

Presumed denial – OFAC’s new policy for Iran-related licenses

October 2026

On September 10, 2026, the Office of Foreign Assets Control (OFAC) issued a new Statement of Licensing Policy (the “Policy”), as part of “Operation Economic Outcast,” which establishes a presumption of denial for license applications requesting authority for activities prohibited under Iranian sanctions.

Although OFAC has long refused to grant licenses for most business activities involving Iran, the Policy has far broader implications, including for noncommercial transactions, enforcement of court judgments and arbitration awards, as well as the renewal of existing OFAC licenses.

OFAC implemented the Policy immediately, denying the vast majority of pending applications for Iran-related licenses. The Department of the Treasury has stated the Policy will remain in place until Iran changes its conduct, including obstructing the Strait of Hormuz, attacking US personnel and partners in the Gulf and pursuing nuclear and conventional weapons.

Narrow exceptions

There are only two exceptions to the Policy of presumed denial. The first is for licenses “required by law.” This is a narrow exception intended to address the legal limits of OFAC’s authority. It preserves the agency’s ability to honor licensing obligations established by statute or treaty, such as Section 906 of the Trade Sanctions Reform and Export Enhancement Act of 2000, which requires that certain exports of agricultural commodities, medicine and medical devices proceed under one-year specific licenses.

The second exception is for “exceptional and urgent circumstances, such as risk to life, limb, or environmental safety.” Applicants must submit a written attestation demonstrating those circumstances, after which OFAC will review such applications on a case-by-case basis in consultation with the Department of State. The emergency exception is likely to be interpreted narrowly. Indeed, OFAC suspended three safety-oriented general licenses two days before issuing the Policy. Accordingly, applicants should not expect OFAC to construe “risk to life, limb, or environmental safety” to encompass commercial disruption, contractual default, or financial loss.

Implications for applicants

The new Policy has the greatest impact on license applications that OFAC routinely approved in the past. For example, OFAC is denying applications for licenses to: receive payments owed under contracts with non-Iranian persons blocked under Iran-related authorities; receive payments to satisfy judgments and settlements; enforce arbitration awards; wind-down dealings with blocked persons beyond the terms of general licenses; and renew or amend existing specific licenses. Applicants in these categories should assume denial, without regard to how comparable requests were treated before September 10, 2026.

Holders of specific licenses approaching expiration should assess the contractual and compliance consequences of non-renewal. Conditions precedent, escrow provisions and settlement terms drafted on the assumption that a specific license can be obtained warrant review, together with the termination and force majeure provisions that a failure to obtain one may trigger.

Parties contemplating new applications should first confirm whether a general license remains in effect that covers the conduct. Where a statute or treaty compels licensing, or where there is a safety-related emergency, the application must detail how these factors should overcome OFAC’s presumption of denial.

If you have any questions about the Policy or its impact, please contact a member of the International Trade & Foreign Investment team.

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