the provision of goods or services, or financial or other support, that the President determines to be vital to the reconstruction of Afghanistan and the development of the Afghan economy, including transactions involving the port of Chabahar.

3.2 The November 2018 SRE for Chabahar

On 7 November 2018 — three days after the 180-day JCPOA wind-down expired — the U.S. Department of State announced that activities at Chabahar Port relating to Afghan reconstruction and humanitarian transit would be exempted from secondary sanctions under Section 1244, pursuant to Section 1244(f). The Chabahar exception was distinct from the broader SRE for Iranian oil imports granted on the same date to eight jurisdictions including India: the Chabahar exception was project-and-port-specific rather than country-and-volume-specific.

3.3 The Operational Scope of the Original Exception

The 2018 Chabahar exception, as administered through OFAC guidance and subsequent State Department reaffirmations, covered:

- Development and operation of the Shahid Beheshti terminal at Chabahar Port by IPGL and IPGCFZ.
- Procurement, supply, installation and commissioning of port-handling equipment for Shahid Beheshti.
- Transit of Afghan-bound (and Afghan-origin) humanitarian and commercial cargo through Chabahar.
- Banking, insurance, shipping and logistics services ancillary to the above categories.
- Provision of training, technical assistance and operational expertise to Iranian port-sector personnel in connection with the above.

The exception did not extend to Iranian oil exports through Chabahar, to broader Iran-Pakistan or Iran-China transit through the port, or to other Iranian sectors targeted by IFCA, EO 13846 or EO 13902. The exception's perimeter was tightly drawn around the Afghan-reconstruction policy that supplied its statutory predicate.

3.4 The June 2020 Reaffirmation

In June 2020 the Trump Administration reaffirmed the Chabahar exception in the context of the broader maximum-pressure campaign. The reaffirmation was widely cited as evidence that U.S. policy could carve specific narrow exceptions from maximum-pressure where overriding strategic interests — notably Afghan stability — were in play.

3.5 Why the Exception Worked

> *The original Chabahar exception worked because four conditions were simultaneously satisfied: (i) a clear statutory predicate in IFCA Section 1244(f); (ii) an Afghan-policy rationale that the United States itself was actively pursuing; (iii) a politically defensible counter-party — the Government of Afghanistan, not Iran — as the ultimate beneficiary; and (iv) a structurally compartmentalised Indian vehicle (IPGL/IPGCFZ) that could be ring-fenced from broader Iran exposure.*

The collapse of conditions (ii) and (iii) following the August 2021 fall of Kabul, combined with the political shift represented by NSPM-2, removed the Afghan-reconstruction predicate of the exception. The Biden Administration permitted the exception to remain in practical effect on grounds of inertia and humanitarian-transit; the second Trump Administration, by contrast, explicitly directed its modification or rescission in NSPM-2.

CHAPTER 4 THE 13 MAY 2024 LONG-TERM CONTRACT

India's Structural Commitment to Chabahar

4.1 The Contract Framework

On 13 May 2024 India Ports Global Limited and the Ports and Maritime Organisation of Iran executed a long-term contract for the equipping and operation of the Shahid Beheshti terminal at Chabahar Port. The contract was signed at Chabahar in the presence of Shri Sarbananda Sonowal, Union Minister of Ports, Shipping and Waterways. It is the principal operative instrument governing India's presence at Chabahar in the post-JCPOA, post-COVID phase, and replaced the short-term annual lease that had governed IPGCFZ's operations since 24 December 2018.

4.2 Parties and Term

- Indian-side party: India Ports Global Limited (IPGL), wholly owned by Sagarmala Development Company Limited.
- Iranian-side party: Ports and Maritime Organisation of Iran (PMO), the federal port regulator and lessor of state-port assets.
- Term: ten years, with extension contemplated subject to satisfactory performance.
- Operating sub-contractor: India Ports Global Chabahar Free Zone (IPGCFZ), as IPGL's wholly-owned Iranian operating subsidiary.

4.3 Financial Commitments

- USD 120 million in port-handling-equipment procurement and installation at Shahid Beheshti terminal by IPGL.
- USD 250 million credit-line offer by India for ancillary infrastructure development at Chabahar.
- Total envelope: approximately USD 370 million.

4.4 Operational and Risk-Allocation Terms

- PMO Iran retains ownership of the underlying port infrastructure and provides the long-term concession.
- IPGL / IPGCFZ owns the port-handling equipment procured under the contract for the duration of the term.

- Operational management, hiring, day-to-day decision-making and counter-party engagement at the terminal are vested in IPGCFZ.
- Settlement is in U.S. dollars and Indian rupees, with rupee-rial mechanisms (UCO Bank / IDBI Bank designated channel) available for ancillary domestic-Iranian transactions.
- Force-majeure and sanctions-event provisions, the precise text of which is not in the public domain, govern the parties' rights upon material change to the U.S. sanctions environment.

4.5 Why the May 2024 Contract Was a Structural Commitment

Prior to 13 May 2024 IPGCFZ operated at Shahid Beheshti under a series of one-year leases that could be exited at low cost. The May 2024 long-term contract was, in legal terms, a fundamentally different commitment: ten years of operating obligations, USD 120 million of equipment procurement commencing at contract execution, and a credit-line commitment that signalled to Tehran (and to Washington) that India was prepared to deepen, rather than maintain, its Chabahar position. The contract's execution presupposed continued operation of the Section 1244(f) exception. NSPM-2, issued nine months later, removed that presupposition.

Primary source: PIB — Long-term Main Contract, 13 May 2024; PIB — Development of Chabahar Port

CHAPTER 5 THE NSPM-2 CASCADE

And the 26 April 2026 Wind-Down Deadline

5.1 4 February 2025 — NSPM-2

National Security Presidential Memorandum NSPM-2 was issued by President Trump on 4 February 2025. As set out in Chapter 2, its operative direction to the Secretary of State is to "modify or rescind sanctions waivers, particularly those that provide Iran any degree of economic or financial relief, including those related to Iran's Chabahar port project." The reference to Chabahar in NSPM-2 is explicit and individuated; the Chabahar exception was, by name, an enumerated target of the new maximum-pressure framework.

5.2 February – September 2025 — Administrative Implementation

Between February and September 2025 the Department of State, Department of Treasury (OFAC), and the National Security Council conducted the implementation review contemplated by NSPM-2. The review covered all existing Iran sanctions waivers and exceptions. During this period the Indian Ministry of External Affairs and the Indian embassy in Washington engaged the U.S. interagency on the future of the Chabahar exception.

5.3 September 2025 — Revocation Announcement

In September 2025 the Trump Administration announced the revocation of all Iran-related sanctions exemptions, including for Chabahar. The September 2025 announcement was the formal administrative implementation of NSPM-2 with respect to Iran-policy waivers and brought the Chabahar exception to a defined end.

5.4 28 October 2025 — The OFAC Six-Month Wind-Down Letter

Following representations by the Government of India that it intended to "wind down all activities" at Chabahar Port, on 28 October 2025 the U.S. Department of the Treasury's Office of Foreign Assets Control issued a letter providing a conditional six-month wind-down exemption for Chabahar activities. The exemption took effect on 29 October 2025 and is valid through 26 April 2026.

> *The 28 October 2025 letter is the structural pivot of this analysis. It is a wind-down exemption — not a continuation of the prior Afghanistan-reconstruction exception — and it is explicitly conditioned on India's representation that activities will wind down. Within that wind-down window India faces a structural choice: pure exit, or the construction of a compliance-consistent disposal architecture that survives the 26 April 2026 deadline without compromising the conditions of the wind-down letter.*

Sources: WorldECR — India secures six-month US sanctions exemption; Tehelka — Decoding the six-month US sanctions waiver; Business Standard — India likely to hand over Chabahar port reins to Iranian entity

5.5 12 January 2026 — The Tariff Threat

On 12 January 2026 President Trump announced that the United States would impose a 25% tariff on countries doing business with Iran, in addition to any country-specific tariffs already in effect. For India — already subject to a contested tariff structure on key export categories — the marginal cost of continued Chabahar presence would have included up to 25 percentage points of additional U.S. tariff on a substantial proportion of India's USD 80-90 billion of annual exports to the United States. India-Iran bilateral trade, by contrast, has collapsed from approximately USD 17 billion at its oil-inclusive peak to USD 1.68 billion in FY 2024-25. The marginal economic calculus shifted decisively against any continued Chabahar exposure that triggered the tariff.

5.6 Union Budget 2026-27 — Zero Allocation

The Union Budget 2026-27, presented by the Finance Minister in February 2026, reduced India's Chabahar allocation to zero. This was, in fiscal terms, the formal Government-of-India signal of commitment retreat — and the budgetary corollary of the wind-down representation made to OFAC.

5.7 28 April 2026 — OFAC Alert on Chinese Teapot Refineries

As a parallel illustration of the contemporary enforcement environment, OFAC issued a specific alert on 28 April 2026 targeting Chinese "teapot" refineries (Hengli Petrochemical, Shandong Shouguang Luqing Petrochemical, Hebei Xinhai Chemical Group and several front entities including Blanca Goods Wholesaler LLC and Universal Fortune Trading LLC) for sanctions-evasive practices including ship-to-ship transfers on the high seas, AIS spoofing, and the re-labelling of Iranian crude as "Malaysian blend." The alert is not directed at Chabahar but is salient to any

architectural assessment of how OFAC interprets evasion typologies in connection with Iran in 2026.

CHAPTER 6 THE PUBLIC-RECORD WIND-DOWN ARCHITECTURE

IPGCFZ Disposal to a Local Iranian Acquirer — A Legal-Forensic Reading

6.1 The Architecture as Publicly Reported

Multiple credible Indian and international sources reported, in late April 2026, that the Government of India had worked out a proposal under which IPGL would disinvest its stake in IPGCFZ to a local Iranian entity within the wind-down window prescribed by the OFAC letter of 28 October 2025 (i.e., on or before 26 April 2026). Business Standard, Maritime Gateway and The Week described the proposal as an arrangement under which a domestic Iranian entity would manage operations while sanctions remain in place, with an indicative possibility of operational continuity reverting to India should sanctions relief be obtained in the future.

Sources: Business Standard — India likely to hand over Chabahar port reins to Iranian entity (24 April 2026); Maritime Gateway — India Eyes Temporary Chabahar Stake Transfer to Iran; The Week — Will India give up stake in Iran's Chabahar Port

> *This chapter analyses the legal contours of the architecture so disclosed, the relevant compliance considerations, and the structural limits within which any disposal must operate. The Firm takes no position on the merit of any specific transfer instrument that may have been or may be executed by IPGL; the analysis here is academic and oriented to the lawful legal-architectural perimeter within which Indian state-backed entities may operate in the post-NSPM-2 environment.*

6.2 The Operative Compliance Premise

The 28 October 2025 OFAC letter is conditioned on India's representation that activities will wind down. The compliance objective of any wind-down disposal must therefore be to satisfy the wind-down representation in substance as well as form. As Chapter 7 of this booklet establishes in detail, OFAC's Sanctions Advisory on Sham Transactions and Sanctions Evasion of 31 March 2026 applies a substance-over-form test under which OFAC will look through ostensibly clean transfers to identify any retained beneficial control. The compliance premise for any wind-down disposal is, in short: the disposal must be genuine.

6.3 The Three Operative Layers

Layer 1 — Equity Disposal at the IPGCFZ Level

Disposal of 100% of the equity of IPGCFZ to a local Iranian acquirer. The acquirer must be: (a) not on the OFAC SDN List; (b) not owned 50% or more in the aggregate by SDN-listed persons; (c) not engaged in IFCA-Section-1244-targeted or EO-13902-targeted sectors as principal business; and (d) operationally capable of assuming the Shahid Beheshti operating mandate. The Chabahar Free Zone Organisation (CFZO) — the Iranian-state Free Zone Authority for Chabahar — is the most structurally plausible candidate by reference to these criteria; an independent private Iranian port operator is the alternative.

Layer 2 — Equipment Disposition

Disposition of the USD 120 million in port-handling equipment procured under the May 2024 contract. Reporting indicates that India has "liquidated its liabilities" by transferring the equipment to Iran. From a wind-down-compliance perspective, the equipment must transfer at arm's-length consideration that withstands FEMA Fair-Market-Value scrutiny (see Chapter 10), or be retired in a manner consistent with both OFAC and FEMA requirements.

Layer 3 — Reversion Mechanism — The Compliance-Critical Limb

Reporting suggests an "understanding" exists that operational reversion to IPGL may follow on lifting of sanctions. The architectural and compliance integrity of the entire structure turns on the legal form (if any) given to that understanding. The Firm's analytical position is set out below.

6.4 The Reversion-Form Sanctions-Risk Spectrum

From an OFAC-compliance perspective, the structure of any reversion-related instrument materially affects the risk that the disposal is treated as a sham transaction under the 31 March 2026 Advisory. Four illustrative options are commonly identified in practice:

Option A — Right of First Refusal (procedural, passive)

A standard commercial right that, on any future disposal by the Iranian acquirer, the Indian disposer (or its assigns) is offered a first opportunity to match a bona fide third-party offer. Right-of-first-refusal provisions are common in ordinary commercial disposals and do not, of themselves, indicate retained beneficial control. Lowest sanctions-risk profile of the four options analysed; weakest reversion guarantee.

Option B — Contingent Buy-Back Option

A documented buy-back option exercisable by IPGL upon (i) lifting of relevant U.S. sanctions, or (ii) issuance by OFAC of a specific authorisation for Indian Chabahar operations. From an OFAC perspective, a contingent option whose value depends on the cessation of sanctions may itself be characterised as a continuing economic interest in the disposed asset — and accordingly attracts higher sanctions-risk exposure. The Firm advises against this form of reversion instrument absent specific OFAC authorisation.

Option C — Bilateral Side Agreement / MoU

A documented bilateral instrument between the Government of India and the Government of Iran setting out the reversion understanding. From an OFAC perspective, this is the highest-sanctions-risk option, because OFAC's anti-evasion practice in 2025-26 has been most aggressive against documented bilateral arrangements that contemplate the return of beneficial control to a sanctions-affected party. The Firm advises against this form of reversion instrument.

Option D — Informal Diplomatic Channel

No written reversion instrument; future operational re-engagement, if any, is to be pursued through ordinary diplomatic channels and bilateral goodwill at such time as sanctions relief obtains. Lowest sanctions-risk profile (no continuing interest to characterise); weakest reversion guarantee.

> *From the standpoint of the Firm's professional standard of practice, the compliance-consistent pathway is Option A (passive right of first refusal of ordinary commercial form) together with Option D (continuing diplomatic engagement). Options B and C present meaningful sanctions-risk exposure under the 31 March 2026 Sham-Transactions Advisory and the broader OFAC enforcement record set out in Chapter 7.*

6.5 The Iranian Counterparty Diligence Requirement

Any disposal must be supported by counterparty due diligence equivalent in rigour to that undertaken for any ordinary cross-border M&A transaction in a high-risk jurisdiction. The diligence file should evidence:

- OFAC SDN screening of the acquirer and its principals at on-boarding and immediately prior to closing.
- 50% Rule analysis confirming the acquirer is not owned 50% or more in the aggregate by SDN-listed persons.

- EU and UK sanctions screening (the acquirer must satisfy the functional-control tests of the EU and OFSI regimes — see Chapter 8).
- Sectoral analysis confirming the acquirer is not principally engaged in IFCA-Section-1244-targeted sectors beyond the Chabahar operating mandate itself.
- Operational diligence on the acquirer's capacity to assume the Shahid Beheshti operating mandate consistent with the May 2024 contract's framework standards.
- Documented arm's-length consideration with independent FMV support.

6.6 What the Disposal Preserves and What It Necessarily Forfeits

A compliance-consistent wind-down disposal preserves the operational continuity of the Shahid Beheshti terminal (under a sanctions-compatible Iranian operator), the physical equipment investment, the institutional and operational knowledge developed by IPGCFZ since December 2018, and the optionality — through diplomatic channels — of a future Indian re-engagement if and when sanctions relief is obtained. It necessarily forfeits, however, the formal Indian title to the asset during the sanctions period, the contractual position under the May 2024 long-term contract, and any direct control over Iranian-side operational decisions in the interim. The Firm's analytical position is that this is the lawful trade-off compelled by the prevailing sanctions environment.

CHAPTER 7 THE OFAC SHAM-TRANSACTIONS DOCTRINE

The 31 March 2026 Advisory, GVA Capital, the December 2025 Fiduciary Settlement, and FinCEN's 1 January 2026 AML Rule

7.1 The 31 March 2026 Advisory

On 31 March 2026 the U.S. Department of the Treasury's Office of Foreign Assets Control issued a Sanctions Advisory titled "Guidance on Sham Transactions and Sanctions Evasion." The Advisory is the most consequential piece of contemporary OFAC guidance for any sanctions-adjacent disposal architecture and applies a substance-over-form test to the misuse of trusts, holding companies, special purpose vehicles and other corporate instruments engineered to obscure links between blocked persons and their assets.

The Advisory defines a sham transaction as an arrangement under which a blocked person — frequently operating through proxies or intermediaries — effectuates a transfer that conceals, rather than genuinely extinguishes, a continuing interest in property. OFAC explicitly declared that blocked persons who give up their property "on paper only" do not extinguish the blockable interest. Because OFAC implements a functional definition of "property interest" that looks beyond legal formalities to the underlying economic realities, a sham transfer leaves the original blocked interest intact, and the post-transfer dealings are treated as if conducted with the blocked person directly.

7.2 The OFAC Red Flag Taxonomy

The Advisory identifies a rigorous taxonomy of red flags indicating possible sham transactions. The most directly relevant to any wind-down divestiture are:

- Commercially unreasonable transactions — property transfers executed at abnormal valuations, lacking adequate financial consideration, or otherwise inconsistent with arm's-length market economics.
- Unclear purpose of transfer — ownership shifts ostensibly lacking a credible business rationale, or executed to local entities with little to no sector expertise.
- Transfers near the time of designation or deadline — transactions executed immediately prior to the expiration of a wind-down period draw enhanced scrutiny.

- Continued involvement or retained interest — situations where the disposer continues to exert management influence, dictates operational parameters, or holds contingent legal rights suggestive of retained beneficial control.
- Use of unduly complex structures in low-transparency jurisdictions.
- Transfers to family members or close associates acting as proxies.
- Evasive responses to ownership-tracing inquiries by gatekeepers (banks, lawyers, auditors).

> *The red flag taxonomy is directly relevant to the design of any Chabahar wind-down architecture. The disposal must be commercially reasonable; the consideration must be arm's-length; the acquirer must have a credible business rationale and operational capacity; and the disposer must not retain management influence or contingent legal rights that would be characterised as continuing beneficial interest.*

Primary source: OFAC Sanctions Advisory on Sham Transactions and Sanctions Evasion, 31 March 2026; Akin Gump — OFAC Sham Transactions Advisory

7.3 The GVA Capital Enforcement Action (12 June 2025)

On 12 June 2025 OFAC announced a civil monetary penalty of USD 215,988,868 against GVA Capital Ltd. — the statutory maximum civil penalty for the violations identified — for apparent violations of Russia-related sanctions in connection with the Suleiman Kerimov / Heritage Trust / GVA Auto LLC SPV chain. The GVA Capital action is the definitive contemporary enforcement precedent against the use of SPVs and trust structures to retain beneficial interest in property of a blocked person.

7.3.1 The Factual Architecture

In 2016, GVA Capital Ltd. — a venture-capital firm incorporated in the Cayman Islands and operating from San Francisco — facilitated a USD 20 million investment by Suleiman Kerimov in Luminar Technologies, a U.S.-based LiDAR company. Kerimov instructed GVA to channel the investment through Nariman Gadzhiev (Kerimov's nephew, acting as financial facilitator). The architecture employed by GVA to hold the investment was:

- Heritage Trust (Delaware) — apex holding trust, beneficially associated with Kerimov.
- Definition Services Inc. (British Virgin Islands) — held by Heritage Trust.
- Prosperity Investments L.P. (Guernsey) — held by Definition Services.
- GVA Auto LLC (Delaware) — bespoke SPV holding the Luminar shares, managed by GVA Capital.

7.3.2 The Post-Designation Conduct

Following Kerimov's designation as an SDN in April 2018, GVA Capital solicited a legal opinion from external counsel. The opinion concluded — on a formalistic application of the 50% Rule — that because Prosperity Investments was not nominally owned 50% or more by an SDN-listed person, the SPV did not constitute blocked property. Relying on this opinion, GVA continued to manage the SPV, executing four sets of transactions over 2018–2021 that OFAC subsequently characterised as dealings in blocked property: (i) a December 2018 assignment of Prosperity's interest to Definition Services; (ii) a 2019 attempted sale of Definition's interest for USD 20 million; (iii) an August 2020 attempted sale across three managed investments for USD 50 million; and (iv) April-May 2021 attempted in-kind distributions of the Luminar shares (then worth over USD 436 million) to the proxies.

7.3.3 The Enforcement Outcome

OFAC rejected the formalistic legal opinion. OFAC's investigation established that Kerimov retained a continuous, unextinguished property interest in Prosperity Investments through his beneficial interest in Heritage Trust, and that his nephew acted as proxy. Because Kerimov held the underlying economic interest, every action GVA took regarding the SPV constituted an unlawful dealing in blocked property. The USD 215.99 million penalty — the statutory maximum — definitively establishes that OFAC will aggressively pierce any SPV, irrespective of formal legal opinions or complex corporate nesting, if the ultimate economic beneficiary is a designated entity.

7.4 The December 2025 Fiduciary Settlement

On 9 December 2025 OFAC announced a USD 1,092,000 settlement with a U.S. person — an attorney and former U.S. government official — for apparent fiduciary-capacity violations of Ukraine-/Russia-related sanctions. The individual served as fiduciary for a U.S.-based trust funded almost entirely by a Russian oligarch prior to the oligarch's designation in April 2018. Following the designation, the trust constituted blocked property; the fiduciary nonetheless continued in role, processing 122 apparent violations involving asset transfers and payments. The fiduciary had received external counsel's opinion that the trust did not appear blocked on the formal documents.

OFAC entirely rejected the legal-opinion defence. The agency determined that the fiduciary "should have known" the sanctioned oligarch retained control, because a family member acting as an undeclared proxy frequently liaised with investors and influenced the trust's activities on the SDN's behalf. The settlement establishes that

professional gatekeepers cannot rely on formalistic legal firewalls where they have personal knowledge of a sanctioned party's continued indirect influence.

7.5 FinCEN's Investment-Adviser AML Rule — Finalised, Postponed, Pending

FinCEN finalised the Investment Adviser AML/CFT Rule on 28 August 2024, with a then-stated initial compliance deadline of 1 January 2026. The rule extends the Bank Secrecy Act definition of "financial institution" to certain investment advisers — SEC-registered investment advisers (RIAs) and exempt reporting advisers (ERAs), including venture-capital and private-equity firms — and contemplates the imposition of comprehensive AML and CFT programmes (SARs, customer due diligence, recordkeeping, Travel Rule).

On 31 December 2025 — the day before the rule was due to take operative effect — FinCEN issued a final rule postponing the effective date of the Investment Adviser AML/CFT Rule by two years, to 1 January 2028. FinCEN cited the need for further revisions and implementation clarification, and signalled an intention to retailor the rule's scope before the new effective date. As of the date of this publication the rule is therefore not currently operative. The forward-looking compliance significance is unchanged: when the rule takes effect in 2028 (subject to any further administrative action), investment advisers and asset managers will be brought within the BSA "financial institution" perimeter.

7.6 What This Means for the Chabahar Wind-Down

> *The contemporary U.S. enforcement environment — the 31 March 2026 Sham-Transactions Advisory, the GVA Capital maximum statutory penalty, the December 2025 fiduciary settlement, and the (presently postponed) FinCEN investment-adviser rule — establishes that any wind-down architecture for Chabahar must be designed and documented to satisfy substance-over-form scrutiny. The compliance objective is not merely to assemble a legally defensible paper structure; it is to ensure that the underlying economic reality is consistent with the wind-down representation made to OFAC.*

In practical terms, this dictates that: (i) the disposal must be at arm's-length consideration supported by independent valuation; (ii) the acquirer must have a credible operational rationale and capacity; (iii) any reversion-related instrument must be of a passive procedural character (Option A); (iv) post-disposal, IPGL must cease all management influence, board presence and operational direction; and (v) the file must support a counterparty-diligence and compliance narrative capable of

withstanding OFAC and FinCEN scrutiny in the event of any subsequent inquiry. Where any uncertainty exists, the Firm's professional view is that a specific OFAC licence should be sought, rather than the matter being managed by structural design alone.

CHAPTER 8 COMPARATIVE SANCTIONS STANDARDS

OFAC's 50% Rule, the EU Functional-Control Test, and UK OFSI's "Hypothetical Control"

8.1 The Three-Regime Compliance Landscape

Any wind-down architecture for Chabahar must be tested against three distinct sanctions standards: OFAC's bright-line ownership-based 50% Rule (supplemented by the substance-over-form Sham-Transactions Doctrine of Chapter 7); the European Union's functional-control test; and the United Kingdom's broader control test, including the "hypothetical control" line of authority. A structure that survives one regime may fail under another.

8.2 The EU Functional-Control Test

The European Union's restrictive-measures framework, anchored in Council Regulations (EU) 269/2014 and 833/2014, extends beyond formal shareholding to target entities based on their operational facilitation of a sanctioned regime's macroeconomic objectives. Restrictive measures apply not only to listed persons but to entities directly or indirectly owned or "controlled" by listed persons. The EU assesses control by examining whether a designated person possesses the de facto power to influence the entity's affairs, regardless of the precise percentage of shares held.

8.2.1 The 18th Sanctions Package and Nayara Energy

The defining contemporary illustration of the EU functional-control test is the EU's 18th sanctions package against Russia, adopted on 18 July 2025. The package included a transaction ban on specific natural-gas pipelines; the reduction of the Russian crude-oil price cap to USD 47.60 per barrel; an automatic biannual revision mechanism; and a substantial expansion of the "shadow fleet" listings (an additional 105 vessels, bringing the total to 444).

Within this package, the EU directly designated Nayara Energy Limited (Vadinar, Gujarat) under Council Implementing Regulation (EU) 2025/1476 and Council Regulation (EU) 2025/1494. Rosneft, the Russian state-owned petroleum major, held a 49.13% equity stake in Nayara — deliberately calibrated below OFAC's 50% Rule threshold and historically relied upon by Nayara as a shielding architecture. The EU listing was not predicated on Rosneft crossing a numerical ownership threshold but on Nayara's functional role in processing and distributing Russian crude. The

Council explicitly framed Nayara as a key customer and facilitator of the Russian shadow-fleet apparatus.

The consequence was immediate and severe. Nayara was barred from exporting refined petroleum products to the EU; access to Western financial intermediaries, insurance syndicates and shipping pools was materially impaired; and global oil trade routes were forced to adjust to shadow-channel alternatives. No wind-down period was permitted.

8.2.2 EU Firewalls and NCA Certification

To mitigate the consequences of the functional-control test for entities with sub-threshold designated-person ownership, the European Commission permits the implementation of "firewalls" — strict legal, structural and operational safeguards designed to decouple the entity from the designated minority controller. A corporate entity that implements an effective firewall may apply to its National Competent Authority for certification. Upon written confirmation, the entity may continue business operations and maintain access to funds and economic resources, provided no economic benefits flow to the designated person.

Firewalls are, however, subject to intense NCA monitoring. If a firewall is deemed ineffective or fails entirely to remove the designated person's de facto influence, the presumption of ownership and control automatically triggers and the entity's assets must remain frozen. The mechanism is therefore a strict-conditions licence rather than a structural shield.

Sources: Council of the EU — 18th sanctions package (18 July 2025); White & Case — EU 18th sanctions package analysis

8.3 The UK OFSI Regime and "Hypothetical Control"

The United Kingdom's Office of Financial Sanctions Implementation (OFSI) operates under the Sanctions and Anti-Money Laundering Act 2018 (SAMLA) and a body of country-specific sanctions regulations. The principal Russia-related instrument is the Russia (Sanctions) (EU Exit) Regulations 2019.

8.3.1 Regulation 7 and the Three Limbs of Control

Regulation 7 of the 2019 Regulations stipulates that an entity is "owned or controlled" by a designated person if any of three limbs is satisfied: (a) the designated person holds more than 50% of the shares or voting rights in the entity; (b) the designated person has the right to appoint a majority of the board of directors of the entity; or (c) it is "reasonable to expect that the designated person would be able, in most cases or in significant respects, by whatever means and whether

directly or indirectly, to achieve the result that the affairs of the entity are conducted in accordance with the designated person's wishes."

8.3.2 Mints v PJSC National Bank Trust (Court of Appeal, October 2023)

The third limb of Regulation 7 — "hypothetical control" — generated significant judicial controversy following the October 2023 Court of Appeal decision in Mints v PJSC National Bank Trust. The Court suggested in obiter remarks that President Putin could theoretically be deemed to control any Russian entity, public or private, on the basis that he sits at the apex of the Russian state apparatus and could "call the shots" if he chose to do so. The implication — that virtually every entity operating within Russia was technically subject to a UK asset freeze — generated material compliance disruption.

8.3.3 Litasco SA and Fetisov v PJSC National Bank Trust (2025)

Subsequent High Court jurisprudence — including Litasco SA and the 2025 ruling in Nikolay Fetisov & Ilya Yurov v PJSC National Bank Trust — has substantially walked back the Mints obiter. The courts have clarified that, absent definitive evidence of present de facto control or a demonstrated willingness to exert influence over a specific private enterprise, private entities should not automatically be treated as controlled by a designated public official. The position has therefore narrowed materially since 2023.

8.3.4 OFSI Call for Evidence (16 February – 20 April 2026)

OFSI launched a formal Call for Evidence on 16 February 2026 (running through 20 April 2026), seeking industry input on the operation of the "hypothetical control" limb and the broader administration of Regulation 7. The Call for Evidence has also signalled OFSI's intention to increase the statutory maximum civil penalty from GBP 1 million (or 50% of the breach value, whichever is higher) to GBP 2 million (or 100% of the breach value), further raising the stakes for compliance failures.

8.4 PJSC VTB Bank v HM Treasury — The Blind-Trust Precedent

On 19 December 2025 the High Court dismissed PJSC VTB Bank's judicial-review challenge to OFSI's Amended General Licence governing the wind-down of VTB Capital plc. The decision is the most consequential contemporary UK authority on the use of blind trusts and licensing mechanisms to manage frozen-asset distributions in insolvency.

8.4.1 The Factual Architecture

VTB Bank, Russia's second-largest financial institution, was designated under the UK Russia sanctions regime in February 2022. Its UK subsidiary VTB Capital plc (VTBC) was caught by the asset freeze and subsequently entered administration. To permit an orderly wind-down distribution to creditors, OFSI issued a General Licence requiring that VTB Bank's share of distributions be transferred into a blind trust where it would remain inaccessible to the designated parent. Complications emerged when VTB Bank initiated parallel enforcement in Russian courts, seizing VTBC-connected assets outside the reach of the UK administrators. In January 2025 OFSI issued an Amended Licence introducing a deductions mechanism: any distribution into VTB's blind trust would be reduced pound-for-pound by the value of the assets VTB had seized in Russia.

8.4.2 VTB Bank's Judicial Review

VTB Bank launched a judicial-review challenge under Section 38 of SAMLA. The challenge advanced three principal grounds: (i) that OFSI had weaponised its licensing power for an improper purpose (a Padfield challenge); (ii) that the historic-exchange-rate methodology for the deductions was irrational; and (iii) that the Amended Licence violated Article 6 of the European Convention on Human Rights by determining civil rights without a fair trial.

8.4.3 The High Court Decision (19 December 2025)

The High Court comprehensively dismissed VTB's challenge. The Court held that OFSI's purpose was valid and rational: the licensing power was properly utilised to manage an orderly insolvency and protect unsanctioned third-party creditors from collateral damage caused by a designated person's rogue activities abroad. The Court confirmed that a sanctions licence does not determine civil rights; it provides conditional, discretionary decriminalisation for an otherwise prohibited act. Even a state-authorised blind trust, the Court held, exists at the pleasure of the sanctions authority and remains subject to the authority's continuing administrative discretion.

> *The VTB Bank precedent has important implications for any analysis that treats a blind-trust or analogous structural workaround as a secure mechanism for warehousing the economic interest of a sanctioned party. Such mechanisms are not vaults; they are contingent administrative concessions. Any architecture predicated on the durability of such a mechanism must build in a substantial reserve for the possibility of unilateral regulatory re-calibration.*

8.5 The Trans-Atlantic Compliance Lesson

Read together, the three regimes establish three irreducible compliance propositions for the Chabahar wind-down architecture and for any analogous sanctions-adjacent disposal:

- OFAC will look behind formal disposals to identify retained beneficial control under the 31 March 2026 Advisory and the GVA Capital precedent.
- The EU will look behind sub-threshold ownership structures to identify functional facilitation of sanctioned activity, as in Nayara Energy.
- OFSI retains broad discretionary authority to recalibrate the operation of licences and blind-trust mechanisms even where such mechanisms have been previously authorised, as in VTB Bank.

The only architecture that consistently survives all three regimes is one in which the disposal is genuine in economic substance, the resulting structure does not retain any continuing beneficial control or facilitation by the disposer, and any continuing engagement is conducted through ordinary diplomatic channels rather than through corporate or contractual instruments.

CHAPTER 9 THE GIFT-CITY IFSC

Why It Is Not a Sanctions Firewall, and What It Lawfully Can Do

The Firm's Threshold Statement on GIFT-City and Sanctions

The Firm states unequivocally at the threshold of this chapter that the International Financial Services Centre at GIFT City, Gandhinagar (the "IFSC"), regulated by the International Financial Services Centres Authority ("IFSCA"), is not a sanctions firewall, cannot be deployed as a sanctions-bypass architecture, and any attempt to use an IFSC entity to engage in transactions that would otherwise be prohibited by the U.S. OFAC, EU, UK OFSI or UN sanctions regimes will (i) attract the full secondary-sanctions exposure of those regimes; and (ii) attract independent and severe regulatory enforcement by IFSCA, the Reserve Bank of India and the Financial Intelligence Unit – India.

The Firm's professional advisory practice does not assist clients in any attempted use of the IFSC framework for sanctions evasion. The analysis that follows in this chapter is provided to (i) negate the proposition that the IFSC can serve as a sanctions shield; and (ii) identify the narrow, lawful, ancillary functions that an IFSC vehicle may legitimately perform within the operation of applicable sanctions and AML/CFT compliance.

9.1 The IFSCA Regulatory Framework

The International Financial Services Centres Authority Act 2019 establishes IFSCA as the unified regulator for financial products, financial services and financial institutions in any International Financial Services Centre in India. As of May 2026 the only operating IFSC is at GIFT City, Gandhinagar. IFSCA exercises, within the IFSC perimeter, the regulatory powers otherwise exercised by RBI, SEBI, IRDAI and PFRDA.

IFSC entities are treated as non-resident for FEMA purposes; their transactions are denominated in freely convertible foreign currencies (with limited rupee exceptions); they enjoy tax benefits under Section 80LA of the Income-tax Act 1961; and they may transact across borders with reduced reporting friction. The IFSC entity-type spectrum includes IFSC Banking Units (IBUs), finance companies, Fund Management Entities (FMEs), insurance offices and reinsurers, fintech sandbox entities, capital-markets intermediaries, ship-leasing entities, aircraft-leasing entities, bullion-exchange members and global in-house centres.

9.2 The Irreducible Limit — Secondary Sanctions

The threshold legal proposition that governs the entire analysis of the IFSC framework in a sanctions context is this: an entity incorporated in the IFSC at GIFT

City remains a non-U.S. person for U.S. sanctions purposes and is therefore subject to the full extraterritorial reach of U.S. secondary sanctions under IFCA Section 1244, EO 13902, NSPM-2, and the broader OFAC enforcement framework.

The fact that the entity is regulated by IFSCA rather than by RBI does not alter the entity's exposure to OFAC's secondary-sanctions enforcement. The IFSC framework provides no jurisdictional shield against OFAC's extraterritorial reach. Any Iran-facing transaction by an IFSC entity that triggers the relevant secondary-sanctions hook exposes the entity, its officers and (under the substance-over-form analysis articulated in the 31 March 2026 Advisory) its parent group to designation, asset blocking under U.S. jurisdiction, and exclusion from the U.S. financial system.

> *The GIFT-City IFSC is not a sanctions firewall. The Firm regards this as a settled legal proposition and any analysis that treats the IFSC framework as a sanctions-bypass architecture is, in the Firm's view, professionally indefensible. The analysis in the remainder of this chapter accordingly proceeds on the basis that the IFSC has narrow, lawful, ancillary functions only.*

9.3 IFSCA's Own Sanctions-Compliance Posture

IFSCA, while a developmentally-oriented unified regulator, applies a strict AML/CFT and sanctions-compliance regime. IFSCA-regulated entities are required to: maintain real KYC (with periodic enforcement against shell-presence FMEs, as the July 2025 enforcement action against nine FMEs demonstrated); screen all counter-parties against the FATF, EU and U.S. OFAC sanctions lists at on-boarding and periodically thereafter; report suspicious transactions to the Financial Intelligence Unit – India through IFSCA channels; and maintain enhanced due diligence on high-risk client categories.

Sweeping amendments to the IFSCA framework issued in January and February 2026 further strengthened the AML/CFT regime. The amendments mandate enhanced due-diligence protocols for high-risk jurisdictions (Iran is treated as a high-risk jurisdiction); harmonised KYC frameworks across entire financial groups (requiring updates for high-risk customers every two years); empowerment of Market Infrastructure Institutions as first-level supervisors with rapid anomaly-detection capacity; and amplified enforcement against shell-presence and substance-deficient entities. IFSCA's enforcement record in 2025 includes the cancellation of a prominent broker-dealer licence in GIFT City for failing to maintain genuine operational substance, and consequential enforcement actions against multiple FMEs.

Sources: IFSCA — Regulatory Overview; ICSI study material — IFSCA Regulations and Compliances; Cyril Amarchand Mangaldas — IFSCA enforcement (June 2025)

9.4 Narrow Lawful Ancillary Uses

Subject to the threshold proposition stated in section 9.2 above, the IFSC framework may lawfully perform certain narrow ancillary functions in connection with a wind-down architecture and any future post-sanctions-relief re-engagement vehicle. The Firm's analysis identifies four such categories of lawful ancillary use.

9.4.1 Treasury and Multi-Currency Administration of Non-Sanctioned Business Lines

An IFSC Finance Company may lawfully perform a treasury function for an Indian sponsor's broader connectivity portfolio in jurisdictions and business lines not subject to U.S. or other sanctions. For SDCL or IPGL, an IFSC treasury vehicle would, in principle, manage multi-currency cash, currency-risk hedging and consolidated reporting in respect of the (substantial) non-Iran components of the Indian overseas port-investment portfolio (including engagements in Sri Lanka, Bangladesh, Myanmar and elsewhere). This is a lawful operational efficiency, not a sanctions-architecture function.

9.4.2 Settlement Infrastructure for Lawful Non-Targeted Transactions

IFSC Banking Units (IBUs), regulated under the IFSCA (Banking) Regulations 2020, may hold accounts in major foreign currencies including Indian rupees and may establish vostro accounts for foreign correspondent banks. In principle, an IBU may host settlement infrastructure for transactions that are not themselves prohibited by any applicable sanctions regime — for example, lawful Indian export trade with non-sanctioned Iranian banks for non-targeted goods (textiles, agricultural commodities). This is a settlement-infrastructure function distinct from any Chabahar-port operating capacity.

9.4.3 Insurance and Reinsurance for Non-Targeted Underlying Activity

IFSC insurance offices and reinsurers, regulated under the IFSCA (Registration of Insurance Business) Regulations 2021, may underwrite insurance and reinsurance for underlying activities that are not themselves sanctioned. The relevant sanctions-compliance constraint is IFCA Section 1245 and the broader OFAC secondary-sanctions framework: an IFSC insurer must not underwrite an underlying transaction or activity that is itself sanctionable. The Firm draws no implication from this that an IFSC insurer can underwrite Chabahar-port operating activity during the sanctions period — it cannot.

9.4.4 Holding of Contingent Rights of Passive Procedural Character

An IFSC private holding company wholly owned by SDCL or IPGL may lawfully hold contingent rights of passive procedural character — for example, a right of first refusal of the kind discussed in Chapter 6.4 (Option A) — that would crystallise only upon a future event that is itself not contingent on or evasive of the current sanctions regime. The lawful operation of such a right is constrained by the substance-over-form analysis of the 31 March 2026 Sham-Transactions Advisory: the right must be of ordinary commercial form, must not amount to retained beneficial control, and must not have the practical effect of preserving the disposer's economic interest in the disposed asset during the sanctions period.

9.5 What the IFSC Framework Cannot Lawfully Do

- It cannot transform a U.S.-sanctionable transaction into a non-sanctionable one. An IBU dealing with an SDN-listed entity is exposed to OFAC enforcement as a domestic Indian bank would be.
- It cannot provide a U.S.-dollar-clearing pathway that bypasses U.S. correspondent banks. USD settlement, wherever initiated, ultimately clears through the U.S. payment system.
- It cannot legalise the holding of operational control over an Iran-sector asset where IFCA Section 1244 sanctions are in force.
- It cannot insulate Indian-resident parent shareholders from FATF-style designation risk where the IFSC entity engages in transactions that violate global AML/CFT or sanctions standards.
- It cannot substitute for OFAC engagement and the obtaining of a specific licence where one is required.

9.6 The Honest Conclusion

> *The IFSC framework is a lawful, professionally regulated international-financial-services jurisdiction. It performs valuable operational functions — treasury, settlement, insurance, fund management — within the boundaries of applicable sanctions and AML/CFT regimes. It is not, and cannot be used as, a sanctions firewall. The lawful uses identified in section 9.4 above are narrow ancillary functions, not a parallel architecture for sanctions evasion. Any analysis that suggests otherwise mischaracterises both the IFSCA regulatory regime and the OFAC enforcement framework.*

CHAPTER 10 THE FEMA-OFAC REGULATORY PARADOX

FMV, 90-Day Repatriation, and the Compliance Tension

10.1 The Paradox in One Sentence

> *OFAC's wind-down requirement demands a clean disposal at arm's-length consideration without retained beneficial interest. India's Foreign Exchange Management (Overseas Investment) Rules 2022 require any disinvestment of an overseas joint venture or wholly-owned subsidiary to be effected at not less than Fair Market Value, with the proceeds repatriated to India within 90 days through Form OI reporting. Reconciling the two — when the counterparty is in a heavily sanctioned jurisdiction and correspondent banking is constrained — is the central domestic-regulatory challenge of the wind-down.*

10.2 The FEMA Overseas Investment Framework

The Foreign Exchange Management (Overseas Investment) Rules 2022 — notified by the Ministry of Finance under G.S.R. 646(E) dated 22 August 2022, and supplemented by the RBI Master Direction (FED Master Direction No. 15/2024-25 dated 24 July 2024) — govern all overseas direct investment (ODI) and any subsequent disinvestment by Indian residents. The framework is comprehensive and rigorous. Three operative requirements are particularly relevant to the Chabahar wind-down disposal:

Requirement 1 — Fair Market Value (FMV)

Any disinvestment of an overseas joint venture or wholly-owned subsidiary must be effected at not less than the Fair Market Value of the disposed interest, supported by a formal independent valuation report. The FMV requirement is a creditor-and-fiscal-protection mechanism: it prevents Indian residents from disposing of overseas assets at below market value (whether to friendly or unfriendly counterparties) and thereby effecting an unauthorised capital outflow.

Requirement 2 — Form OI Reporting

Any ODI and any subsequent disinvestment must be reported via Form OI to an Authorised Dealer bank within prescribed timelines — including a 30-day reporting requirement for the post-facto reporting of the transaction itself, and continuing

reporting obligations through Annual Performance Reports (APR) for the duration of the investment.

Requirement 3 — Repatriation within 90 Days

The proceeds derived from the sale or disinvestment of the overseas stake must be repatriated to India within 90 days of receipt and credited to the Indian resident disposer's account through normal banking channels.

10.3 The Paradox in Detail

In a wind-down of the kind contemplated for Chabahar, all three FEMA OI requirements present friction with the OFAC framework:

10.3.1 The FMV Friction

FEMA requires FMV. OFAC's Sham-Transactions Advisory of 31 March 2026 identifies "commercially unreasonable transactions … executed at abnormal valuations" as a red flag for sham transactions. The Indian disposer is therefore constrained to demonstrate (a) FMV under FEMA, and (b) arm's-length commercial reasonableness under the OFAC red-flag taxonomy. These are aligned in principle but require careful and contemporaneous independent-valuation support. A disposal at significantly below market value would simultaneously breach FEMA and trigger an OFAC red flag; a disposal at significantly above market value would also trigger the OFAC red flag (as a possible disguised channel for value transfer to the sanctioned jurisdiction).

10.3.2 The Repatriation Friction

FEMA requires repatriation within 90 days through normal banking channels. The challenge is structural: correspondent-banking channels for the transfer of value out of Iran are heavily sanctions-constrained. EO 13902 designations of the Iranian financial sector (October 2020) and the continuing enforcement environment under NSPM-2 make it extremely difficult to effect a USD-denominated repatriation of FMV from a heavily sanctioned counterparty. Rupee or rial settlements (through the UCO Bank / IDBI Bank rupee-vostro channel) may in principle satisfy the form of the requirement but raise their own characterisation questions under both FEMA and OFAC.

10.3.3 The Reporting Friction

Form OI reporting requires factual disclosure of the transaction structure, parties and consideration. The disclosure cannot, of itself, breach OFAC (the disclosure is to the RBI, not to the sanctioned counterparty), but the underlying transaction must

be capable of being disclosed without revealing or admitting features (retained reversion rights, contingent buy-back options) that themselves would breach OFAC.

10.4 The Late Submission Fee (LSF) Mechanism

The FEMA framework includes a Late Submission Fee mechanism whereby reporting lapses can be regularised through payment of a fee, without proceeding to formal compounding under FEMA Section 13. Recent reforms have expanded the operation of the LSF mechanism, providing some administrative flexibility for technical reporting lapses. However, the LSF mechanism does not regularise substantive contraventions of the FEMA OI framework — including failure to receive FMV or failure to repatriate within 90 days. Those substantive contraventions, if they occur, would require formal compounding before RBI, or adjudication.

10.5 The Compliance Pathway — Inter-Ministerial Coordination

Reconciling the FEMA OI framework with the OFAC wind-down requirement in respect of an Iranian counterparty cannot be handled at the corporate-counsel level alone. The Firm's professional view is that the lawful pathway runs through high-level inter-ministerial coordination involving:

- The Ministry of Ports, Shipping and Waterways (the administrative ministry of SDCL/IPGL).
- The Reserve Bank of India (the FEMA regulator and AD-bank authoriser).
- The Ministry of Finance, Department of Economic Affairs (the OI Rules' notifying authority).
- The Ministry of External Affairs (the diplomatic interface, including with OFAC).
- The Ministry of Law and Justice (for instruments of inter-ministerial coordination).

The likely operative mechanisms within such coordination include: (i) an independent FMV valuation supported by recognised global infrastructure-asset valuers; (ii) RBI-approved repatriation modalities (potentially through rupee-vostro mechanisms, with proper Form OI reporting and explanatory accompanying documentation); (iii) where strictly necessary, specific RBI dispensations under the OI Rules' carve-out provisions; (iv) LSF for any technical reporting lapses; and (v) full documentary record of the inter-ministerial coordination, available for production to RBI, OFAC and any subsequent statutory audit.

10.6 The Audit and Disclosure Trail

Because SDCL and IPGL are Central Public Sector Enterprises, the disposal is subject to the audit jurisdiction of the Comptroller and Auditor General of India. Because IPGL's parent SDCL operates under the Ministry of Ports, Shipping and Waterways, the disposal is subject to administrative review by that Ministry and is reportable to Parliament through ordinary CPSE oversight channels. The Firm's professional view is that full and contemporaneous documentation of the disposal — through both the FEMA / RBI channel and the inter-ministerial coordination — is the necessary corollary of the public-interest nature of the asset and the substantial fiscal commitment involved.

CHAPTER 11 COMPARATIVE ARCHITECTURES

Nayara Energy, the Chinese Teapot Refineries, Reliance, and the UCO Bank Rupee-Vostro Channel

11.1 Nayara Energy — The Limits of Sub-Threshold Equity

Nayara Energy (formerly Essar Oil, Vadinar, Gujarat) is India's second-largest private refinery with a capacity of 20 MMTPA. Rosneft holds a 49.13% stake — deliberately structured below OFAC's 50% Rule threshold. The remaining approximately 50.87% is held by Trafigura and Indian private investors. Rosneft has historically maintained an independent board and has not extracted dividends (all profits reinvested). This architecture successfully insulated Nayara from automatic OFAC designation during the initial post-2022 sanctions waves against Russia. As set out in Chapter 8, the EU's 18th sanctions package of 18 July 2025 designated Nayara under the EU functional-control test irrespective of the formal sub-50% structure.

The lesson for the Chabahar wind-down architecture is twofold. First, sub-threshold ownership structures defeat numerical-ownership tests but not substance-and-facilitation tests. Second, sanctions regimes evolve; an architecture engineered to a specific bright-line rule must be tested against the possibility of regulatory innovation by other authorities.

11.2 China's Teapot Refiners — Localised Operational Insulation

China's response to the post-2018 Iran sanctions framework — and especially to the post-NSPM-2 maximum-pressure 2.0 environment — has been structurally distinct from India's. Rather than concentrate Iranian exposure in major state oil companies (CNPC, Sinopec) which possess significant U.S. exposure, China routed the vast bulk of Iranian crude flows through dozens of small, independent "teapot" refineries concentrated in Shandong province. The teapots typically have no U.S. capital-market exposure, no listed parent, no correspondent-banking dependencies beyond their domestic Chinese banks, and are therefore structurally insulated from OFAC secondary-sanctions consequences that would have been existential for major NOCs.

OFAC's targeted enforcement against the teapots has accelerated under NSPM-2 — including the 28 April 2026 OFAC alert designating specific entities (Hengli Petrochemical, Shandong Shouguang Luqing Petrochemical, Hebei Xinhai Chemical

Group) and front companies (Blanca Goods Wholesaler LLC, Universal Fortune Trading LLC) — but the Chinese architecture has, on balance, sustained access to Iranian crude through seven years of maximum pressure. The structural principle is that locally-domiciled operating entities with minimal cross-border footprint are more resilient than flagship state-owned vehicles.

> *The Chabahar parallel is exact at the architectural level: a locally-domiciled Iranian operating entity (post-disposal) with no U.S. correspondent-banking exposure is materially more sanctions-resilient than the prior IPGCFZ structure with its Indian-CPSE parent. The Firm draws no inference of any kind that the Indian disposer should engage in or facilitate the deceptive shipping or AIS-spoofing practices that have characterised the Chinese teapot architecture in operation; those practices are independently unlawful under U.S., EU and most other applicable regimes.*

11.3 Reliance Industries — The Pre-2010 Managed Withdrawal

Prior to the 2010 CISADA framework, Reliance Industries was a significant purchaser of Iranian crude for its Jamnagar refinery. Between 2010 and 2012 Reliance withdrew its Iran exposure under the combined weight of CISADA, ITRSHRA and the looming IFCA framework — a managed withdrawal that protected Reliance's access to U.S. capital and equipment markets at the cost of an Iranian commercial position that was material at peak. The precedent is instructive for Chabahar: a private-sector Indian major chose protection of U.S. market access over Iranian commercial exposure even when the U.S. sanctions framework was substantially less aggressive than NSPM-2.

11.4 The UCO Bank Rupee-Vostro Channel

Operationalised initially in 2011 and substantially institutionalised during the 2012-2015 sanctions window, the Special Rupee Vostro Account framework — operated principally through UCO Bank (and during certain periods, also IDBI Bank) — is the durable Indian mechanism for maintaining lawful bilateral trade with Iran in non-OFAC-targeted sectors. The architecture is straightforward: Indian importers of (non-sanctioned) Iranian goods deposit Indian rupees into vostro accounts held by Iranian banks at UCO Bank within India. Iranian importers of (non-sanctioned) Indian goods draw on those rupee balances to pay their Indian suppliers. Settlement is entirely in Indian rupees and is cleared through Indian banks rather than U.S. correspondent banks.

As of April 2026, industry reporting documents that the UCO Bank mechanism is actively facilitating a substantial volume of Indian textile, garment and yarn exports to Iran. A ministerial trade delegation to Tehran in April 2026 secured approximately USD 22.5 million in new business opportunities for acrylic yarns and synthetic fibres. The mechanism's competitive advantages — settlement in 7 days against standard 30-90 day cycles, complete insulation from USD-clearing friction, and avoidance of the freight-cost inflation in the Strait of Hormuz that has driven non-sanctioned maritime freight up by approximately 150% — make it a structurally significant lawful trade-settlement mechanism.

> *The UCO Bank rupee-vostro mechanism does not authorise transactions that are themselves sanctioned. It is a lawful trade-settlement infrastructure for transactions that are not sanctioned. The Firm's view is that the mechanism's continued operation, properly delimited to non-OFAC-targeted underlying business lines, is one of the most durable elements of the broader India-Iran economic relationship — and that it has a continuing role in ancillary Chabahar-adjacent commerce that does not depend on the port-operating arrangement itself.*

Sources: RBI FAQ on Special Rupee Vostro Account; Business Standard — UCO Bank rupee-rial trade

11.5 Lessons Synthesised

Across the four comparator architectures, four structural principles consistently emerge:

- Compartmentalisation outperforms concealment. China's teapot model and India's UCO Bank channel both rely on operational compartmentalisation between sanctions-exposed business and the broader sponsor; both have proved more sanctions-resilient than concealment-based structures.
- Multiple regimes require multiple tests. Nayara Energy's experience demonstrates that surviving OFAC's 50% Rule does not equal surviving the EU functional-control test or the UK OFSI control test. Architectural design must address all relevant regimes simultaneously.
- Locally-domiciled operating entities are more resilient than flagship cross-border vehicles. China's teapot model is the clearest illustration.
- Lawful trade-settlement infrastructure (rupee-vostro) is a durable, structurally significant element of any sanctions-affected bilateral relationship — provided it is delimited to lawful, non-targeted underlying business lines.

CHAPTER 12 THE MULTI-JURISDICTION RISK MATRIX

OFAC, FEMA, IFSCA, SEBI, FATF, EU and UK

12.1 The Risk Matrix at a Glance

The wind-down architecture sits at the intersection of nine distinct regulatory regimes. The matrix below sets out the principal regimes, the contemporary severity of each, and the operative effect of each on the Chabahar architecture as set out in Chapters 6, 7, 8, 9 and 10.

Regulator / Regime	Severity	Operative Effect on the Chabahar Architecture
OFAC primary (ITSR / 31 CFR Part 560)	High (U.S. persons)	Applies only to U.S. persons; Indian entities not directly subject, but any U.S.-person nexus (correspondent banks, technology licensing, U.S.-origin equipment) creates direct exposure.
OFAC secondary (IFCA, EO 13902, NSPM-2)	Very high	Applies to non-U.S. persons (including Indian PSUs and IFSC entities) engaging in significant transactions in covered sectors. The principal sanctions hook for Chabahar.
OFAC Sham-Transactions Doctrine (31 March 2026)	Very high	Substance-over-form review of any disposal; red-flag taxonomy; GVA Capital and December 2025 fiduciary settlement as enforcement precedents.
FinCEN Investment Adviser Rule (postponed to 1 January 2028)	Forward-looking	Not presently operative; FinCEN final rule of 31 December 2025 postponed effective date to 1 January 2028. Once effective, will tighten the gatekeeper environment for SPV/trust managers internationally; relevant where any U.S.-registered adviser is in the structure.
FEMA / Overseas Investment Rules 2022	Medium-high	Governs the disposal: FMV requirement; 90-day repatriation; Form OI reporting; LSF mechanism for technical lapses; substantive contraventions require compounding.
IFSCA (Act 2019; 2026 amendments)	Medium	Governs any GIFT-City IFSC vehicle. AML/CFT, KYC, sanctions screening; Iran exposure is high-risk; enforcement record evident in 2025-26.
EU sanctions (Reg 269/2014, 833/2014; 18th package)	Medium	Functional-control test (Nayara precedent); EU firewalls and NCA certification mechanism.
UK OFSI (Russia (Sanctions) (EU Exit) Reg 2019)	Medium	Reg 7 control test including the "hypothetical control" limb (Mints, Litasco, VTB Bank). OFSI Call for Evidence; proposed penalty increase to GBP 2M /

Regulator / Regime	Severity	Operative Effect on the Chabahar Architecture
		100%.
SEBI LODR (if listed parent)	Medium	Inapplicable to SDCL/IPGL directly (unlisted); applicable to any listed Indian sponsor of a future Chabahar vehicle. RPT disclosure obligations.
FATF / domestic AML-CFT	High (reputational)	India is a FATF member; any architecture perceived as sanctions-evasive risks FATF mutual-evaluation downgrade with downstream effects on Indian banking access to global correspondent networks.

12.2 The Practical Compliance Architecture

For any wind-down architecture intended to survive scrutiny across the nine regimes set out above, the following operational compliance disciplines apply:

- Independent legal opinion from U.S.-qualified sanctions counsel on the disposal instrument and any related document.
- Independent FMV valuation of the disposed assets supported by recognised global infrastructure-asset valuers.
- Comprehensive counterparty due diligence on the Iranian acquirer (OFAC SDN screening, 50% Rule analysis, EU and UK sanctions screening, sectoral analysis, operational diligence).
- Documentation that records the wind-down nature of the transaction and the absence of retained Indian beneficial control.
- Cessation, from the closing date, of all India-side operational direction, board presence and management influence at IPGCFZ.
- FEMA Form OI reporting and Annual Performance Report filings; LSF deployment where any technical reporting lapse occurs.
- Inter-ministerial coordination evidenced in writing (Chapter 10.5).
- OFAC voluntary self-disclosure if any inadvertent post-disposal engagement occurs.
- Public-record transparency about the transaction terms (subject to legitimate commercial confidentiality).

CHAPTER 13 LAWFUL STRUCTURAL OPTIONS

During and After the Wind-Down Window

13.1 The Options Matrix

The following matrix sets out the structural options available to India in the post-NSPM-2 environment, ranked by indicative feasibility and sanctions risk, with operational and strategic notes. The Firm's recommended pathway is identified in section 13.2 below.

Option	Feasibility	Sanctions Risk	Operational / Strategic Notes
A. Pure exit (formal abandonment)	High	Negligible	Full disposal; no continuing rights or interests. Forfeits USD 120M equipment investment and the diplomatic capital of the May 2024 contract.
B. Disposal to a non-SDN local Iranian acquirer with no retained interest (Chapter 6 architecture)	High	Low	Operational continuity preserved with the Iranian acquirer; no continuing Indian operational role; future re-engagement contemplated only through ordinary diplomatic channels.
C. As (B) with passive right of first refusal of ordinary commercial form	High	Low–medium	Modest enhancement of future re-engagement optionality. Risk profile depends on documentary form being unambiguously procedural and ordinary-commercial.
D. As (C) with right of first refusal held by an IFSC private holding entity (lawful Chapter 9 use)	Medium-high	Low–medium	Structurally efficient platform for any future post-sanctions-relief re-engagement. The IFSC entity holds only the passive right and treasury function; no operational engagement during the sanctions period.
E. Disposal with contingent buy-back option exercisable on sanctions relief	Medium	Medium-high	Higher sanctions-risk profile under the 31 March 2026 Sham-Transactions Advisory. The Firm advises against absent specific OFAC authorisation.
F. Disposal with documented bilateral	Medium-low	High	Highest sanctions-risk profile; documented bilateral

Option	Feasibility	Sanctions Risk	Operational / Strategic Notes
side-agreement on reversion			arrangements with retained-control characteristics are the principal target of contemporary OFAC anti-evasion enforcement. The Firm strongly advises against.
G. Asset sale to OFAC-compliant third-country buyer (UAE / Oman)	Medium-low	Low–medium	Sale to a friendly third-country operator. Requires Iranian and OFAC acquiescence; political cost on the Iranian side.
H. Multilateral connectivity vehicle under INSTC	Low	Medium	INSTC-anchored vehicle with multi-country shareholders. Diplomatic strength; operational and OFAC complexity.
I. Specific OFAC licence application (Section 1244(f) humanitarian-transit revival)	Low	n/a if granted	Specific licence application invoking the residual humanitarian-transit basis of Section 1244(f). Low probability of grant under NSPM-2 but preserves the legal record.

13.2 The Firm's Recommended Pathway

> *On the basis of the analysis in Chapters 6, 7, 8, 9 and 10, the lawful pathway the Firm regards as most defensible is a hybrid of Options B / C / D: a disposal to a non-SDN, sanctions-screened, operationally-capable local Iranian acquirer, documented as a clean and absolute disposal, with at most a passive right of first refusal of ordinary commercial form, held (if at all) by an IFSC private holding entity wholly owned by SDCL/IPGL. The IFSC entity performs only the lawful ancillary functions identified in Chapter 9 — it does not hold operational control, does not exercise board influence over the Iranian acquirer, and does not hold any instrument whose value depends on the continuation or discontinuation of any sanctions regime.*

13.3 What the Recommended Pathway Looks Like in Operation

- Pre-26 April 2026: IPGL executes equity disposal of IPGCFZ to a CFZO-affiliated or independent local Iranian port-operator acquirer that passes the OFAC SDN, 50% Rule and EU functional-test screening. Equipment ownership transferred to acquirer at independently certified FMV.

- Documentation includes an ordinary-commercial right of first refusal in favour of an IPGL group entity (preferably the IFSC private holding company) on any future disposal of IPGCFZ. No buy-back option, no bilateral side agreement, no retained management influence.
- IFSC private holding company established under IFSCA framework, wholly owned by SDCL or IPGL. Functions: treasury for non-Iran components of the overseas port-investment portfolio; multi-currency administration; holder of the passive right of first refusal; potential future re-engagement platform on sanctions relief.
- Operational period (April 2026 — sanctions relief): no Indian operational direction, board presence or management influence at IPGCFZ; periodic monitoring of the Iranian operator's compliance with the May 2024 contract's framework operating standards (where standards survive the disposal); continuing diplomatic engagement through the Ministry of External Affairs.
- FEMA compliance: independent FMV valuation; Form OI reporting; 90-day repatriation through RBI-coordinated channels; LSF for any technical reporting lapses; inter-ministerial coordination documented.
- OFAC engagement: where any uncertainty exists, a specific OFAC licence application or pre-clearance communication is preferable to reliance on structural design alone.
- On sanctions relief: the IFSC entity exercises its right of first refusal (if triggered) on commercial terms or initiates fresh contract negotiations with PMO Iran; specific OFAC licence sought; operational re-establishment of IPGCFZ-equivalent vehicle proceeds through ordinary FEMA Automatic-Route ODI.

CHAPTER 14 DIPLOMATIC AND STRATEGIC OPTIONS

The India-Iran-U.S. Triangle Post-NSPM-2

14.1 The Triangle

Chabahar sits at the centre of a three-cornered diplomatic problem. Iran needs the port to maintain a non-Chinese revenue stream and a non-Gwadar regional presence. India needs the port for its connectivity calculus toward Afghanistan, Central Asia and INSTC. The United States — particularly under NSPM-2 — needs to demonstrate sanctions credibility and to deny Iran the economic relief that the Chabahar exception had provided. Architecturally, these interests are not all simultaneously satisfiable, but they are partially reconcilable through skilful sequencing.

14.2 Three Diplomatic Precedents

14.2.1 The Iran SRE Waiver (5 November 2018)

As documented in Volume I, India was one of eight jurisdictions granted a Significant Reduction Exception under the first Trump Administration. The mechanism was the demonstration of India's strategic indispensability as a Quad partner and the political cost to the U.S. of a comprehensive India sanction. The mechanism is, in principle, available again — but the NSPM-2 framework explicitly forecloses the Chabahar-specific carve-out, and any India SRE-equivalent in 2026 would have to be on different grounds.

14.2.2 The S-400 / CAATSA Non-Enforcement (2018–present)

India's USD 5.43 billion S-400 missile-system purchase from Russia, contract signed October 2018, would have triggered mandatory CAATSA sanctions under Section 231. The U.S. Administration has, across multiple presidencies, opted not to impose CAATSA sanctions on India, citing India's broader strategic value. The precedent demonstrates that even mandatory CAATSA sanctions can be diplomatically managed where the strategic counter-pressure is sufficient — but Chabahar lacks the strategic-platform character of S-400.

14.2.3 The OVL Venezuela Licence Pathway (2024–2026)

As analysed in Volume I, OVL has a pending specific OFAC licence application for resumption of Venezuela operations under the post-Maduro framework. The model is potentially applicable to Chabahar: a specific licence application invoking the

residual Afghanistan-policy interests in Section 1244(f), framed around humanitarian-transit and Indian-Ocean-stability rationales rather than commercial restoration. The probability of grant is low under NSPM-2 but is not zero, particularly if framed around Afghan humanitarian transit.

14.3 The Modi-Trump Bilateral Channel

The February 2025 Modi-Trump joint statement and the broader U.S.-India strategic partnership provide a high-level diplomatic channel within which Chabahar can be raised. The pragmatic Indian negotiating position is unlikely to seek revival of the Section 1244(f) exception per se (which NSPM-2 has explicitly closed) but rather to seek (i) U.S. acknowledgment that an orderly wind-down of Indian operational presence does not foreclose future Indian re-engagement under different sanctions conditions; and (ii) explicit non-pursuit by OFAC of any technical sanctions exposures arising from the wind-down process itself. The Modi-Trump channel is therefore the venue for diplomatic risk-management of the wind-down, not for restoration of the underlying carve-out.

14.4 The Afghan-Humanitarian Argument — Residual Force

Section 1244(f)'s statutory text continues to authorise Presidential exception for transactions vital to Afghan reconstruction and development, including transactions involving the port of Chabahar. The Taliban's August 2021 return to Kabul removed the Afghan-reconstruction policy frame that supported the prior exception. However, the humanitarian-transit dimension — Afghan wheat and food security, particularly during the 2023–24 humanitarian crisis — preserves a residual policy basis. Any future Indian effort to revive Chabahar operations would benefit from anchoring the request in the residual humanitarian-transit case, in parallel to broader strategic-autonomy arguments.

14.5 Quid Pro Quo Packaging

A diplomatic engagement on Chabahar would, in present circumstances, need to be packaged with reciprocal Indian commitments on other components of the U.S.-India agenda. Plausible elements include enhanced Indo-Pacific security cooperation; expanded Indian LNG and crude-oil imports from the U.S.; deepening of Quad operational coordination; and visible Indian alignment on third-country sanctions issues. None of these is costless, and the practical Government-of-India calculation in 2026 has clearly been that the package is not — yet — available at terms that justify continued operational Chabahar exposure.

CHAPTER 15 MASTER SYNTHESIS

Blueprint for Compliance-Led Connectivity Investment

15.1 The Definitive Answer

Does a lawful pathway exist for India to preserve strategic optionality at Chabahar despite NSPM-2 and the 26 April 2026 wind-down deadline? The Firm's analytical answer is qualified yes — with four structural conditions, all of which must be satisfied for the pathway to be defensible:

- Condition 1 — the disposal of IPGCFZ to a local Iranian acquirer must be genuine in substance: clean, absolute and arm's-length, with no documented buy-back option, no bilateral side agreement, and no retained management influence (Chapter 6).
- Condition 2 — the architecture must survive scrutiny under the 31 March 2026 OFAC Sham-Transactions Advisory and the broader contemporary enforcement record (GVA Capital, the December 2025 fiduciary settlement, the FinCEN Investment Adviser Rule) (Chapter 7); it must also survive the EU functional-control test and the UK "hypothetical control" test (Chapter 8).
- Condition 3 — the GIFT-City IFSC vehicle, if used, performs only the lawful ancillary functions identified in Chapter 9: it is not a sanctions firewall, and any deployment of it on that premise would attract both U.S. and Indian regulatory enforcement.
- Condition 4 — the FEMA-OFAC regulatory paradox is resolved through inter-ministerial coordination, independent FMV valuation, RBI-coordinated repatriation, and LSF deployment for any technical lapses (Chapter 10).

15.2 The Six-Point Compliance-Led Connectivity Blueprint

Reform 1 — Mandatory Geopolitical and Sanctions Risk Assessment

All Government-of-India connectivity investments above USD 50 million in any jurisdiction subject to U.S., EU, UK or UN sanctions should require a standalone Geopolitical and Sanctions Risk Assessment prepared by external U.S.-qualified sanctions counsel before CCEA or DPE approval. The GSRA must address (i) 5-year sanctions-designation probability; (ii) primary and secondary sanctions exposure pathways including the substance-over-form analysis; (iii) lawful structural alternatives; and (iv) exit-and-divestiture architectures consistent with FEMA and applicable foreign sanctions regimes.

Reform 2 — Standardised Three-Tier Compartmentalisation

All Government-of-India overseas connectivity investments should use the SDCL → IPGL → IPGCFZ-equivalent three-tier structure: a CPSE policy-and-financing apex; an Indian SPV intermediate layer; and a host-country operating entity. The compartmentalisation principle is to facilitate clean disposal architecturally rather than to defeat sanctions substantively.

Reform 3 — Pre-Negotiated Exit Architecture

All connectivity investments above USD 50 million in sanctions-exposed jurisdictions should be structured at inception with a documented exit architecture: an identified host-country friendly acquirer path; agreed valuation methodology consistent with FEMA FMV; operational handover protocols; and pre-cleared FEMA reporting templates.

Reform 4 — GIFT-City IFSC Treasury Layer (Lawful Use)

Establish an IFSCA-regulated finance company or private holding company at GIFT City to serve as the lawful treasury, contingent-rights-holding and post-sanctions re-entry platform for India's overseas connectivity portfolio. The vehicle's mandate must be expressly delimited to the lawful ancillary uses identified in Chapter 9 and must not be deployed as a sanctions-protection device.

Reform 5 — Sovereign Connectivity Holding Vehicle (SCHV)

Extending the Sovereign Energy Holding Vehicle (SEHV) proposal of Volume I, India should consider establishing a Sovereign Connectivity Holding Vehicle modelled on the NIIF 49:51 architecture. The SCHV would hold India's overseas connectivity assets (ports, corridors, logistics terminals), operate under independent professional management rather than CPSE direction, and attract co-investment from institutional investors (ADIA, GIC Singapore, Mubadala, JBIC, Temasek). The SCHV's structural value is institutional capacity at portfolio scale — it does not (and cannot) defeat any sanctions regime.

Reform 6 — Diplomatic Capacity at the Sanctions-Architecture Layer

Establish, within the Ministry of External Affairs and in conjunction with the Ministry of Ports, Shipping and Waterways and the Ministry of Petroleum and Natural Gas, a dedicated Sanctions Diplomacy Unit charged with active management of India's sanctions-exposed connectivity and energy investments globally. The Unit would maintain real-time monitoring of OFAC, EU, UK and UN sanctions developments; coordinate inter-agency response to sanctions-policy shifts; prepare and execute specific licence applications; and provide the institutional memory that India presently lacks across discrete crises (Iran, Venezuela, Russia, Myanmar).

15.3 The Path Forward for Chabahar Specifically

- Execute the IPGCFZ disposal pre-26 April 2026 as a clean and absolute transfer to a sanctions-screened local Iranian acquirer at independently certified FMV.
- Document no buy-back option, no bilateral side agreement, and no retained management influence. If commercially appropriate, include a passive ordinary-commercial right of first refusal held by an IFSC private holding company wholly owned by SDCL/IPGL.
- Coordinate FEMA compliance through RBI / MoF / MoPS&W / MEA inter-ministerial channel; deploy LSF for any technical reporting lapses; document the entire coordination process in writing.
- Maintain MEA-led diplomatic engagement with the Iranian operator and PMO Iran throughout the sanctions period; preserve the legal record of continuous Afghan humanitarian-transit engagement.
- File a specific OFAC licence application invoking the residual humanitarian-transit basis of Section 1244(f), even with low expected probability of grant.
- Develop the SCHV proposal in parallel as the long-term institutional home for Chabahar and other sanctions-exposed Indian connectivity assets.

ANNEXURE KEY LEGAL PROVISIONS, EXECUTIVE ORDERS, CASES AND REFERENCE FRAMEWORK

A.1 U.S. Statutory Framework

- International Emergency Economic Powers Act (IEEPA) — 50 U.S.C. §§ 1701–1706.
- Trading with the Enemy Act (TWEA) — 50 U.S.C. § 4301 et seq.
- Iran Sanctions Act of 1996 — Pub. L. 104-172.
- Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010 (CISADA) — Pub. L. 111-195.
- Iran Threat Reduction and Syria Human Rights Act of 2012 (ITRSHRA) — Pub. L. 112-158.
- National Defense Authorization Act for FY 2012 — Pub. L. 112-81; Section 1245 (financial sector).
- Iran Freedom and Counter-Proliferation Act of 2012 (IFCA) — Pub. L. 112-239, Subtitle D of Title XII; codified at 22 U.S.C. §§ 8801–8811. Section 1244 (port/energy/shipping) at 22 U.S.C. § 8803. Section 1244(f) Afghanistan-reconstruction exception.
- Countering America's Adversaries Through Sanctions Act of 2017 (CAATSA) — Pub. L. 115-44; Section 231 (Russian defence and intelligence sectors).
- Bank Secrecy Act — 31 U.S.C. § 5311 et seq., as expanded by FinCEN's Investment Adviser Rule (effective 1 January 2026).
- Iranian Transactions and Sanctions Regulations (ITSR) — 31 CFR Part 560.

A.2 U.S. Executive Orders and Presidential Memoranda

- Executive Order 13599 (5 February 2012) — blocking Iranian government and financial-sector property.
- Executive Order 13628 (9 October 2012) — additional Iran sanctions.
- Executive Order 13645 (3 June 2013) — IFCA implementation.
- Executive Order 13846 (6 August 2018) — reimposing Iran sanctions on JCPOA withdrawal.
- Executive Order 13902 (10 January 2020) — sectoral secondary sanctions on Iran (construction, mining, manufacturing, textiles; financial sector added by separate designation in October 2020).

- National Security Presidential Memorandum NSPM-2 (4 February 2025) — Imposing Maximum Pressure on the Government of the Islamic Republic of Iran, Denying Iran All Paths to a Nuclear Weapon, and Countering Iran's Malign Influence.

A.3 U.S. OFAC Administrative Instruments

- OFAC FAQ 398 (50% Rule) — entities owned 50%+ in aggregate by one or more blocked persons are themselves blocked regardless of SDN-list appearance.
- OFAC FAQ 401 — aggregate ownership interpretation.
- OFAC Revised Guidance of 14 August 2014 — 50% Rule.
- OFAC Sanctions Advisory on Sham Transactions and Sanctions Evasion (31 March 2026) — substance-over-form test and red-flag taxonomy.
- OFAC Settlement with GVA Capital Ltd. (12 June 2025) — civil monetary penalty of USD 215,988,868 (statutory maximum) for apparent violations of Russia-related sanctions in connection with the Suleiman Kerimov / Heritage Trust / GVA Auto LLC SPV chain.
- OFAC Settlement with U.S.-person attorney and former U.S. government official (9 December 2025) — USD 1,092,000 for apparent fiduciary-capacity violations of Ukraine-/Russia-related sanctions.
- OFAC Letter to India (28 October 2025) — six-month conditional wind-down exemption for Chabahar; effective 29 October 2025 through 26 April 2026.
- OFAC Alert on Chinese Teapot Refineries (28 April 2026) — designating Hengli Petrochemical, Shandong Shouguang Luqing Petrochemical, Hebei Xinhai Chemical Group and named front companies (Blanca Goods Wholesaler LLC, Universal Fortune Trading LLC).
- FinCEN Investment Adviser AML/CFT Rule — finalised 28 August 2024 with original effective date 1 January 2026; postponed by FinCEN final rule of 31 December 2025 to a new effective date of 1 January 2028. Forward-looking BSA "financial institution" coverage of RIAs and ERAs once operative.

A.4 European Union Sanctions Framework

- Council Regulation (EU) 269/2014 — restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine. Foundational EU asset-freeze instrument.
- Council Regulation (EU) 833/2014 — concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine. Sectoral and trade restrictions.
- Council Regulation (EU) 2017/2063 — Venezuela restrictive measures.

- EU 18th Sanctions Package (adopted 18 July 2025) — Council Implementing Regulation (EU) 2025/1476 and Council Regulation (EU) 2025/1494 — designation of Nayara Energy Limited under the EU functional-control test.
- European Commission Guidance on Firewalls and National Competent Authority Certification — administrative mechanism for sub-threshold designated-person ownership.

A.5 United Kingdom Sanctions Framework

- Sanctions and Anti-Money Laundering Act 2018 (SAMLA) — UK sanctions primary statute. Section 38 (judicial review of OFSI decisions).
- Russia (Sanctions) (EU Exit) Regulations 2019 — Regulation 7 (three-limb control test, including "hypothetical control").
- Mints v PJSC National Bank Trust [2023] EWCA Civ 1132 (Court of Appeal, October 2023) — obiter on "hypothetical control" by reference to the apex of the Russian state.
- Litasco SA v Banque El Amana SA and another [2023] EWHC 2866 (Comm) — High Court walking back the Mints obiter.
- Nikolay Fetisov & Ilya Yurov v PJSC National Bank Trust (2025) — further refinement of the UK control-test jurisprudence.
- PJSC VTB Bank v His Majesty's Treasury [2025] EWHC (High Court, 19 December 2025) — dismissal of judicial-review challenge to OFSI Amended General Licence; affirmation of broad licensing discretion.
- OFSI Call for Evidence on "Hypothetical Control" (16 February – 20 April 2026) — including proposal to increase maximum statutory civil penalty from GBP 1M / 50% to GBP 2M / 100%.

A.6 Indian Statutory and Regulatory Framework

- Foreign Exchange Management Act 1999 — principal Indian foreign-exchange statute. Section 13 (compounding).
- Foreign Exchange Management (Overseas Investment) Rules, 2022 — G.S.R. 646(E), 22 August 2022. Notified by Ministry of Finance under Section 46 of FEMA 1999.
- Foreign Exchange Management (Overseas Investment) Regulations, 2022 — RBI.
- RBI Master Direction FED No. 15/2024-25 (24 July 2024) — Overseas Investment procedures, Form OI reporting, FMV requirements, 90-day repatriation.
- Late Submission Fee (LSF) mechanism — administrative regularisation of technical reporting lapses.

- RBI A.P. (DIR Series) Circular No. 10 (11 July 2022) — Special Rupee Vostro Account framework.
- Companies Act 2013 — Section 186 (loans/investments; two-layer rule); Sections 89–90 (beneficial interest / SBO).
- International Financial Services Centres Authority Act 2019 — primary IFSC statute.
- IFSCA (Banking) Regulations 2020 — governs IFSC Banking Units (IBUs).
- IFSCA (Finance Company) Regulations 2021 — governs IFSC finance companies.
- IFSCA (Registration of Insurance Business) Regulations 2021 — governs IFSC insurance and reinsurance.
- IFSCA (Fund Management) Regulations 2022 — governs IFSC fund management entities (FMEs).
- IFSCA AML/CFT Amendments (January and February 2026) — high-risk-customer KYC every two years; MII first-level supervision; enhanced enforcement against shell-presence entities.
- Section 80LA, Income-tax Act 1961 — IFSC tax holiday.
- Prevention of Money Laundering Act 2002 (PMLA) — AML framework.
- SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 — Regulation 23 (Related Party Transactions); materiality threshold Rs. 1,000 crore or 10% annual consolidated turnover.

A.7 Operative Indian Documents and Decisions

- New Delhi Declaration between India and Iran (2003) — strategic framework.
- India-Iran MoU on Chabahar Development (Tehran, May 2015).
- India-Iran-Afghanistan Trilateral Transit and Transport Agreement (Tehran, 23 May 2016).
- Long-Term Main Contract dated 13 May 2024 — IPGL and PMO Iran, Shahid Beheshti terminal at Chabahar Port. USD 120 million equipment commitment; USD 250 million credit line; 10-year term.
- Sagarmala policy framework and SDCL constituent documents — administrative basis for IPGL and SDCL.
- Cabinet Decision on DPE Guideline Exemption for IPGL (PIB release ref 1604414).
- Government-of-India Representation to OFAC (October 2025) — wind-down commitment for Chabahar.
- Union Budget 2026-27 — Chabahar allocation reduced to zero.

A.8 Indian Corporate Group Structure (Chabahar)

- Government of India / Ministry of Ports, Shipping and Waterways.
- Sagarmala Development Company Limited (SDCL) — Central Public Sector Enterprise.
- India Ports Global Limited (IPGL) — wholly-owned subsidiary of SDCL since 17 December 2018; CIN U61100MH2015GOI261274.
- India Ports Global Chabahar Free Zone (IPGCFZ) — wholly-owned Iranian Free Zone subsidiary of IPGL; operational at Shahid Beheshti since 24 December 2018.

A.9 Selected International Cases and Precedents

- Salomon v Salomon & Co Ltd [1897] AC 22 (House of Lords) — foundational separate-legal-personality authority.
- Vodafone International Holdings B.V. v Union of India [2012] 6 SCC 613 (Supreme Court of India) — corporate veil and offshore holding structures.
- PJSC VTB Bank v HM Treasury (High Court, 19 December 2025) — blind-trust and licensing-discretion authority.
- Mints v PJSC National Bank Trust [2023] EWCA Civ 1132 — "hypothetical control" obiter.
- Petroleos de Venezuela S.A. v MUFG Union Bank, N.A. (S.D.N.Y., 2019–2020) — practical-blocking effect of SDN designation on collateral enforcement.
- Venezuela's ICSID Withdrawal (24 January 2012, effective 25 June 2012) — IISD Investment Treaty News record.

CONCLUSION SEVEN STRUCTURAL TRUTHS FOR THE COMPLIANCE ERA

1. The Wind-Down Disposal Architecture Is Real and Compliance-Consistent in Principle.

The disposal of IPGCFZ to a local Iranian acquirer, executed within the wind-down window of the 28 October 2025 OFAC letter, is the operative architecture by which India satisfies the wind-down representation made to OFAC while preserving the physical continuity of the Shahid Beheshti terminal under a sanctions-compatible operator. The Firm's settled view is that the architecture is compliance-consistent if and only if the disposal is genuine in economic substance and free of retained beneficial control.

2. The OFAC Sham-Transactions Doctrine Sets the Operative Substance-Over-Form Test.

The Advisory of 31 March 2026, together with the GVA Capital maximum-statutory penalty and the December 2025 fiduciary settlement, establishes that any architecture must withstand substance-over-form scrutiny. A buy-back option, a bilateral side agreement on reversion, or any retained-management instrument introduces unacceptable sanctions-risk exposure. A passive ordinary-commercial right of first refusal does not.

3. The GIFT-City IFSC Is Not a Sanctions Firewall.

The IFSC framework provides no shield against U.S. secondary sanctions and any attempt to deploy it as such would attract both OFAC and IFSCA enforcement. The IFSC has narrow, lawful, ancillary functions — treasury, settlement infrastructure for non-targeted lawful trade, insurance for non-targeted activity, holding of passive contingent rights — and the Firm's professional view is that any use of the IFSC framework must be expressly delimited to those functions.

4. The FEMA-OFAC Paradox Requires Inter-Ministerial Coordination, Not Corporate Engineering.

The tension between FEMA's FMV and 90-day-repatriation requirements and OFAC's clean-disposal requirement cannot be resolved at the corporate-counsel level. It requires coordination across MoP&SW, RBI, MoF, MEA and (where appropriate) the Ministry of Law and Justice. The LSF mechanism, independent FMV valuation and pre-cleared repatriation modalities are the operative tools.

5. Three Sanctions Regimes Must Be Survived Simultaneously.

Architectural design must withstand OFAC (ownership 50% Rule plus substance-over-form), the EU (functional-control test, Nayara precedent) and OFSI (Reg 7 including the "hypothetical control" limb, VTB Bank precedent on licensing discretion). A structure that survives one regime may fail under another.

6. Diplomatic Capacity Is the Missing Institutional Layer.

India's sanctions-architecture work across Iran (Chabahar), Venezuela (OVL), Russia (Vankor and TAAS-Yuryakh) and future crises is being conducted on a case-by-case basis without institutional continuity. A dedicated Sanctions Diplomacy Unit within the Ministry of External Affairs is the missing institutional layer; its absence raises the cost of every individual crisis.

7. The Sovereign Connectivity Holding Vehicle Is the Long-Term Institutional Answer.

The same institutional logic that justifies a Sovereign Energy Holding Vehicle (Volume I, Chapter 8) justifies a parallel Sovereign Connectivity Holding Vehicle: a professionally-managed, 49:51 institutional vehicle for India's overseas connectivity assets, capable of absorbing geopolitical shocks at the asset-portfolio rather than the individual-project level. The SCHV is a governance reform — not a sanctions-evasion mechanism.

— End of Publication —

Bhatt & Joshi Associates

Advocates • Legal Consultants • Ahmedabad, Gujarat

Publication Series — International Trade, Energy & Sanctions Law

Volume II · First Edition · May 2026

FIGURES

Volume II — The Chabahar Wind-Down

7 figures

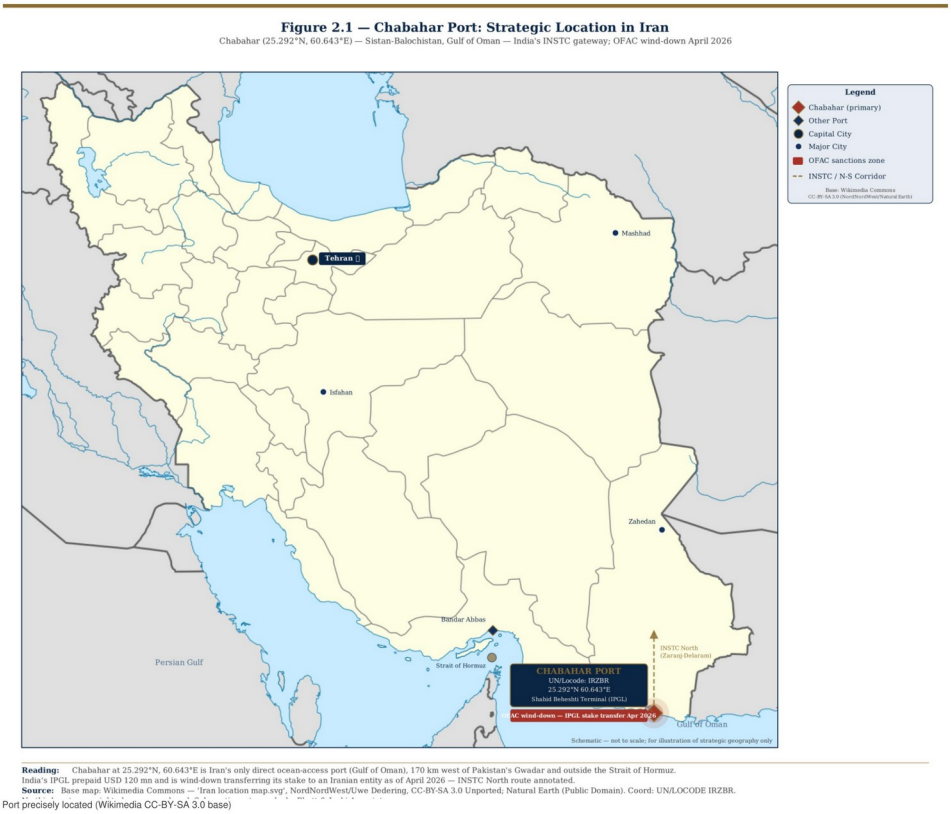


Figure 2.1 — Chabahar Port: Strategic Location in Iran (Wikimedia Commons CC-BY-SA 3.0 base)

Figure 2.2 — IPGL Three-Tier Corporate Structure (Chabahar Operating Architecture)

Sovereign-risk compartmentalisation: CPSE apex → Indian SPV intermediate → Iranian Free-Zone operating entity.

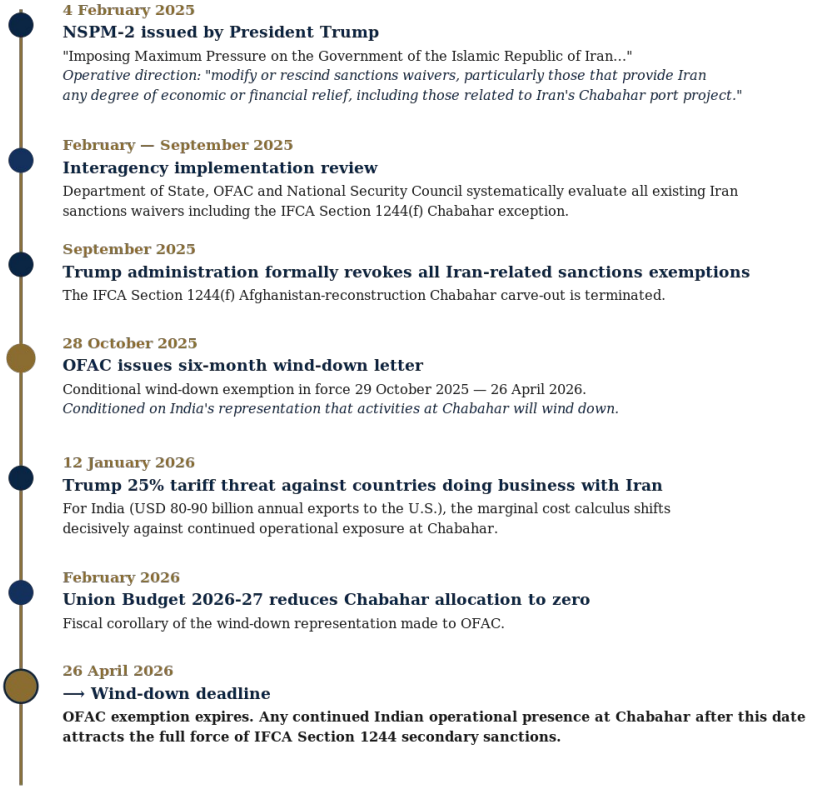
Reading: *The three-tier architecture — CPSE apex (SDCL), Indian SPV intermediate (IPGL), Iranian Free-Zone operating entity (IPGCFZ) — was designed for sovereign-risk compartmentalisation. The structure made the May 2024 long-term contract feasible and now makes the wind-down disposal of IPGCFZ to a local Iranian acquirer executable without contaminating the Indian-CPSE balance sheet upstream.*

Source: *PIB Cabinet release PRID 1604414 (SDCL → IPGL transfer); OVL/IPGL public filings; PIB release PRID 2020454. Diagram by Bhatt & Joshi Associates.*

Figure 2.2 — IPGL Three-Tier Corporate Structure

Figure 2.5 — The NSPM-2 Cascade: From Maximum-Pressure Memorandum to Wind-Down Deadline

Critical-path chronology of the Chabahar exception's collapse, February 2025 — April 2026.



Source: *White House — NSPM-2 (4 Feb 2025); OFAC letter to MEA (28 Oct 2025); Trump tariff statement (12 Jan 2026); Union Budget 2026-27; multiple cross-verified primary a*
Timeline by Bhatt & Joshi Associates.

Figure 2.5 — NSPM-2 Cascade Timeline

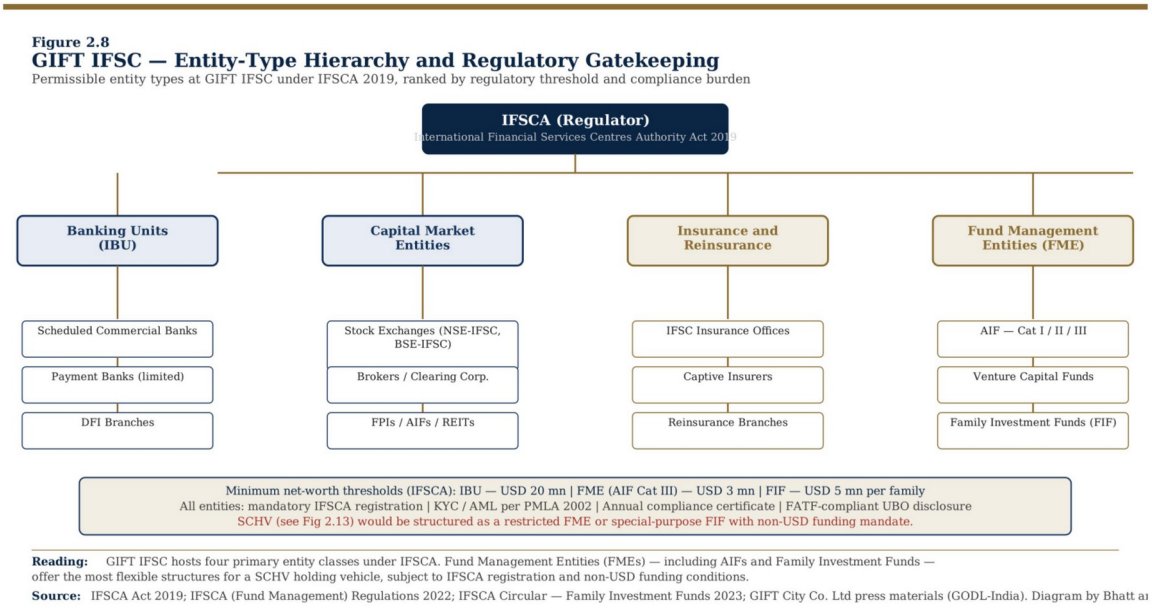
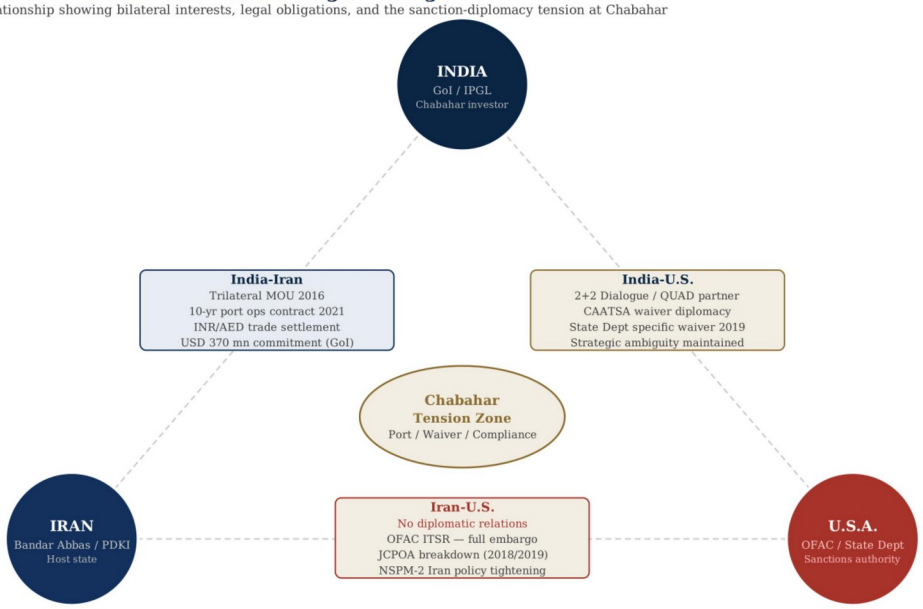


Figure 2.8 — GIFT IFSC: Entity-Type Hierarchy and Regulatory Gatekeeping

Figure 2.12
India-Iran-U.S. — The Chabahar Strategic Triangle
Three-way relationship showing bilateral interests, legal obligations, and the sanction-diplomacy tension at Chabahar



Reading: India occupies the apex: bilateral interests with both Iran (trade connectivity) and the U.S. (strategic partnership) pull in opposite directions. The Chabahar waiver (2019) was a diplomatic instrument, not a legal right; its withdrawal (2022/NSPM-2) forced the compliance-led wind-down.

Source: MEA press releases (GODL-India); U.S. State Dept waiver notice 2019 (public domain); OFAC ITSR 31 CFR 560; B and J Associates strategic analysis. Diagram by Bhatt and Joshi Asso

Figure 2.12 — India–Iran–U.S. Strategic Triangle

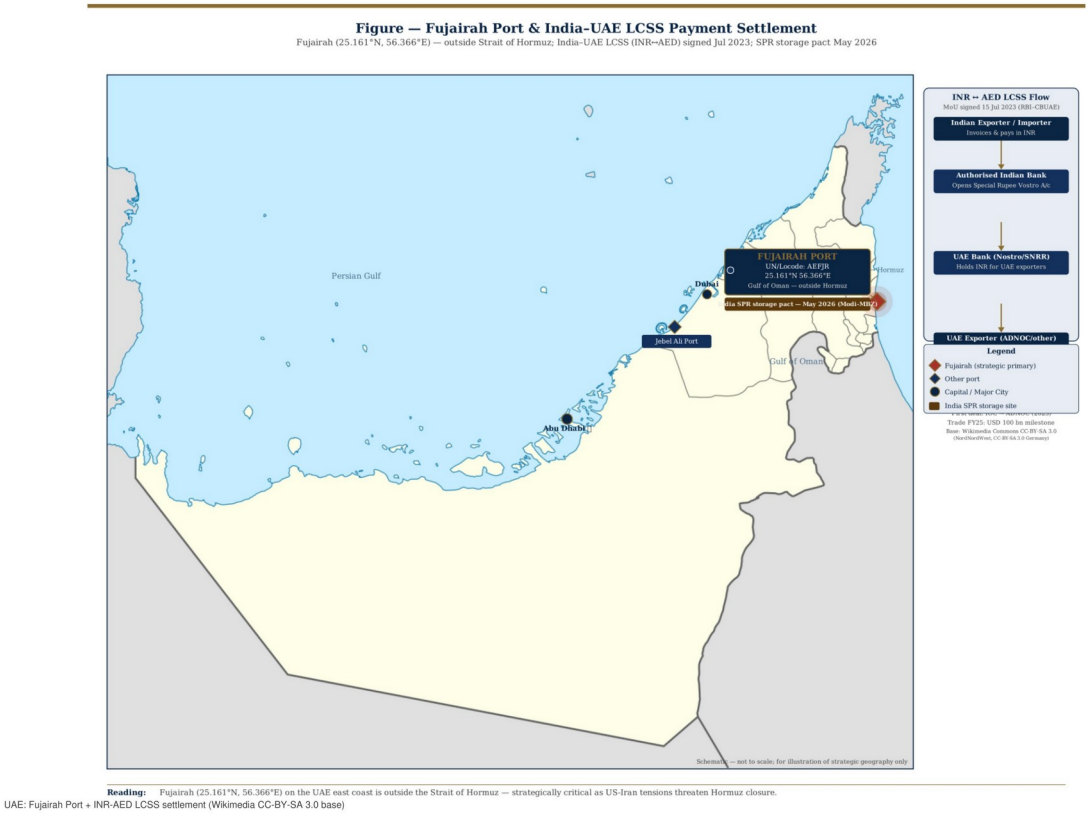
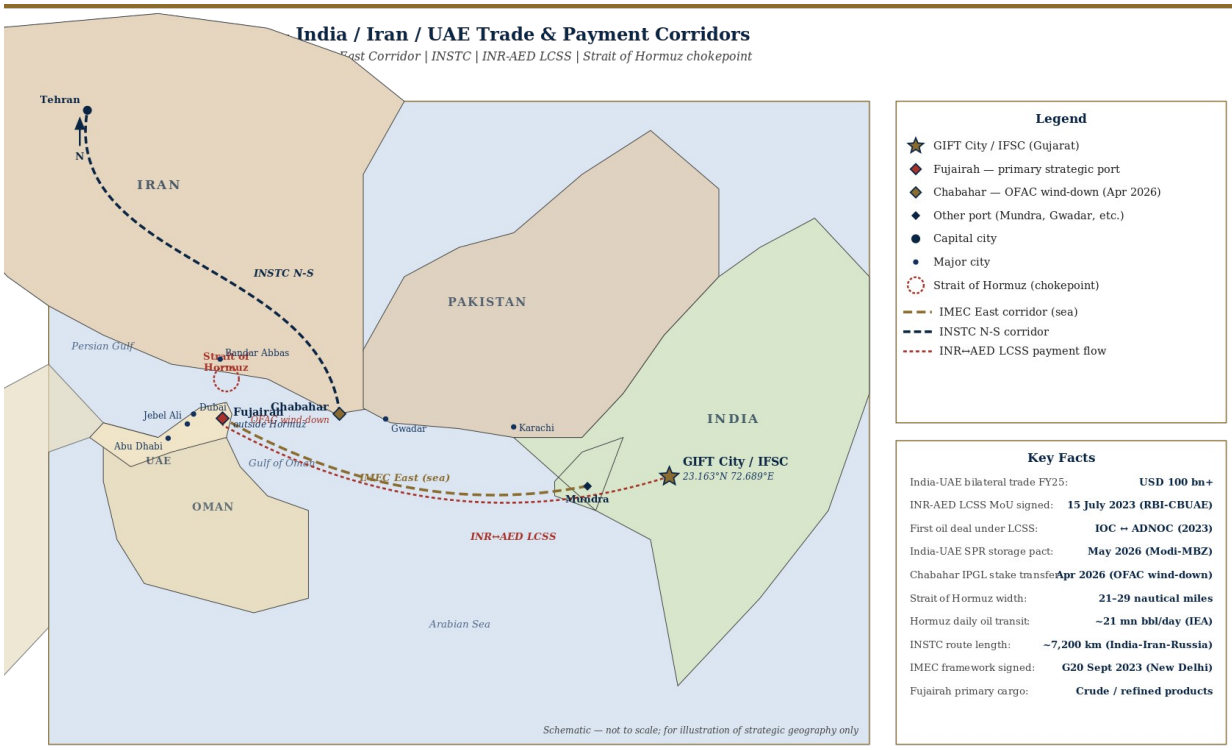


Figure — Fujairah Port & India-UAE LCSS Payment Settlement (Wikimedia CC-BY-SA 3.0 base)



Reading: *Three corridors converge on GIFT IFSC: (1) IMEC East sea route Mundra-Fujairah (gold dashes); (2) INSTC North-South via Chabahar-Tehran (navy dashes); (3) INR↔AED LCSS payment arc (red). Fujairah lies outside the Strait of Hormuz chokepoint; Chabahar is under OFAC wind-down (Apr 2026); India-UAE bilateral trade crossed USD 100 bn in FY25.*

Source: *Schematic cartography using public-domain lat/lon coordinates only. IMEC: MEA / RIS; LCSS: RBI press release 15 July 2023; trade statistics: IBEF / Invest India FY25. No third-party copyrighted map is reproduced. Schematic cartography by Bhatt & Joshi Associates.*

Figure — Regional Strategic Map: India, Iran, UAE — Trade & Payment Corridors

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