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U.S. continues to ratchet up sanctions against trade with Iran in "Operation Economic Outcast"

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On August 24, 2026, the U.S. government announced an escalation of Iranian sanctions. As part of this action, OFAC suspended five general licenses, newly designated nearly 60 entities and individuals, and added five new sectors that may be subject to secondary sanctions. Measures against Iran's trading partners have been threatened but not yet imposed.

In a speech on August 24, 2026, Treasury Secretary Scott Bessent announced additional sanctions measures, referred to as Operation Economic Outcast, that are designed to increase pressure on Iran to reopen the Strait of Hormuz and reach a durable peace agreement with the United States. This client update describes the concrete measures taken in connection with the announcement. Those measures include (1) the suspension (effective September 8, 2026) of five general licenses related to educational activities, personal remittances, conference attendance, sports activities and exchanges and certain academic exchanges/services; (2) the imposition of blocking sanctions against individuals, entities and vessels that support the Iranian economy across certain sectors; and (3) the additional designation of five sectors – digital assets, technology, gold, aviation, and shipping – under Executive Order (**EO**) 13902 for which secondary sanctions could be imposed.

In his August 24 speech, Secretary Bessent stated that U.S. officials were engaging with other countries to communicate an expectation that economic ties with Iran should be severed and a "defined timeline" for each country to take such action. He further stated that "any entity that facilitates money laundering on behalf of Iran will be removed from the U.S. dollar system." However, no concrete measures have been announced against countries other than Iran to-date in connection with those statements.

The new measures are significant but more incremental than the rhetoric around them may suggest. They have been framed as "D-Day" for a new campaign to economically isolate Iran, but they build on similar recent measures and involve existing sanctions authorities. In that sense, they are more akin to continuing bombardment than storming the beaches. Should the conflict with Iran remain unresolved we expect additional incremental suspensions or designations to occur.

Suspension of Iran general licenses

As part of Operation Economic Outcast, the Treasury's Office of Foreign Assets Control (**OFAC**) issued a rule indefinitely suspending five general licenses (**GLs**) related to Iranian sanctions. The suspended GLs had previously authorized certain limited categories of transactions involving Iran that would have otherwise been prohibited by the Iranian Transactions and Sanctions Regulations, 31 C.F.R. Part 560 (the "**ITSR**") for persons subject to OFAC's jurisdiction.

OFAC simultaneously issued General License BB, authorizing all transactions otherwise prohibited by the ISTR that are ordinarily incident and necessary to the wind down of transactions previously authorized under the suspended GLs **until 12:01 AM eastern daylight time on September 8, 2026**. After that time, parties must obtain a specific license from OFAC for any transactions that were previously authorized under the suspended GLs. In order to benefit from the wind-down flexibility created by GL BB, any payment relating to licensed wind-down transactions must be made into a blocked interest-bearing account located in the United States. Transactions that are prohibited by other sanctions programs other than the ITSR are still prohibited.

The suspended GLs are as follows:

- 31 C.F.R. § 560.550 authorized **noncommercial, personal remittances** to or from Iran if made through a U.S. depository institution or SEC-registered broker or dealer. The GL contained multiple exclusions, including that remittances involving blocked persons, for the purpose of supporting a family business and charitable donations are not authorized by the GL.
- 31 C.F.R. § 560.544 authorized **accredited U.S. undergraduate academic institutions with educational or exchange programs in countries other than Iran or the U.S. to engage in certain activities**, such as hiring Iranian residents as faculty or enrolling Iranian residents as students, but only with respect to programs in the humanities, social sciences, law, and business.[1]
- Iran GL G authorized a **variety of academic exchange programs and educational activities related to Iran**. Among other things, the GL authorized student exchange agreements between accredited U.S. graduate and undergraduate academic institutions (and their contractors) and Iranian universities; the export of educational services by such U.S. institutions (and their contractors) related to application and tuition processing and recruitment of Iranian professors (subject to visa requirements if teaching in the United States); and the administration of entrance examinations for such U.S. institutions. The GL also authorized certain U.S. students to participate in courses and noncommercial research at the undergraduate level or, on a more limited basis, at the graduate level at Iranian universities and the export of services by U.S. persons to support efforts to combat illiteracy or increase access to education in Iran.
- 31 C.F.R. § 560.554 authorized the importation and exportation of Iranian-origin services and the exportation, reexportation, sale, or supply of such services from the United States or by a U.S. person when such services were **related to participation by certain Iranian residents in a public conference, performance, exhibition or similar event** in the United States or third countries.[2]
- Iran GL F authorized the importation of Iranian-origin services into the United States and the exportation or reexportation of such services from the United States to the extent they were related to **professional and amateur sporting activities and exchanges** between the United States and Iran. The GL included clarification that U.S. financial institutions could process payments ordinarily incident and necessary to transactions authorized by the GL.

The suspension of the above GLs will significantly curtail academic relationships with Iran and will limit athletic and cultural exchanges and person-to-person remittances. However, a number of other licenses remain in place, such as those related to certain humanitarian, journalistic and publishing activity connected to Iran. The above suspensions build on other recent incremental escalations of Iranian sanctions over the past several months, such as the revocation of GL X (which temporarily lifted certain restrictions on the importation of Iranian oil) and recent designations of persons facilitating Iranian trade (discussed below).

New designations targeting facilitators of the Iranian economy

Alongside the GL suspensions, OFAC designated nearly 60 entities, individuals and vessels across multiple jurisdictions as subject to blocking sanctions. The designations target three principal categories of activity: illicit nuclear and missile technology procurement, cyber operations, and oil?revenue generation networks. As a result of the designations any property interest of such persons or their 50% or more owned subsidiaries within the United States or the control of U.S. persons is blocked and U.S. persons are generally prohibited from transacting with such persons or their 50%+ subsidiaries.

These latest designations are a continuation of the numerous recent designations of persons facilitating Iranian trade, e.g., the designations announced on June 2, June 10, July 10, July 14, July 15 and July 24. Consistent with prior recent designations, the latest designations target persons, entities and vessels operating both inside and outside Iran, including in the United Arab Emirates, China (including Hong Kong), Singapore and Europe.

Expanded secondary sanctions risk

OFAC also issued five new sectoral sanctions determinations pursuant to EO 13902, significantly expanding the categories of Iran-related conduct that may be subject to secondary sanctions. The additional sectors are the aviation, digital asset, gold, shipping, and technology sectors of the Iranian economy. EO 13902 is a two-part sanctions tool.

- First, it exposes any actors operating in designated sectors or that have engaged in significant transactions with or materially assisted persons operating in such sectors to being designated for blocking sanctions. Because most Iranian entities are already barred from direct trade within U.S. jurisdiction, the primary change is that non-Iranian companies that trade with such sectors, such as persons that transact with Iranian commercial airlines, incur increased secondary sanctions risks.
- Second, EO 13902 authorizes the Treasury Secretary to impose sanctions on a foreign financial institution that knowingly conducts significant transactions with designated sectors. Among other things, such foreign financial institutions can be cut off from access to U.S. correspondent bank accounts. No measures have been announced under this authority to-date However, foreign financial institutions that continue to engage with designated sectors, such as engaging with Iranian digital asset exchanges or with Iranian gold dealers, run a significant risk of being sanctioned.

Given the broad array of existing Iran sanctions authorities, these determinations do not materially add to the tools available to OFAC, though they may simplify the administrative process for some future designations. Rather, they should be read as a signal of the administration's likely near-term enforcement priorities, and of increased sanctions risk for third-country actors engaging with the identified sectors of Iran's economy.

Diplomatic pressure and other developments

In his speech accompanying the announcement of Operation Economic Outcast, Secretary Bessent stated that teams from Treasury, the State Department and the Department of War are meeting with global counterparts to demand immediate action, and that every country will be given a defined timeline to shut down Iran-related activity. At present, this effort appears to be largely an exertion of diplomatic pressure; no concrete sanctions measures against Iranian trading partners have been announced in connection with the statement.

Additionally, OFAC issued updated guidance on the sanctions risks of complying with Iranian demands for toll payments or guarantees of safe passage through the Strait of Hormuz, warning that U.S. and non-U.S. persons risk sanctions or penalties by engaging with designated Iranian entities demanding such payments. The updated guidance emphasizes that accepting services (including insurance) from the relevant Iranian entities or responding to information requests from them to obtain safe passage may result in penalties or the imposition of sanctions, even where there is no associated payment or exchange of value.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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1 The scope of the GL excludes coursework in math, sciences, and engineering except as required for undergraduate programs in the humanities, social sciences, law, or business.

2 The GL excludes services related to participation in such an event by the Government of Iran, an Iranian financial institution or certain blocked persons.