Following Up on the First Warning Shot in Operation Economic Outcast

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Brief Analysis

Targeting a UAE-based bank with a serious but time-delayed action could have beneficial cautionary effects—though the wider problem of illicit Iranian financing in the Emirates will require a more concerted and lengthy Treasury Department campaign.

Last week, the U.S. Treasury Department launched "Operation Economic Outcast" against Iran, with Secretary Scott Bessent promising "the single greatest financial offensive ever marshalled against an adversary." While the initial actions fell short of such statements, one measure could amount to an effective warning shot: a proposed rule issued by the Financial Crimes Enforcement Network (FinCEN) under Section 311 of the USA PATRIOT Act that would cut off the Emirati branch of Egypt's Bank Misr from the U.S. financial system. As a previous Washington Institute article **(https://www.washingtoninstitute.org/policy-analysis/shutting-irans-emirati-back-door-banks-and-supply-chains)** noted, the United Arab Emirates is one of the most important hubs for Iranian finance and trade, including illicit transactions that directly benefit the regime's worst activities at home and abroad. If this was Washington's way of cautioning the UAE and financial institutions operating in the country that they may soon be targeted more directly, then it could have a real impact.

A Powerful But Limited Move

Treasury accused the Bank Misr branch **(https://home.treasury.gov/news/press-releases/sb0617)** of being a financial institution of "primary money laundering concern," namely by processing almost $2 billion for more than 100 companies that are part of Iranian "shadow banking" networks. Using Section 311 instead of more traditional designation tools is somewhat unusual. Unlike most Treasury sanctions, a 311 action does not take effect immediately—there is a thirty-day public comment period before the rule can go final. Moreover, Treasury is planning to impose the most serious measure available under 311: cutting off the bank's access to the U.S. financial system. Both of these unique features suggest that Washington may be putting the UAE and financial institutions operating there on notice.

As seen in similar past cases, this powerful tool could prove fatal to the Emirati branch of Misr, Egypt's second-largest bank. By itself, however, it is unlikely to have a major impact on Iran, since the regime could simply shift to other banks doing business in the country. And while Section 311 can be applied more broadly against entire jurisdictions, Washington has generally reserved that measure for adversaries like North Korea and is unlikely to use it against an ally like the UAE. Yet if the Bank Misr designation augurs more such actions specifically targeting Iranian financial activity in the UAE, then it could be a different story.

Over the weekend, Secretary Bessent **warned (https://www.reuters.com/business/finance/bessent-expects-new-us-secondary-sanctions-weekly-aiming-increase-pressure-iran-2026-08-30/)** that many more actions are coming: "We're starting with the banks, and we're telling the banks it's not okay to have Iranian money and to aid the regime." Treasury may also have chosen the time-delayed Section 311 option to give Bank Misr an opportunity to take corrective action, as an example to others that they can still choose the right path and avoid a U.S. cutoff.

An Opening for Wider Treasury Outreach?

Washington faced a similar problem in 2007-10, when Iran was using permissive financial environments in the UAE (particularly Dubai) and other countries to circumvent international sanctions. At the time, Treasury Undersecretary Stuart Levey was overseeing the U.S. effort to increase financial pressure on Tehran, and he quickly made the UAE one of his top priorities. In addition to visiting the country more than a dozen times over a two-year period, he and other Treasury officials met directly with the leaders of banks in the UAE and other countries to warn them about the risks of continuing their business transactions with Iran.

This continuous, high-level engagement with the Emirati government and private sector had an impact. By 2010, hundreds of Iranian-linked businesses operating in the UAE had **reportedly (https://www.ft.com/content/a23950f4-7d58-11df-a0f5-00144feabdc0)** shut down, the country had cancelled many visas of Iranians involved in illicit trade, and major banks had sharply restricted their financial engagement with Iran, including activities taking place in and through the UAE.

The Emirates may be receptive to a similar Treasury campaign today, especially given Iran's extensive military strikes on their territory over the past few months. Last week, Abu Dhabi **announced (https://www.mofa.gov.ae/en/MediaHub/News/2026/8/19/uae-Iran)** that "all trade, commercial exchanges, and financial transactions with Iran have been halted until further notice." The question is how dedicated the government will be in following through on this pledge. Even if officials are serious about it, uncovering and disrupting the many Iranian front companies that operate there will be a difficult, resource-intensive challenge—one that requires considerable intelligence support and other assistance from the United States and others.

If the UAE proves unwilling to take the necessary steps, Washington could resort to other pressure tools beyond unilateral sanctions. For example, it could call for the Emirates to be added back to the grey or black lists maintained by the Financial Action Task Force (FATF). The country was previously placed on the grey list in 2022 for gaps in its anti-money laundering and counter-terrorist financing efforts, then removed in 2024 after making changes to address these deficiencies. Abu Dhabi would undoubtedly prefer to stay off the FATF's radar, since being listed again would spur financial institutions to apply enhanced due diligence in the Emirates and could have wider economic effects.

Conclusion

The bottom line is that if the Trump administration is serious about achieving the **stated goals (https://www.whitehouse.gov/releases/2026/08/operation-economic-outcast-total-isolation-of-the-iranian-**

regime/) of Operation Economic Outcast, it will have to prioritize this effort and dedicate significant resources to seeing it through over the course of months and perhaps years. This includes the diplomatically challenging task of pressing close U.S. allies and their financial and business sectors to take actions that will have costs for them.

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