Operation Economic Outcast: The U.S. Government Launches Economic War Against Iran

September 1, 2026

On August 24, 2026, U.S. Treasury Secretary Scott Bessent formally launched "Operation Economic Outcast," described as a sustained, whole-of-government, economic campaign to sever the Iranian regime's financial lifelines.[1]

Notwithstanding the sweeping rhetoric, only limited new sanctions have been announced to date. To this point, the campaign appears to be an attempt to apply diplomatic pressure and to leverage the threat of U.S. secondary sanctions and similar authorities to compel Iran's remaining trading partners and financial services providers to cut ties with not only the Government of Iran ("GOI") and the Islamic Revolutionary Guard Corps ("IRGC") but the Iranian economy more broadly. In announcing the campaign, Secretary Bessent stated that "[t]eams 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" and that "[e]very country has a defined timeline to shut down activities we have identified," citing as an example the expectation that "every Bank Melli branch must be shuttered."[2]

During his remarks, Secretary Bessent noted that there would be a "major announcement of a financial institution being sanctioned by the end of this week."[3] Although no financial institutions were sanctioned with immediate effect, on August 28, 2026, Treasury's Financial Crimes Enforcement Network ("FinCEN") issued a notice of proposed rulemaking (the "NPRM") to revoke U.S. correspondent banking access for five United Arab Emirates-based branches of the Egyptian financial institution Banque Misr (collectively, "Banque Misr UAE").[4] Two days later, Secretary Bessent indicated in

---

1 U.S. Dep't of Treasury, Treasury Launches Unprecedented Campaign Against Iranian Regime on Economic D-Day (Aug. 24, 2026), available here.

2 U.S. Dep't of Treasury, Remarks from Secretary of the Treasury Scott Bessent on Operation Economic Outcast against Iran (Aug. 24, 2026), available here.

3 New York Post, Scott Bessent Unleashes 'Economic D-Day' in New US Sanctions Push Against Iran, at 13:46 (YouTube, Aug. 24, 2026), available here.

4 91 Fed. Reg. 56085 (Sept. 1, 2026), available here.

a media interview that another bank will be targeted this week, saying: "This is going to be financial violence if we have to."[5]

Operation Economic Outcast—Sanctions Developments

In coordination with the August 24 announcement, the U.S. State Department and the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") took several actions, which we discuss further below:[6]

- expanding the scope of Iran-related conduct that may be subject to secondary sanctions to operations in five newly targeted sectors of Iran's economy;
- suspending several general licenses and issuing a related wind-down license;
- adding numerous entities, individuals and vessels across multiple jurisdictions to the list of Specially Designated Nationals ("SDNs"), citing their alleged support for the Iranian regime, including illicit nuclear and missile technology procurement, cyber operations, oil-revenue generation networks and military activities; and
- issuing updated guidance regarding the sanctions risks of cooperating with Iranian demands related to shipping in the Strait of Hormuz.

On August 28, OFAC sanctioned two further targets under Operation Economic Outcast: Reza Mohammad Taeedi, the general manager of Bank Melli's Dubai branch, and Kameng Trading Limited, a Hong Kong-based front company allegedly used to launder money for Iran.[7]

New Sectoral Determinations and Secondary Sanctions Risks

OFAC issued a determination under Executive Order ("E.O.") 13902 identifying five new sectors of the Iranian economy as raising secondary sanctions risks.[8] In its related press

---

5 Associated Press, US plans to sanction another bank in effort to clamp down on Iran transactions, Bessent tells AP (Aug. 30, 2026), available here; see also Yash Roy, Bloomberg, Bessent Says Hormuz Will Be 'Worthless' as Oil Bypasses It (Sept. 1, 2026) (noting Bessent remarks that "the US will 'probably' announce the sanctioning of another bank this week and a further one next week"), available here.

6 U.S. Dep't of Treasury, Treasury Launches Unprecedented Campaign Against Iranian Regime on Economic D-Day, *supra*; U.S. Dep't of State, United States Implements Operation Economic Outcast with Sanctions Targeting Iran's Military Activities and Procurements, and Petroleum and Petrochemical Product Traders (Aug. 24, 2026), available here.

7 U.S. Dep't of Treasury, Iran's Access to UAE Banks Targeted Under Operation Economic Outcast (Aug. 28, 2026), available here.

8 OFAC, Determination Pursuant to Section 1(a)(i) of Executive Order 13902, available here.

announcement, Treasury linked each of these sectors to the GOI, the IRGC or their weapons programs. As a result, any person determined by U.S. authorities to operate in the following sectors may now be targeted by U.S. blocking sanctions:

- digital assets;
- technology;
- gold;
- aviation; and
- shipping.

These determinations expand the sanctions exposure of non-U.S. persons that operate in or provide services in support of these sectors and build on existing E.O. 13902 determinations identifying Iran's financial and petroleum and petrochemical sectors, under which numerous companies, including several based in China, India and Southeast Asia, have already been sanctioned.

Suspension of Licenses for Personal Remittances and Other Activities

In a new final rule, OFAC indefinitely suspended, but did not revoke, the following general licenses issued under the Iranian Transactions and Sanctions Regulations that authorized certain remittance payments to Iran and Iranian access to U.S. cultural and academic opportunities:[9]

- 31 CFR § 560.544 ("Certain educational activities by U.S. persons in third countries authorized");
- 31 CFR § 560.550 ("Certain noncommercial, personal remittances to or from Iran authorized");
- 31 CFR § 560.554 ("Importation and exportation of services related to conferences in the United States or third countries authorized");
- Iran General License F ("Authorizing certain services in support of professional and amateur sports activities and exchanges involving the United States and Iran"); and

[9] 91 Fed. Reg. 54957 (Aug. 26, 2026), available here.

- Iran General License G ("Certain academic exchanges and the exportation or importation of certain educational services authorized").

There is a brief wind-down period. OFAC issued General License BB, authorizing through 12:01 a.m. EDT on September 8, 2026, activities that would been covered by one of these licenses, provided that any payment owed to a blocked person is made into a blocked interest-bearing account located in the United States.[10]

Notably, none of the suspended licenses provided meaningful support for the regime or the IRGC and, instead, were intended to promote dialogue and non-political engagement with Iranian society more broadly and allow emigrant Iranians to support their relatives through non-commercial, personal remittances. The suspension of these licenses indicates that U.S. attempts to isolate Iran are no longer focused primarily on the regime and the IRGC but now also target Iranian academics and sports competitors, as well as ordinary Iranians supported by third country remittances.

New Designations Targeting Iran's Global Support Networks

OFAC and the State Department designated numerous entities, individuals and vessels as SDNs in connection with their support for or involvement in several alleged Iran-related activities and networks, including:

- **A procurement scheme supporting Iran's Ministry of Defense and Armed Forces Logistics ("MODAFL")**. OFAC targeted more than 20 entities and individuals across the Middle East and East Asia, alleging that the new targets financially and logistically support the Iranian regime's procurement of critical technology for nuclear research and missile development. According to Treasury, such persons facilitated the acquisition of proliferation-sensitive equipment for U.S.-sanctioned persons and other end-users subordinate to MODAFL and have enabled Iran to obtain highly sensitive dual-use technology through front companies, covert financial channels and logistics intermediaries across East Asia, allowing Iranian military institutions to disguise end users and evade global export controls.

- **A malicious cyber group directed by Iran's Ministry of Intelligence and Security ("MOIS")**. Several cyber threat actors alleged to be responsible for conducting computer network exploitations on behalf of, or for the benefit of, MOIS were designated. Treasury stated that the individuals successfully compromised and exfiltrated data from multiple U.S. companies in various critical infrastructure

---

[10] OFAC, General License BB (Aug. 24, 2026), available here.

sectors, including energy companies, defense contractors, healthcare institutions, information technology companies and financial institutions.

- **Shadow fleet shipping networks and oil revenue facilitators**. Individuals and entities in the shipping sectors of multiple jurisdictions, including vessel brokers, bunkering service providers and financial intermediaries, were sanctioned by OFAC for allegedly enabling the transportation and delivery of Iranian crude oil to markets in East Asia. Treasury stated that these individuals and entities facilitated ship-to-ship services to U.S.-sanctioned vessels and coordinated with sanctioned Iranian actors to provide bunkering services to vessels carrying Iranian crude oil and other petroleum products and provided vessel bunkering services to subsidiaries and front companies for the Islamic Republic of Iran Shipping Lines (IRISL), a U.S.-sanctioned entity.

- **Shadow fleet vessels responsible for the unauthorized transport of Iranian petroleum products**. The Iranian regime relies on shadow fleet vessels to transport its crude and petroleum products, the sale of which funds its military. OFAC took action against multiple vessels and their owners based on their involvement in shadow fleet activities. According to Treasury, these vessels transported hundreds of thousands of barrels, and in some cases millions of barrels, of Iranian oil, petrochemicals or other petroleum products to China and other countries.

- **Companies engaging in illicit trade of petroleum and petrochemical products**. The State Department also sanctioned multiple companies engaged in the illicit trade of Iranian petroleum and petrochemical products, including a customs broker, a vessel and its management company and several petroleum and petrochemical product traders.

- **Commodities trading by an Iranian oil shipping magnate**. OFAC sanctioned a commodities trader and its global subsidiaries linked to Mohammad Hossein Shamkhani, a target of earlier OFAC sanctions for allegedly leading a fleet of vessels, ship management firms and front companies that launder profits from global sales of Iranian crude oil. The newly sanctioned commodities trader specializes in oil, naphtha, liquified petroleum gas and other petrochemicals commonly transported by Shamkhani's network.

- **Iran-based entities and individuals targeting U.S. forces**. The State Department sanctioned two Iran-based entities involved in the procurement of sensitive imagery that supported targeting of U.S. service members and partners in the Middle East, along with seven individuals responsible for Iran's military activities and procurement efforts, including directing the use of conventional weapons against U.S. forces and neighboring states and advocating for defense partnerships with

Iran's international partners that would contravene U.S. sanctions. These actions targeted individuals and companies not only in Iran but also across multiple countries and regions, including China, Hong Kong, Malaysia, Singapore, the United Arab Emirates, India, Türkiye and Europe. The actions underscore the U.S. government's focus not only on Iranian actors but also on third-country commercial and financial actors that U.S. authorities believe are supporting the Iranian regime.

Guidance Regarding Transiting Strait of Hormuz

OFAC issued guidance updating an earlier market alert related to Iranian requirements for vessels seeking to transit the Strait of Hormuz.[11] The new guidance makes clear that non-U.S. persons face U.S. secondary sanctions risks for "engaging with the designated so-called Persian Gulf Strait Authority (PGSA), Persian Gulf Marine Insurance Company (PGMIC), and HormuzSafe Marine Services Authority (Hormuz Safe), including by accepting insurance or other services or responding to information demands for guarantees of safe passage, even if there is no associated payment or other exchange of value for these services."

Operation Economic Outcast—Anti-Money Laundering Developments

FinCEN issued the NPRM pursuant to section 311 of the USA PATRIOT Act, finding Banque Misr UAE to be of primary money laundering concern because its five UAE-based branches serve "as a critical access node to the U.S. dollar (USD) for Iranian illicit finance." The NPRM reports that FinCEN identified more than 100 "potential Iranian shadow banking front companies transacting approximately USD 1.8 billion" through Banque Misr UAE accounts between January 2024 and June 2026.

Based on its findings described in the NPRM, FinCEN proposes restrictions under special measure five of USA PATRIOT Act section 311[12] to:

- prohibit U.S. financial institutions from opening or maintaining a correspondent account for, or on behalf of, Banque Misr UAE;
- require U.S. financial institutions to take reasonable steps not to process a transaction for the correspondent account in the United States of a foreign banking institution if such a transaction involves Banque Misr UAE; and

---

[11] U.S. Dep't of Treasury, Sanctions Risks of Iranian Demands for Strait of Hormuz Passage (Aug. 24, 2026), available here.

[12] *See* 31 U.S.C. § 5318A(b)(5).

- require U.S. financial institutions to apply special due diligence to their foreign correspondent accounts that are reasonably designed to guard against their use to process transactions involving Banque Misr UAE.

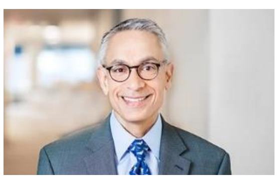
Comments on the proposed rule are due on or before October 1, 2026.

* * *

At the G20 Finance Ministers' meeting this week, Secretary Bessent is likely to continue to pressure other countries to join the U.S. economic fight against Iran. We will continue to monitor developments that arise from the G20 meeting and otherwise and will provide additional updates as warranted. Please do not hesitate to contact us with any questions.

* * *

Please do not hesitate to contact us with any questions.



Satish M. Kini
Partner, Washington, D.C.
+1 202 383 8190
smkini@debevoise.com

Aseel M. Rabie
Partner, Washington, D.C.
+1 202 383 8162
arabie@debevoise.com

Robert T. Dura
Counsel, Washington, D.C.
+1 202 383 8247
rdura@debevoise.com

Carl Micarelli
Counsel, New York
+1 212 909 6813
cmicarelli@debevoise.com

Catherine Morrison
Associate, New York
+1 212 909 6849
ccmorrison@debevoise.com