Simpson Thacher

Memorandum

U.S. Treasury Launches "Operation Economic Outcast" Against Iran

August 26, 2026

On August 24, 2026, the U.S. Department of the Treasury announced the launch of "Operation Economic Outcast," which it described as "an unprecedented, whole-of-government, economic campaign against the Islamic Republic of Iran and its enablers."[1] The action encompasses three primary measures: (1) a determination pursuant to Section 1(a)(i) of Executive Order 13902, designating five sectors of the Iranian economy (aviation, digital assets, gold, shipping, and technology sectors), (2) the designation of nearly 60 entities, individuals, and vessels, and (3) the suspension of certain general licenses. In Treasury's announcement, it declared a "zero-leakage" enforcement posture, suggesting more aggressive Iran-related enforcement actions. Secretary Bessent stated: "Our objective is to sever every economic lifeline that sustains this tyrannical regime until Tehran stands alone."

There are longstanding restrictions imposed by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") on U.S. persons and their subsidiaries doing business with Iran, so this operation focuses primarily on increasing and reinforcing measures designed to prevent non-U.S. persons from operating in certain sectors of the Iranian economy and doing business with Iran even if that business has no direct U.S. nexus. Treasury emphasized that teams from Treasury, State, and the Department of Defense are engaging counterparts worldwide with defined timelines to shut down Iran-related economic activity. Secretary Bessent stated that "[a]ny entity that facilitates money laundering or sanctions evasion on behalf of Iran risks being cut off from the U.S. financial system."

Designating New Sectors of Iranian Economy as Eligible for Secondary Sanctions

Treasury issued a new determination pursuant to Executive Order 13902 ("EO 13902"), expanding the scope of secondary sanctions risk to the following five sectors of Iran's economy.[2] The sectors identified in the determination are broad and not currently defined. We expect OFAC will issue additional guidance on the nature and scope of the five sectors of the Iranian economy identified by the determination. Any person determined by the Treasury, in consultation with the Secretary of State, to operate in these sectors of the Iranian economy may be sanctioned by OFAC.

[1] U.S. Department of the Treasury, Press Release SB-0613, "Treasury Launches Operation Economic Outcast Against the Islamic Republic of Iran" (Aug. 24, 2026), available here.

[2] Exec. Order No. 13902, 85 Fed. Reg. 2003 (January 10, 2020) (imposing sanctions with respect to additional sectors of Iran).

Aviation. OFAC alleges many of Iran's "commercial" airlines are owned by the Iranian government or the IRGC and used to ferry fighters, ship weapons and sensitive technologies, and move gold and hard cash to its proxies.

Digital Assets. Cryptocurrency can be a tool for sanctions evasion. OFAC has previously pointed to the use of cryptocurrency to support transactions linked to the Islamic Revolutionary Guard Corps ("IRGC") and Iranian regime insiders.

Gold. OFAC states the Iranian regime has attempted to stabilize the Iranian rial with gold to hedge against rampant inflation.

Shipping. OFAC alleges Iran's national shipping line regularly transports sensitive weapons components and missile precursors, while Iran's national tanker service illicitly ships oil for the regime and its military services.

Technology. OFAC states Iran is attempting to access advanced technologies and integrate these technologies into its domestically manufactured weapons programs. It is not clear whether OFAC intends to focus only on advanced or dual-use technology.

The identification of these five additional sectors of the Iranian economy builds on existing determinations pursuant to EO 13902 targeting Iran's financial and petroleum/petrochemical sectors. Individuals and entities operating in the five sectors outlined above are now exposed to secondary sanctions. This means OFAC can now sanction any person, regardless of where they are located, that operates in the above sectors of the Iranian economy. As a result, non-U.S. persons who operate in the identified sectors risk being designated as a specially designated national and blocked person ("SDN") and, thereby, being cut off from the U.S. financial system. Additionally, persons found to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of any person designated pursuant to EO 13902 may themselves also be designated as SDNs by OFAC.

OFAC Designations

OFAC simultaneously designated nearly 60 entities, individuals, and vessels under multiple authorities:[3] [4]

Nuclear and Missile Procurement Network (31 C.F.R. part 544). Over 20 entities and individuals spanning the Middle East and East Asia supporting procurement on behalf of Iran's Ministry of Defense and Armed Forces Logistics (MODAFL) of proliferation-sensitive technology and equipment

[3] OFAC, Removal of Syria's designation as a State Sponsor of Terrorism and Associated Sanctions List Updates; Iran-related Designations; Updates to Iran-related General Licenses (August 24, 2026), available here.

[4] 31 C.F.R. part 544 (Weapons of Mass Destruction Proliferators Sanctions Regulations); Exec. Order No. 13694, as amended (April 1, 2015) (malicious cyber-enabled activities); Executive Order No. 13902 (January 10, 2020) (designated sectors of Iran); Executive Order No. 13224, as amended (September 23, 2001) (terrorism).

for ballistic missile development and nuclear research. Designated entities include front companies in Hong Kong, China, and Malaysia.

Cyber Operations (E.O. 13694, as amended). Individuals associated with a malicious cyber group directed by Iran's Ministry of Intelligence and Security (MOIS) that is responsible for extensive compromises of U.S. critical infrastructure and financially motivated cyber theft. This action was coordinated with an FBI superseding indictment of 17 Iranian cyber actors.

Shadow Fleet and Oil Revenue Facilitators (E.O. 13902; E.O. 13224, as amended). A network of brokers, companies, and shadow fleet vessels operating across the United Arab Emirates, Hong Kong, China, Singapore, Switzerland, Europe, and other regions to transport Iranian oil and channel revenue to the Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF) and other regime elements.

Suspension of General Licenses

Additionally, Treasury issued a rule suspending indefinitely the following general licenses:

31 CFR § 560.544 (authorizing certain educational activities by U.S. persons in third countries);

31 CFR § 560.550 (authorizing certain noncommercial, personal remittances to or from Iran);

31 CFR § 560.554 (authorizing importation and exportation of services related to conferences in the United States or third countries);

General License F (authorizing certain services in support of professional and amateur sports activities and exchanges involving the United States and Iran); and

General License G (authorizing certain academic exchanges and the exportation or importation of certain educational services).

This action further narrows the scope of permissible engagement with Iran. New General License BB authorizes, through 12:01 a.m. on September 8, 2026, transactions ordinarily incident and necessary to wind down transactions previously authorized by one or more of the above general licenses.

Compliance Implications

While existing OFAC restrictions mean most U.S. companies have little current exposure to Iran, the breadth of Operation Economic Outcast and its "zero-leakage" enforcement posture present significant compliance considerations for non-U.S. companies with international operations, financial services exposure, or dealings in the newly targeted sectors. Any persons or entities who knowingly engage in significant transactions in the above-listed industries, even if they do so without any involvement of U.S. persons or any other U.S. nexus, face the risk of imposition of secondary sanctions and being cut off completely from the U.S. financial system.

Companies should consider the following steps:

- Screen counterparties, customers, and business partners against the updated SDN List and sectoral sanctions identifications.
- Review supply chains for any direct or indirect Iran nexus, particularly in the digital asset, technology, gold, aviation, and shipping sectors.
- Assess exposure to secondary sanctions based on transactions with counterparties in newly designated sectors.
- Monitor OFAC for additional guidance, including on Strait of Hormuz shipping risks and any further general license modifications.
    - OFAC issued guidance on August 24, 2026, reiterating the sanctions risks involved in attempting to cross the Strait of Hormuz—including risks related to paying "tolls" for safe passage to the Government of Iran.

We will continue to monitor developments as additional details emerge.

For further information regarding this memorandum, please contact one of the following authors:

NEW YORK CITY

George S. Wang
+1-212-455-2228
gwang@stblaw.com

Daniel S. Levien
+1-212-455-7092
daniel.levien@stblaw.com

David H. Caldwell
+1-212-455-2612
dcaldwell@stblaw.com

Anais Bourbon
+1-212-455-3427
anais.bourbon@stblaw.com

WASHINGTON, D.C.

Abram J. Ellis
+1-202-636-5579
aellis@stblaw.com

Jim Perry
+1-202-636-5717
james.perry@stblaw.com

Claire Cahoon
+1-202-636-5828
claire.cahoon@stblaw.com

Christine Tillema
+1-202-636-5559
christine.tillema@stblaw.com