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How Economic Warfare Affects Global M&A

By Saud Alanazi

Executive Summary

On the 24th of August 2026, the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC) initiated “Operation Economic Outcast,” a broad economic warfare campaign against the Islamic Republic of Iran. The operation expands secondary sanctions with the purpose of targeting Iran’s network of shadow banks, currency houses, and shipping routes. Washington has weaponized the primary M&A clearing mechanisms by the forcing of international strategic and private equity institutions to either forfeit access to the global financial system or to enforce U.S. national security policy.

M&A Due diligence is no longer isolated to financial box-ticking; it must now involve geopolitical analysis. What goes on in the world is now a core determinant of deal valuation, cross-border transactions, and foreign exchange across all global markets.

Broader Context & Mechanisms

Under the Treasury’s Operation Economic Outcast, OFAC shifted from targeting isolated entities to sector-wide, whole-of-government disruption. Through the placement of international financial intermediaries and resource transit hubs under the threat of secondary sanctions, Washington developed a self-policing global financial ecosystem.



U.S. Treasury

[Secondary Sanctions]



Non-U.S. Financial Intermediaries

[Denial of Credit Access]



Cross-Border M&A Targets



[Deal Lifecycle Delay / Valuation Discount / Termination]

Visual By Saud Alanazi

Key Impacts on M&A

- 1) Financial Isolation & Debt Syndication Halts: International investment banks enforce zero-tolerance risk corridors. Transactions involving geopolitically sensitive markets such as the UAE, Turkey, or other Middle Eastern nations may face drops in leverage facilities.
- 2) De-Risking of FinTech, Financial, and Infrastructure Targets:
 - a. Cross-border acquisitions of Middle Eastern or Asian FX houses or crypto platforms face high degrees of uncertainty. Targets exhibiting unverified volume may be flagged for potential secondary sanctions evasion, exerting downward pressure on valuations.
 - b. Port infrastructure, shipping firms, and tanker fleets operating along trade routes face high levels of deal drag as a result of difficulties with respect to the verification of Ultimate Beneficial Owner.

Policy Recommendations

Corporate dealmakers and investment committees must consider implementing the following:

- 1) Mandating Geopolitical Due Diligence: Shifting risk management assessments from dated legal compliance to a holistic process of threat modeling early in the LOI (letter of intent) stage.
- 2) Pre-Deal Carve-Outs: Mandate targets (if they operate as a conglomerate/holding company) to spin off or liquidate regional subsidiaries with heightened levels of geopolitical risk exposure prior to signing definitive agreements.

Disclaimer

Saud Alanazi is a finance student at Prince Sultan University, Head of Research at the Prince Sultan University Investment Club, and has passed Level I of the CFA Program. For more analysis from the author(s) and the Prince Sultan University Investment Club, please follow us on LinkedIn at [PSU Investment Club](#). Follow Saud Alanazi on LinkedIn at [Saud Alanazi](#). The Prince Sultan University Investment Club is an academic, student-driven research group dedicated to advancing financial literacy, capital markets analysis, and strategic economic research.

References

U.S. Department of the Treasury. (2026, August 24). Treasury launches unprecedented campaign against Iranian regime on economic D-day (Press Release No. SB0613). <https://home.treasury.gov/news/press-releases/sb0613>