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Compliance Update

Treasury Issues Additional Iran-Related Sanctions, Suspends General Licenses, and Pledges Additional Action Under Operation Economic Outcast

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On August 24, 2026, the U.S. Department of the Treasury announced the launch of Operation Economic Outcast, which Secretary of the Treasury Scott Bessent described as "an economic D-Day — the single greatest financial offensive ever marshaled against an adversary."[1]

Specifically, Treasury announced new sectoral sanctions determinations that provide its Office of Foreign Assets Control (OFAC) with the authority to sanction additional Iranian and non-Iranian persons and entities, the designation of nearly 60 new Specially Designated Nationals (SDN), the suspension of five general licenses, and the publication of an updated Strait of Hormuz compliance alert. The most significant part of the announcement is what Treasury said it will do next: Secretary Bessent stated that Treasury has "mapped every node, every facilitator, and every network that Iran has used to smuggle oil and evade sanctions" and is "giving everyone the opportunity to remedy bad behavior," but that "they should know that that will move very quickly and that we are serious."[2] He added that "teams from the Treasury, State Department, and the U.S. military are now meeting with their global counterparts to tell them that the United States expects action."[3] He noted that "every country has a defined timeline to shut down activities we have identified," and that "if they do not take action, we will do so unilaterally through Treasury authorities."[4] On August 28, Treasury issued a proposed rule under Section 311 of the USA PATRIOT Act directed at an Egyptian bank, Banque Misr. Under the proposed rule, Banque Misr's UAE-based branches would be prohibited from access to correspondent banking at U.S. financial institutions.[5]

It remains to be seen how other countries will respond, but already some of Iran's trading partners, including the People's Republic of China, have pushed back on the U.S. government's position.[6]

This alert summarizes the operative measures announced to date, describes the authorities Treasury may deploy as the operation proceeds, and offers practical recommendations for non-U.S. financial institutions and companies.

I. The August 24 Measures

The legally operative components of the August 24 announcement include:

- **New Sectoral Determinations**. OFAC published determinations under Section 1(a)(i) of Executive Order (E.O.) 13902 targeting five additional sectors of the Iranian economy: aviation, digital assets, gold, shipping, and technology, which Secretary Bessent called "five of Iran's most vital lifelines that it exploits in other countries."[7] These new determinations expand Treasury's authority to impose sanctions on persons in Iran or third countries who operate in or provide services in support of such sectors of the Iranian economy. These newly identified sectors are in addition to the construction, mining, manufacturing, and textiles sectors named in E.O. 13902 itself, and the financial, petroleum, and petrochemical sectors added by prior determinations.[8] OFAC has previously used its determinations in other sectors to designate as blocked persons a broad range of non-Iranian persons and could use these determinations to similar effect.[9]

- **New SDN Designations**. OFAC sanctioned nearly 60 entities, individuals, and vessels across multiple jurisdictions as SDNs. Secretary Bessent described the targets as enabling the Iranian regime "to procure illicit nuclear and missile technology, conduct cyber operations, and generate oil revenue."
    - The designations span several categories, including: (i) shadow-fleet tankers and their owners and operators and (ii) procurement networks supporting the Iranian military, including technology companies that facilitate the transfer of sensitive machinery and dual-use components. The targets include persons based in the Middle East, Asia, and Europe. An example of the breadth of the designations is the designation of the La Nivernaise De Raffinage SAS, a French cooking-oil refinery designated under E.O. 13902 for being ultimately controlled by an Iranian SDN.
- **Suspension of Five General Licenses**. OFAC indefinitely suspended existing authorizations permitting certain educational exchanges, noncommercial personal remittances, conference-related services, sports exchanges, and academic programs involving Iran. General License BB authorizes the wind-down of any transaction previously authorized under these licenses, but only until September 8, 2026.[10] After that date, a specific license will be required. Universities, remittance providers, conference organizers, exchange programs, and others that rely on these general licenses for their Iran-related activity must comply with that deadline. Notably, financial institutions will need to move quickly to assess any transactions that had previously relied on these general licenses.
- **Updated Strait of Hormuz Alert**. In its updated alert, OFAC warned that U.S. and non-U.S. persons risk sanctions or penalties by engaging with the self-designated Persian Gulf Strait Authority, Persian Gulf Marine Insurance Company, or HormuzSafe Marine Services Authority, including by accepting insurance or other services or responding to information demands for "safe-passage guarantees," whether or not payment or exchange of value occurs.[11] The alert also warns that "tolls" may take less obvious forms, including digital assets, offsets, government-to-government deals, or nominally charitable donations. While the guidance does not contain any new legal obligations, it emphasizes that "OFAC will continue to aggressively target Iran's main revenue-generating sectors, in particular its shipping, petroleum, and petrochemical sectors."

II. Treasury's Key Authorities

Secretary Bessent framed the August 24 announcement as the beginning of a "sustained financial operation," and Treasury has several authorities available to it.

OFAC's Blocking Sanctions Authority Under Executive Order 13902. The sectoral determinations were issued under E.O. 13902, which provides that any person determined by the Secretary of the Treasury to operate in a designated sector of the Iranian economy shall be subject to blocking sanctions. Once a sector is determined, OFAC may designate any person that it determines to operate in that sector, blocking all of that person's property and interests in property subject to U.S. jurisdiction. Persons who have "materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of" any person designated under E.O. 13902 may also themselves be designated.[12] No U.S. nexus is required for OFAC to impose these sanctions.

Treasury's Authorities Targeted at Foreign Financial Institutions. On August 24, Secretary Bessent stated that facilitators of Iranian money laundering "will be removed from the U.S. Dollar system." In this area, Treasury has a number of key authorities:

- *FinCEN's Section 311 Measures*: Section 311 of the USA PATRIOT ACT allows FinCEN to find that a foreign financial institution is of "primary money laundering concern" and to impose the "fifth special measure," a prohibition on U.S. correspondent and payable-through accounts that effectively severs the institution from the dollar system. As noted, on August 28 FinCEN issued a proposed rule under Section 311 that would, if finalized, prohibit the ability of Banque Misr's UAE branches to access correspondent bank accounts in the United States.[13] FinCEN stated in the proposed rule that the UAE-based branches of Banque Misr serve "as a critical access node to the U.S. dollar (USD) for Iranian illicit finance" and specifically noted "103 potential Iranian shadow banking front companies transacting approximately USD 1.8 billion" using accounts with those branches from January 2024 to June 2026. The proposed rule underscores that Treasury may be willing to use FinCEN's authority under Section 311 — which is separate from OFAC's sanctions authority — as part of Operation Economic Outcast. Earlier this year FinCEN used the Section 311 authority to target a Swiss private bank, MBaer, in connection with money laundering, including sanctions evasion related to Iran's oil industry.[14] This was FinCEN's first use of Section 311 against a Swiss institution, demonstrating that jurisdictions not traditionally viewed as targets may be subject to such actions.

- *Correspondent Bank Account Prohibitions/Restrictions*: Under the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA), OFAC has authority to prohibit or limit a foreign financial institution's access to correspondent bank accounts if the financial institution "knowingly" facilitates a "significant transaction" that violates the Iran sanctions. First, under this authority, OFAC can "*prohibit* the opening or maintaining by a U.S. financial institution of a correspondent account or a payable-through account in the United States for that foreign financial institution."[15] This authority has only been employed once by OFAC when, in 2012, it imposed correspondent banking prohibitions on Bank of Kunlun in China and Elaf Bank in Iraq, which "effectively bars them from directly accessing the U.S. financial system."[16] Second, in lieu of a prohibition, OFAC can impose "*strict conditions*" on the ability of a foreign financial institution to access a correspondent account, such as restrictions on "types of transactions" or "monetary limits" on transactions through the account.[17] OFAC has not utilized the "strict conditions" authority before, but it may be an option OFAC considers if it looks for opportunities to take action that are short of fully severing a foreign financial institution from the U.S. financial system.

Published Guidance as Roadmap for Future Actions. Secretary Bessent stated, "Beginning today, the actions of Treasury and other agencies will tighten the noose and block every potential source of revenue that funds the IRGC and the Iranian regime. We are enforcing a zero-leakage approach." Treasury's Iran-related advisories and alerts over the past 15 months offer the best available indication of where Treasury's efforts will focus. The key documents are:

- **FinCEN Iranian Revolutionary Guard Corps' Money Laundering Alert (May 11, 2026)** addresses the IRGC's use of front companies, financial facilitators, and digital asset infrastructure to launder oil sale proceeds. Key typologies include stablecoin minting and movement, proprietary stablecoins such as USDZ, front-company digital asset exchanges (e.g., the U.K.-registered Zedcex and Zedxion exchanges designated in January 2026), and nested exchange structures.[18]

- **OFAC Teapot Refinery Alert (April 28, 2026)** warns that China purchases roughly 90% of Iran's oil exports, the majority through independent "teapot" refineries concentrated in Shandong province; OFAC has designated five teapot refineries since March 2025. The alert instructs financial institutions to ensure they are not facilitating transactions involving these refineries and to communicate expectations to correspondent banks in China.[19] It also describes Iran's relabeling of oil as "Malaysian blend" using forged documents.

- **FinCEN Iranian Shadow Banking Financial Trend Analysis (October 2025)** identified approximately $9 billion of potential Iranian shadow banking activity conducted through U.S. correspondent accounts in 2024.[20]

- **FinCEN Advisory on Iranian Illicit Oil Smuggling, Shadow Banking, and Weapons Procurement (June 6, 2025)** provides an overview of Iran's shadow banking and oil smuggling architecture, including exchange houses managing front companies to launder oil revenue through correspondent relationships with U.S. institutions using falsified documents.[21] It also details Iran's global weapons procurement networks.

Institutions should treat these documents as a strong indication of where Treasury sees Iran-related risk and incorporate them, as appropriate, into their compliance programs.

III. Key Takeaways

General Compliance Considerations

The Suspended General Licenses: Companies and financial institutions should plan for the September 8, 2026, wind-down deadline of the five suspended general licenses covering educational exchanges, personal remittances, conference-related services, sports exchanges, and academic programs. After that date, a specific OFAC license will be required for any activity subject to U.S. sanctions.

Sectoral Determinations: Looking ahead, the additional sector designations under E.O. 13902 are the single most important change for compliance purposes. As of August 24, 2026, any person determined to operate in the broadly defined aviation, digital asset, gold, shipping, or technology sectors of the Iranian economy (in addition to the previously covered construction, mining, manufacturing, textiles, financial, petroleum, and petrochemical sectors) is at risk of being designated as an SDN. The risk associated with this sectoral expansion applies regardless of whether a company has U.S. operations, U.S. person employees, or U.S. dollar touchpoints. Companies and financial institutions that have exposure to these sectors should reassess their activities accordingly.

Below we provide compliance considerations for particular industries:

Banks

Banks should consider taking several steps in light of the U.S. government's recent and previewed actions:

- *First*, ensure that they have reviewed correspondent relationships with respect to Iran-related risks, with particular attention to correspondent relationships with banks in jurisdictions identified in Treasury's published guidance as higher risk for Iranian shadow banking.

- *Second*, ensure that they have incorporated Iran-related sanctions evasion activity into their compliance programs, as appropriate. This includes ensuring that they have reviewed FinCEN' published red flags from the June 2025 Advisory, the October 2025 Financial Trend Analysis, and the May 2026 IRGC Alert and incorporated those red flags into their monitoring, as appropriate. OFAC has previously stated in the context of the Russia sanctions program that foreign financial institutions should "allocate their compliance resources towards the areas of greatest risk" and foreign financial institutions should review their areas of risk including the specific "products, services, business lines, and locations" most likely to be used for Iranian sanctions evasion activity.[22]

- *Third*, Secretary Bessent's specific reference to Bank Melli is significant. As context, Bank Melli is Iran's largest state-owned commercial bank and has been designated under multiple OFAC authorities for years but continues to operate globally through branches and correspondent relationships in various jurisdictions. His demand that "every Bank Melli branch must be shuttered" signals that Treasury intends to pursue the foreign institutions and jurisdictions that continue to host or facilitate its operations, not only the bank itself. Indeed, on August 28 OFAC designated Reza Mohammad Taeedi, who "serves as the general manager of Bank Melli's Dubai Branch."[23] As such, banks should assess whether they have any direct or indirect exposure to Bank Melli, including through correspondent banking chains.[24]

Digital Asset Service Providers

The addition of the digital asset sector to the E.O. 13902 framework exposes any digital asset service provider (DASP) determined to operate in that sector of the Iranian economy to designation. DASPs should review their platforms and customer bases for exposure to Iran-based or Iran-linked actors. OFAC FAQ 1257, issued in June 2026, makes explicit that non-U.S. persons face sanctions exposure for dealing with digital asset exchanges designated under E.O. 13902.[25] The FAQ names five Iranian exchanges — Nobitex, Wallex, Bitpin, Ramzinex, and Aban Tether — and warns that OFAC may designate persons that materially assist these exchanges or impose correspondent account sanctions on foreign financial institutions that facilitate significant transactions for them. DASPs should ensure they are utilizing tools, including blockchain analytics, to detect and consider reporting activity involving these and other Iranian exchanges or parties.

Multinational Companies With Supply Chain Exposure to Sanctioned Sectors

Under the new sectoral determinations, aviation lessors, gold dealers and refiners, shipping and logistics firms, and technology companies, among others, with Iranian touchpoints are now subject to potential designation.

Multinational companies should ensure that they have reviewed their supply chains, distribution networks, and joint-venture partners to identify any connection to the newly determined sectors. Companies should pay particular attention to newly designated-sector counterparties in jurisdictions that Treasury's guidance identifies as hubs for Iranian procurement and sanctions evasion.

Maritime and Commodity Industry Participants

The maritime sector faces particular risk, given Iranian unlawful actions and demands related to the Strait of Hormuz. As discussed above, OFAC's updated Strait of Hormuz alert warns that responding to Iranian information demands for "safe-passage guarantees" can create sanctions exposure. The addition of shipping as a determined sector under E.O. 13902 means that ship managers and maritime service providers are now subject to designation. Maritime industry participants should implement OFAC's recommended due diligence, including: verifying cargo origin and flag registration, monitoring for vessel location data manipulation (including AIS abnormalities), including appropriate provisions in contracts, and implementing Know Your Customer/Know Your Vessel procedures.[26]

The addition of gold as a determined sector, combined with Treasury's broader targeting of Iran's oil trade, also creates specific risks for commodity traders. Gold dealers and trading houses should ensure that they have reasonable procedures in place to identify counterparties with an Iranian nexus, including through intermediaries. Oil and petrochemical traders should review exposure to Iran's shadow fleet and teapot refinery network, particularly where documentation references "Malaysian blend" oil or vessels display AIS irregularities.

IV. Looking Ahead

Secretary Bessent stated that the campaign "will gather force with every day that follows, and it will not end until this regime stands alone." It remains to be seen what specific steps the U.S. government will take to follow through on these recent announcements, particularly in light of some of Iran's major trading partners issuing public statements pushing back on the U.S. administration's position.

Paul Hastings will continue to monitor Operation Economic Outcast and other Iran-related developments and provide updates as warranted.

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[1] Scott Bessent, An economic D-Day is coming for Iran, *The Financial Times* (Aug. 23, 2026).

[2] Remarks from Secretary of the Treasury Scott Bessent on Operation Economic Outcast against Iran, U.S. Dep't of the Treasury (Aug. 24, 2026), *available at* https://home.treasury.gov/news/press-releases/sb0614.

[3] Id.

[4] Id.

[5] FinCEN, Proposal of Special Measure Regarding Banque Misr UAE as a Financial Institution Operating Outside of the United States of Primary Money Laundering Concern (Aug. 28, 2026), *available at* https://home.treasury.gov/news/press-releases/sb0617/.

[6] Washington Post, "China pushes back on Trump's 'economic D-Day' Iran sanctions" (August 26, 2026), *available at* https://www.washingtonpost.com/national-security/2026/08/25/china-rebukes-trumps-economic-pressure-campaign-seeking-isolate-iran/.

[7] OFAC, Determination Pursuant to Executive Order 13902 — Aviation, Digital Asset, Gold, Shipping, and Technology Sectors of the Iranian Economy (Aug. 24, 2026), *available at* https://ofac.treasury.gov/media/936781/download?inline.

[8] Exec. Order No. 13902, Imposing Sanctions With Respect to Additional Sectors of Iran, 85 Fed. Reg. 2003 (Jan. 14, 2020), *available at* https://ofac.treasury.gov/media/31406/download?inline; OFAC, Determination Pursuant to Section 1(a)(i) of Executive Order 13902 — Financial Sector of the Iranian Economy (Oct. 8, 2020), *available at* https://ofac. treasury. gov/media/934571/download?inline; OFAC, Determination Pursuant to Section 1(a)(i) of Executive Order 13902 — Petroleum and Petrochemical Sectors of the Iranian Economy (Oct. 11, 2024), *available at* https://ofac. treasury. gov/ media/ 933491/ download?inline.

[9] For example, OFAC has relied on the petroleum and petrochemical sector determinations to designate non-Iranian refiners, shipping companies, and vessel owners and managers. *See*, *e.g*., Treasury, Economic Fury Targets Global Network Fueling Iran's Oil Trade and Shadow Fleet (Apr. 24, 2026), *available at* https://home.treasury.gov/news/press-releases/sb0472.

[10] OFAC, Notice of Suspension of Certain Iranian Transactions and Sanctions Regulations General Licenses (Aug. 24, 2026), *available at* https://ofac.treasury.gov/media/936786/download?inline. Specifically, Iran General License F (authorizing certain sports-related activities), Iran General License G (authorizing certain academic exchanges and educational services), and sections of the Iranian Transactions and Sanctions Regulations (authorizing certain educational activities, services relating to conferences and noncommercial personal remittances) were suspended.

[11] OFAC Alert: Sanctions Risks of Iranian Demands for Strait of Hormuz Passage (Aug. 24, 2026), *available at* https://ofac.treasury.gov/media/936751/download?inline.

[12] Exec. Order No. 13902, § 1(a)(iii); see also OFAC, FAQ 831, *available at* https://ofac.treasury.gov/faqs/831.

[13] FinCEN, Proposal of Special Measure Regarding Banque Misr UAE as a Financial Institution Operating Outside of the United States of Primary Money Laundering Concern (Aug. 28, 2026), available at https://www.fincen.gov/system/files/2026-08/Banque-Misr-UAE-NPRM.pdf.

[14] Treasury, Treasury Proposes Rule to Sever Swiss Bank MBaer's Access to U.S. Financial System (Feb. 26, 2026), *available at* https://home.treasury.gov/news/press-releases/sb0408.

[15] 31 CFR Part 561.201(c); *see also* OFAC, FAQ 831, *available at* https://ofac.treasury.gov/faqs/831 ("foreign financial institutions that have knowingly conducted or facilitated any significant financial transaction for such designated persons risk exposure to U.S. correspondent account or payable-through account sanctions.")

[16] Treasury, "Treasury Sanctions Kunlun Bank in China and Elaf Bank in Iraq for Business with Designated Iranian Banks" (July 31, 2012), *available at* https://home.treasury.gov/news/press-releases/tg1661.

[17] 31 CFR Part 561.201(b).

[18] FinCEN Alert FIN-2026-Alert002, Alert on the Use of Front Companies, Financial Facilitators, and Digital Asset Infrastructure by Iran's IRGC to Evade Sanctions and Launder Proceeds (May 11, 2026), *available at* https://www.fincen.gov/news/news-releases/fincen-issues-alert-stop-money-laundering-iranian-revolutionary-guard-corps.

[19] OFAC Alert: Sanctions Risk of Dealing with Teapot Oil Refineries (Apr. 28, 2026), *available at* https://ofac.treasury.gov/media/935546/download?inline.

[20] FinCEN, Financial Trend Analysis: Iranian Shadow Banking: Trends in Bank Secrecy Act Data (Oct. 2025), *available at* https://www.fincen.gov/news/news-releases/fincen-identifies-9-billion-iranian-shadow-banking-activity-2024.

[21] FinCEN Advisory FIN-2025-A002, Advisory on the Iranian Regime's Illicit Oil Smuggling Activities, Shadow Banking Networks, and Weapons Procurement Efforts (June 6, 2025), *available at* https://www.fincen.gov/system/files/FinCEN-Advisory-Illicit-Oil-Smuggling-508.pdf.

[22] OFAC, Updated Guidance for Foreign Financial Institutions on OFAC Sanctions Authorities Targeting Support to Russia's Military-Industrial Base (June 12, 2024), *available at* https://ofac.treasury.gov/media/932436/download?inline.

[23] OFAC, "Iran-related and Counter Terrorism Designations" (Aug. 28, 2026), *available at*: https://ofac.treasury.gov/recent-actions/20260828

[24] Remarks from Secretary of the Treasury Scott Bessent on Operation Economic Outcast against Iran, U.S. Dep't of the Treasury (Aug. 24, 2026), *available at* https://home.treasury.gov/news/press-releases/sb0614.

[25] OFAC FAQ 1257, *available at* https://ofac.treasury.gov/faqs/1257.

[26] *See* OFAC, Guidance for Shipping and Maritime Stakeholders on Detecting and Mitigating Iranian Oil Sanctions Evasion (Apr. 16, 2025), *available at* https://ofac.treasury.gov/media/934236/download?inline.