Implications and Policy Responses for Banking Sector Sanctions on Syria

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Disclaimer

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Executive Summary

The ousting of the Assad regime in December 2024 and the formation of a transitional government have opened a window to reassess the existing sanctions frameworks on Syria. The EU responded promptly, lifting and amending a broad set of sanctions—particularly those targeting banking, energy, transport, and reconstruction—thereby helping lay the groundwork for Syria's reintegration into the global economy. The delisting of the largest state-owned entities by the UK, including the Central Bank of Syria (CBS) and the Commercial Bank of Syria, also set an important precedent in this new chapter of reassessing Syria-related sanctions.

The US initially offered limited and short-term exemptions for the banking sector and other activities. In May 2025, however, the Trump administration announced its decision to pursue the "cessation of sanctions" against Syria in order to give the country a "chance at greatness." Following the announcement, the administration issued General License 25, which authorizes transactions involving the interim Syrian government, as well as the CBS, Syrian banks, state institutions, and state-owned enterprises. Meanwhile, the US Secretary of State issued a 180-day waiver under the Caesar Act, to ensure that secondary sanctions do not obstruct investment and to facilitate the provision of electricity, energy, water, and sanitation, and to enable humanitarian efforts.

Following the US announcement on the cessation of sanctions, the EU also lifted its economic sanctions on Syria, while retaining those targeting the Assad regime to ensure accountability, maintain security-related restrictions, such as those on arms and dual-use technology, and introducing new targeted measures against human rights violators and those fueling instability.

This report evaluates the extent to which sanctions have contributed to the deterioration of Syria's banking sector and explores pathways for reintegrating the country into the international financial system. It assesses how banking restrictions have disrupted essential services, including personal remittances, savings, and cross-border transactions, and fueled the rise of informal networks like hawala, which carry their own money laundering and terrorist financing risks.

Using a mixed-methods approach, the study combines financial data analysis, expert interviews, and legal reviews. It analyzes financial statements from both sanctioned and unsanctioned Syrian banks and investigates how the informal financial sector expanded in response to prolonged restrictions on formal banking channels.

The findings reveal that sanctions led to the severing of correspondent banking relationships, cutting banks off from the global financial system and deepening the country's long-standing financial isolation, rooted in decades of corruption and political-regulatory instability. With formal banking ties severed, the economy shifted to informal alternatives, greatly reducing transparency and making it harder

for international actors to monitor and enforce sanctions effectively. Isolated from global markets, Syrian banks had little incentive to maintain international regulatory standards and remain up to date with industry practices. Sanctions also inadvertently widened the gap between regime-linked actors and more autonomous financial institutions, thereby weakening the latter and entrenching the dominance of the former.

Domestic and international confidence in Syria's formal banking sector has largely collapsed. With trust in domestic banks eroded and limited access to international channels, most citizens now rely on hawala networks, cash transactions, and alternative platforms to transfer funds and conduct business. Sanctions suspensions issued after the Assad regime's collapse (primarily by the US, EU, and UK) have failed to restore trust or functionality. Foreign institutions remain reluctant to reengage due to compliance risks and reputational concerns, while correspondent banking channels remain effectively frozen.

Reviving the country's banking sector will require urgent, coordinated efforts at both domestic and international levels. This report offers recommendations to the Syrian Interim Government (IG), to Western governments and sanctioning authorities, and to international institutions such as the UN and the World Bank, outlining a multifaceted approach to restoring Syria's links to the global financial system.

Policy Recommendations

To the Syrian Interim Government

To address Syria's cash-based economy and restore public confidence in the formal banking sector, the CBS, as well as private banks and financial regulators, must commit to minimum compliance standards. They should actively legislate and enforce UN Conventions, while adopting widely-accepted rules on anti-bribery, anti-corruption, tax evasion, anti-money laundering (AML), counter-terrorism financing (CTF), counter-proliferation financing (CPF), and the implementation of the targeted financial sanctions regimes to comply with the UN Security Council's (UNSC) Resolutions on terrorism prevention and financing. As an initial step toward aligning with the Financial Action Task Force's (FATF) forty recommendations, the CBS should require all private banks to adhere to the Wolfsberg Transparency Principles as a minimum.[1]

Requiring private banks to follow these principles would improve risk management, corporate governance, and customer due diligence, in turn fostering the much-needed trust from foreign banking institutions. Given the current capacity constraints, the rollout should be gradual and supported by international technical assistance and training. Organizations such as the World Bank and the International Monetary Fund can provide crucial support in this effort through capacity building and operational guidance.

Restoring trust with depositors must also become a top priority. Years of economic instability and political and financial turmoil have pushed many citizens to keep their savings outside banks. To reverse this trend, Syrian banks should adopt international governance standards, like Wolfsberg's Transparency Principles, [2] and offer targeted incentives like attractive interest rates and flexible loan terms. These measures would encourage people to deposit funds into formal banks, increasing the amount of capital available for lending and investment and thereby strengthening the formal banking sector and supporting economic recovery.

Syria's IG has an opportunity to re-establish ties with the FATF and realign its financial governance with international AML/CTF/CPF standards. As economic sanctions ease, removal from the FATF grey list should become a priority for the recovery of the banking sector and, as a consequence, the economy.

The government, along with the CBS and domestic regulators, should formally commit to the FATF's recommendations and request structured engagement. It should also reach out to the Middle East and North Africa FATF for technical

1- These are a set of anti-money laundering (AML) and compliance guidelines for financial due diligence and transparency developed by the Wolfsberg Group, an association of twelve global banks promoting best practices in financial crime risk management. Two documents apply here: Payment Transparency Standards 2023 and Payment Transparency Roles & Responsibilities.

2- See Wolfsberg's Payment Transparency Standards 2023 and Payment Transparency Roles & Responsibilities.

assistance, incorporate sustained external feedback, and restore international cooperation.

The FATF has not conducted a mutual evaluation of Syria in nearly twenty years. The IG should request an on-site assessment and host a long-postponed peer review mission. After the visit, it should work closely with FATF and technical partners to create a compliance roadmap with defined milestones and timelines.

To Western Governments

Western governments should lift all remaining banking sector sanctions on Syria without imposing expiry dates, which currently compress time horizons for foreign private sector actors and deter long-term engagement. If revocation is politically unfeasible, a clearer suspension framework must be adopted instead, coupled with detailed guidance outlining permitted transactions and providing concrete due diligence requirements.

Western governments must also actively engage with private sector operators, offering timely assurances and problem-solving, including via Trisector work. [3] These steps are crucial to prevent overcompliance and ensure that legitimate banking transactions take place, particularly those related to humanitarian needs and reconstruction efforts. Ambiguous regulations and regulatory sanctions divergence have led banks to act with understandable yet excessive caution, blocking vital financial flows and worsening civilian hardship.

Counterterrorism-related sanctions will need to be revisited as part of a comprehensive political settlement. Syria's authorities must lead a credible and inclusive process that addresses the continued presence and legacy of radical jihadist groups. Without this, Syria will remain flagged as a high-risk jurisdiction by most banks with a global footprint. At the same time, the international community (including the UN and Western governments, which maintain many of the relevant designations) will need to objectively reassess whether existing listings remain appropriate. Individuals such as the head of Syria's Interim Government, Ahmad al-Sharaa, and the now reportedly defunct group he once led, Hayat Tahrir al-Sham (HTS), remain listed under UNSC terrorism sanctions regimes and US counterterrorism Executive Orders (EOs) such as EO 13224. These designations, particularly under UNSC Resolution 1267 targeting al-Qaeda and ISIL (Daesh), create legal and political obstacles to re-engaging with Syria's banking sector. Ministries, central banks, and international organizations may hesitate to cooperate with entities such as the Ministry of Finance or the CBS due to lingering concerns about institutions previously associated with HTS-linked figures.

3- Business, government, and nonprofit.

Likewise, the continued designation of Syria as a State Sponsor of Terrorism (SST) by the US further complicates financial re-engagement. While the SST label had limited financial impact prior to 2011, when trade and financial engagement with Syria was still ongoing, it now acts as a major legal and symbolic barrier. The SST designation hinders potential avenues for donor engagement, including US Agency for International Development programming, and appears to significantly deter international financial institutions from re-entering the Syrian market, even in areas ostensibly covered by humanitarian exemptions.

Whether or not some US sanctions remain in place, especially given President Trump's history of backpedaling on Syria, European governments should establish alternative payment routes without a US nexus to avoid being at risk of breaching US sanctions. Government-backed banks could facilitate transactions through the provision of sovereign protection, with support from key European institutions such as the European Central Bank and the Bank of England, as well as the European Investment Bank and the European Bank for Reconstruction and Development. Policymakers should also engage Western public and private banks to promote financial re-engagement with Syria as a strategic European interest.

While US sanctions easing remains in the initial stage, framing Syria's financial reintegration as a European foreign and security policy priority is essential. If the country remains economically isolated, institutionally hollow, and unable to meet humanitarian needs, it risks descending into state failure and triggering new migration waves, drug trafficking, terrorism, and chaos that various regional and domestic actors could quickly exploit.

Western governments should facilitate structured, technical dialogue by leading delegations of compliance, legal, and risk officers from Western banks to Damascus. This could help clarify due diligence expectations and identify practical barriers to reconnecting Syrian banks to the international financial system.

By maintaining sanctions, Western governments risk alienating the current leadership and driving it closer to competitors such as Iran and Russia, countries that either ignore sanctions or have learned to operate effectively under them.

To the United Nations and the World Bank

Efforts to re-plug Syria into the system are likely to take years to yield fruit due to both policy and technical-operational challenges. In the meantime, the UN and the World Bank should explore the creation of a neutral, independently monitored escrow account or safe banking channel. This mechanism would enable transparent, targeted disbursement of much needed state-to-state reconstruction funds while liaising with entities no longer sanctioned by the EU and the UK, and minimizing the risk of diversion.

There is precedent for this approach: following the US withdrawal from Afghanistan in 2021, both the UN Development Programme (UNDP) and the World Bank adopted funding tools to deliver aid while avoiding engagement with sanctioned Taliban authorities. The UNDP launched the Special Trust Fund for Afghanistan in October 2021, while the World Bank restructured the Afghanistan Resilience Trust Fund—originally established in 2002—to support the Afghan population under new political realities. Both mechanisms maintained strict oversight and operated outside the control of the Taliban interim administration. A similar model could offer a transitional tool for Syria, meeting urgent recovery needs without signaling full political alignment and offering a structured path toward financial reintegration.

List of Acronyms

AML	Anti-Money Laundering
CBoS	Commercial Bank of Syria
CBS	Central Bank of Syria
CFR	(US) Code of Federal Regulations
CPF	Counter-Proliferation Financing
CTF	Counter-Terrorist Financing
EO	(US) Executive Order
FATF	Financial Action Task Force
FinCEN	(US) Financial Crime Enforcement Network
FTO	Foreign Terrorist Organization
GL	(US) General License
HTS	Hayat Tahrir al-Sham (reportedly defunct)
IMF	International Monetary Fund
OFAC	(US Treasury) Office of Foreign Assets Control
OFSI	(UK) Office of Financial Sanctions Implementation
SDGT	Specially Designated Global Terrorist
SDN	Specially Designated National
SIIB	Syrian International Islamic Bank
SLCB	Syrian Lebanese Commercial Bank
SME	Small and Medium Enterprises
SST	State Sponsor of Terrorism
UNDP	UN Development Programme
UNSC	UN Security Council

1. Introduction

With the ousting of the Assad regime in December 2024, the rationale for many broad-based sanctions on Syria effectively lapsed. The emergence of a transitional government marked a critical juncture to reassess the current sanctions framework and its continued relevance. Although these measures were legally imposed to pressure the regime to change its political behavior, they have severely undermined the broader economy, left in tatters after decades of war. Their impact has been compounded by widespread overcompliance among banks and private-sector actors. Today, the lack of meaningful progress on sanctions relief is inflicting broad harm on the population—an outcome for which the imposing governments share responsibility. As the country enters a new phase under an Interim Government (IG), those same actors now carry a parallel obligation: to help repair the economic damage resulting from years of isolation and to promptly remove barriers that continue to prolong suffering.

Sanctions targeting the banking sector have evolved over two decades, serving as a primary tool for Western governments to apply economic leverage against the Assad regime. While the 2003 Syria Accountability and Lebanese Sovereignty Restoration Act, also known as the Syria Accountability Act, laid the political groundwork for some of these punitive measures, it did not reference banking services or designate any financial institutions. The US Executive Order (EO) that implemented it, EO 13338, also omitted mention of Syrian banks.

Legally binding US restrictions on financial services came later, with EO 13582 in 2011.[4] This order explicitly prohibited the export or provision of services to Syria, including financial and banking services. Even earlier, the USA PATRIOT Act had enabled initial US actions against Syrian banks.[5] In the early 2000s, the US flagged the Commercial Bank of Syria (CBoS), the country's largest state-owned bank, under the USA PATRIOT Act's anti-money laundering (AML) and counter-proliferation financing (CPF) provisions; the Syrian Lebanese Commercial Bank (SLCB), a subsidiary of the CBoS, was also flagged. A May 2004 Notice of Proposed Rulemaking and Finding determined that the CBoS was used by individuals linked to terrorist organizations and as a conduit for laundering the proceeds from illicit Iraqi oil sales. These early actions, in short, were grounded in AML and CPF authorities rather than Syria-specific sanctions.

In March 2006, the US Treasury Department's Financial Crime Enforcement Network (FinCEN) followed up with a Final Rule, officially prohibiting US financial institutions

4- Executive Order 13582 prohibits, among other activities, (a) new investment in Syria by a US person, wherever located; and (b) the exportation, reexportation, sale, or supply, directly or indirectly, from the US, or by a US person, wherever located, of any services to Syria.

5- The "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism" (USA PATRIOT) Act of 2001 expands the authority of US law enforcement and intelligence agencies to prevent terrorism by enhancing surveillance powers, tightening AML controls, and facilitating information sharing across government agencies and financial institutions.

from opening or maintaining correspondent accounts for or on behalf of the CBoS, whether directly or indirectly. Banks were also required to apply enhanced due diligence to guard against indirect access through so-called "nested accounts," whereby CBoS could use third-party institutions to access US financial systems anonymously.

Despite these measures, the CBoS continued conducting transactions with multiple entities already under US, EU, and UN sanctions. These activities led to its designation under EO 13382 in 2011 for providing financial services to proliferators of weapons of mass destruction. This designation formally linked CBoS to counter-proliferation sanctions and further isolated it from global financial systems.

Legally binding US restrictions on financial services expanded further with EO 13582 in August 2011, which explicitly banned the export or provision of services to Syria, including financial and banking services. This marked the formal entry of the country's banking sector into a comprehensive US sanctions regime.

Following the outbreak of the conflict in 2011, most sanctions aimed to compel Assad to cease human rights violations and move toward a political settlement under UN Security Council (UNSC) Resolution 2254 (18 December 2015). The EU imposed sweeping banking sector sanctions, consolidated under Council Regulation 2012/36/CFSP, and Council Decision 2013/255/CFSP, which, among other provisions, froze the assets of the Central Bank of Syria (CBS) within the EU and prohibited the establishment of new correspondent bank relations with Syrian public and private banks. These actions further limited Syria's access to the global financial system.[6]

Although the domestic banking sector was already largely isolated by that time, the enforcement of the US Caesar Syria Civilian Protection Act of 2019 (Caesar Act), which took effect on 17 June 2020, delivered an additional and significant blow.

The Caesar Act introduced secondary sanctions, barring foreign financial institutions from engaging in transactions with the government of Syria. This included, per the definition of the Syrian government under US Syria Sanctions Regulations,[7] the CBS and other banks considered to be under government control or acting on its behalf. In parallel, EO 13582 prohibits US persons from engaging in transactions with or providing services to Syrian government entities, including the CBS.

Together, these measures deterred non-US entities from conducting financial

6- While the Council Regulation and Council Decision are closely aligned, they differ in legal scope. The Council Decision functions primarily as a political instrument for EU Member States, whereas the Regulation translates these commitments into binding legal obligations for entities like banks and NGOs. The Regulation outlines sectoral and financial sanctions, while travel bans and arms embargoes remain within the Council Decision, as these fall under national authority.

7- 31 US Code of Federal Regulations (CFR) § 542.308 Government of Syria states that the Government of Syria includes "The state and the Government of the Syrian Arab Republic, as well as any political subdivision, agency, or instrumentality thereof, including the Central Bank of Syria."

activities linked to Syria. They further deepened the country's financial isolation by restricting remaining banking channels accessible to the population. [8] Additionally, implementation of the Caesar Act worsened an already prohibitive business environment, prompting remaining firms to scale back or exit the Syrian market. This, in turn, further reduced economic activity and delivered another blow to the weakened banking sector. [9] For instance, soon after the Caesar Act took effect, the Lebanese company CSC Group stopped servicing Syrian automated teller machines (ATMs).

Today, Syria's banking sector remains one of the most heavily sanctioned in the world, whether through direct measures or the lasting chilling effect sanctions have created. Although the EU and UK have significantly eased their sectoral sanctions on Syrian banks, and the US has issued General License (GL) 25, suspended the Caesar Act for 180 days, and provided exceptive relief for the systemically important CBoS, ongoing US service bans and counterterrorism restrictions continue to severely limit international financial access.[10]

In addition, international terror-related sanctions imposed by the UN target, among other actors, Hayat Tahrir al-Sham (HTS; reportedly now defunct) and its leader Ahmad al-Sharaa, previously known as Abu Mohammad al-Jolani. The UN's ISIL (Daesh) and Al-Qaeda Sanctions Committee designated HTS and Sharaa due to their former ties to al-Qaeda.

While these measures do not directly target the Syrian banking sector, they have a significant impact by deterring international actors from engaging in transactions that could be perceived as benefiting HTS or entities operating under its control. Now that Ahmad al-Sharaa is the Interim President, the continued designation of HTS and its leadership under UN sanctions creates a legal and political dilemma: international parties are expected to engage with the new government, but domestic laws and regulations prevent dealings with sanctioned individuals.

Until this dilemma is solved, either through the lifting of sanctions or a change in leadership, current measures continue to hinder efforts to restore formal banking channels, attract foreign investment, and support humanitarian and reconstruction[11] initiatives.

As of June 2025, Syria's banking sector remains almost entirely cut off from the global financial system. Even close US allies face significant challenges in processing

8- Interview with Maria Al-Harastani, Chief Compliance Officer at Bank Byblos Saudi Fransi, Damascus, 27 January 2025.
9- Interview with Laith Rikabi, Deputy CEO at Fransabank, Damascus, 28 January 2025.
10- Other countries have aligned their sanctions regulations on Syria with those of the US, EU, and UK. Among those are Canada, Australia, Switzerland, the EU candidate countries, and the European Free Trade Association members.
11- Additional complexities arise from the presence of other sanctioned officials in the new Interim Government (IG). For instance, Syria's Interior Minister, Anas Khattab, remains under UN sanctions.

transactions, largely due to the secondary and extraterritorial reach of US sanctions. US exposure and the risk of penalties is embedded in many forms: financial institutions from allied countries operate in US markets, conduct transactions in US dollars, raise capital domestically, maintain branches on US soil, or require clearing in New York. As a result, their banks follow US compliance standards to avoid significant regulatory or reputational risk. Sanctions have also severely restricted financial access for ordinary Syrians, businesses, and humanitarian actors.

While the US has issued GL 25 and suspended the Caesar Act for 180 days, the real-world impact of these measures remains to be seen. Most international banks continue to overcomply with US sanctions, in part due to ongoing terrorism-related restrictions that raise reputational concerns for any institution seeking to re-engage in Syria.[12] Despite recent moves to ease restrictions, access to the global financial system remains limited.

Originally intended to weaken the Assad regime's financial base, sanctions have also fueled reliance on unregulated financial systems, increased compliance burdens for international banks, and led to widespread overcompliance, including the unintentional obstruction of permitted humanitarian efforts. In response, some Syrian financial actors have turned to non-Western hubs such as Russia, Iran, and China.

This report explores the overarching question: How can banking sector sanctions on Syria be fine-tuned to improve their efficacy? To answer this, it focuses on four core objectives:

- Identifying the "winners" and "losers" of banking sector sanctions
- Analyzing the scope and variation of restrictions across jurisdictions, including AML and counter-terrorist financing (CTF) measures
- Examining legal and operational bottlenecks that drive unintended consequences
- Proposing targeted reforms to improve sanctions' precision and impact while minimizing civilian harm.

12- See Section 5.6

2. Methodology

This study employs a mixed-methods approach, combining financial data, qualitative expert interviews, and legal analysis to assess the impact of sanctions. It reviews the financial statements of Syrian banks, comparing sanctioned and unsanctioned institutions, and evaluates the expansion of the informal financial sector in the context of restricted formal banking channels. A comparative analysis of US, EU, and UK sanctions legislation related to the banking sector identifies policy differences, enforcement mechanisms, and the effectiveness of humanitarian carve-outs.

Qualitative insights were gathered through interviews with financial professionals, including Syrian bankers and Western compliance officers, to capture perspectives on operational challenges and risk management.

In total, interviews were conducted with eight senior representatives from Syria's private banking sector between 21 January and 17 April 2025. Participants included CEOs, compliance officers, and branch managers from institutions such as Al-Baraka Bank Syria, the Syria International Islamic Bank, Banque Bemo Saudi Fransi, Shahba Bank (formerly Byblos Bank Syria), and Fransbank.

Tables and charts illustrate sanctions enforcement trends, financial penalties,[13] and shifts in Syrian banking assets. The study also examines the rise of informal financial institutions, such as hawala networks.

3. Scope and Reach of Major Sanctioning Jurisdictions

Sanctions targeting Syria's banking sector form part of a broader economic pressure campaign originally intended to isolate the Assad regime, disrupt its financial networks, and restrict its ability to fund oppressive security operations. These measures are primarily enforced by the US, EU, UK, Canada, Australia, and Switzerland, with additional restrictions imposed by regional actors such as the Arab League. They are not limited to the banking sector but also extend to trade, energy, transport, and foreign investment, effectively curtailing Syria's access to international markets.

Figure 1: Timeline of International Measures Impacting Syria's Banking Sector

Date	Development
2001 26 October	The US passes the USA PATRIOT Act, designed to deter and punish terrorist acts domestically and globally. The act strengthens tools related to anti-money laundering (AML), counter-terrorist financing (CTF), and counter-proliferation financing (CPF).
2003 12 December	The US enacts the Syria Accountability Act, later used as the legal basis to sanction the Commercial Bank of Syria (CBoS) and its subsidiary, the Syrian Lebanese Commercial Bank (SLCB), for money laundering and terrorism concerns.
2004 11 May	The US Treasury's Financial Crime Enforcement Network (FinCen) the CBoS and the SLCB as financial institutions of primary money laundering concern under Section 311 of the USA PATRIOT Act.
2006 15 March	The US Treasury's FinCEN issues a Final Rule under Section 311 of the USA PATRIOT Act, prohibiting US banks from holding accounts for the CBoS and the SLCB, and requiring compliance reviews.
2010 18 February	The Financial Action Task Force (FATF) places Syria on its grey list, citing major deficiencies in its AML/CTF framework.
2011 10 August	Under the authority of Executive Order (EO) 13338, *Blocking Property of Certain Persons and Prohibiting the Export of Certain Goods to Syria*, the US Treasury designates the CBoS and the SLCB for involvement in proliferation-related activities.
2011 17 August	The US Obama administration issues EO 13582, introducing broad prohibitions on services and investment. Under EO 13582 and the Syrian Sanctions Regulations (31 CFR Part 542), the Central Bank of Syria (CBS) is formally blocked.

2011 1 December	The EU imposes a series of restrictive measures on Syria's banking sector. These include prohibiting the opening of new branches, subsidiaries, or representative offices of Syrian banks in EU Member States, and banning the establishment of new correspondent banking relationships by Syrian banks, including the CBS.
2012 30 May	Under the authority of EO 13338, the US Treasury designates the Syrian International Islamic Bank (SIIB).
2012 8 June	Switzerland freezes any assets held by the CBS within its jurisdiction. It also prohibits trade in new Syrian government bonds and bars Swiss financial institutions from establishing new business relationships with Syrian banks.
2014 27 June	The FATF determines that Syria has completed its agreed action plan. However, due to ongoing security concerns, the FATF is unable to conduct an on-site visit to verify whether reforms have been implemented. Syria remains on the grey list.
2014 16 October	Under the authority of EO 13582, the US Treasury identifies four banks—the Agricultural Cooperative Bank, the Industrial Bank, the Popular Credit Bank, and the Savings Bank—as being owned or controlled by the Government of Syria. All four banks are added to the US Treasury's Office of Foreign Assets Control's (OFAC) Specially Designated Nationals and Blocked Persons List (SDN List).
2015 27 February	An FATF report finds that more than 20 Syrian financial institutions maintain operations in areas controlled by ISIL. Many of these branches remain connected to their headquarters in Damascus and, in some cases, retain links to the international financial system.
2015 14 November	Deutsche Bank reaches a USD 258 million settlement with US authorities over charges that it violated sanctions related to Iran, Libya, Syria, and Sudan.
2020 17 June	The US Caesar Syria Civilian Protection Act of 2019 enters into force, imposing secondary sanctions intended to block third-country transactions with Syria, including business activities by French, German, or Russian entities.
2020 22 December	The US Treasury's OFAC identifies the CBS on the SDN List, further underscoring its blocked status.
2025 6 January	The US Treasury issues General License (GL) 24, authorizing transactions ordinarily incidental and necessary to the transfer of noncommercial, personal remittances to Syria,

	including those involving the CBS. These transactions also cover the sale, supply, storage, or donation of energy to or within Syria, as well as dealings with governing institutions.
2025 24 February	The EU suspends restrictive measures on key Syrian economic sectors, delisting four public banks—the Industrial Bank, Popular Credit Bank, Savings Bank, and Agricultural Cooperative Bank. This action permits funds and economic resources to be made available to the CBS, although it remains listed. The EU also introduces limited exemptions to the prohibition on establishing banking relationships between Syrian and foreign financial institutions.
2025 24 February	The UK lifts asset freezes on 24 Syrian entities, including the CBS, the CBoS, and the Agricultural Cooperative Bank.
2025 7 March	Switzerland lifts selected sanctions on Syria, allowing the resumption of certain financial services and banking relationships.
2025 24 April	The UK lifts sanctions on 12 additional Syrian entities, including the Ministry of Defence, Ministry of Interior, and several media companies.
2025 13 May	US President Trump states publicly that he will order the lifting of sanctions against Syria to give the country "a chance at greatness."
2025 20 May	The EU announces its decision to lift economic sanctions on Syria while maintaining those related to the Assad regime and certain security concerns. The EU also indicates it will introduce new targeted measures against human rights violators and individuals contributing to instability.
2025 23 May	The US Treasury's OFAC issues Syria's GL 25 to provide immediate sanctions relief for Syria. The US Secretary of State issues a 180-day Caesar Act Waiver Certification. The US FinCEN issues exceptive relief for the systemically important CBoS.
2025 28 May	The EU adopts several legal acts to lift economic sanctions on Syria, delisting 24 entities and removing all remaining sectoral sanctions, except for items that could be used for internal repression.

Source: Karam Shaar Advisory Ltd.

The banking sanctions imposed were among the most severe globally, with key institutions facing extensive restrictions. The US, EU, and UK had sanctioned nearly all major Syrian banks, including both state-owned and private institutions. As of

January 2025, eleven banks were listed under US, EU, or UK sanctions.

On 24 February 2025, however, the EU enacted a significant adjustment to its Syria sanctions policy. It moved to partially delist six banks, including the Industrial Bank, the Popular Credit Bank, the Savings Bank, the Agricultural Cooperative Bank and the CBS. Notably, the assets of the CBS remained frozen, with their current value unknown. The February amendments also introduced key exemptions to the blanket prohibitions that previously severed all correspondent banking relationships with EU financial institutions.

The UK followed suit on 6 March 2025, removing the designations of 24 entities—largely mirroring the EU's delistings. Significantly, the UK was the first to unfreeze the assets of both the CBS and the CBoS.

On 13 May 2025, US President Trump announced his intention to pursue the "cessation of sanctions" on Syria. The EU responded shortly after: on 20 May, foreign ministers agreed to lift economic sanctions on the country while maintaining those targeting the Assad regime and those based on security grounds. The EU also announced new targeted measures against human rights violators and actors contributing to Syrian instability.

On 23 May 2025, the US Treasury's OFAC issued General License (GL) 25, authorizing previously blocked transactions with several banks, including the CBS, the CBoS, the Real Estate Bank, the Agricultural Cooperative Bank, the Industrial Bank, the Popular Credit Bank, and the Savings Bank. The same day, the US Secretary of State issued a 180-day Caesar Act Waiver Certification, and FinCEN provided exceptive relief for the CBoS.

Finally, on 28 May 2025, the EU adopted several legal acts formalizing the lifting of all remaining economic sanctions. It delisted 24 entities and removed most sectoral sanctions, including the remaining listed banks: the CBS, the CBoS, the Real Estate Bank, and the SLBC.

Figure 2: List of Banks Sanctioned by EU, US, UK Under Syria-Related Programs (February 2025)

Bank Name	EU Sanctions	US Sanctions	UK Sanctions
Commercial Bank of Syria (CBoS)	13 October 2011 (De-listed 28 May 2025)	15 March 2006 [14] 10 August 2011 [15]	14 October 2011 (De-listed 6 March 2025)
Syrian Lebanese Commercial Bank (SLCB, a subsidiary of the CBoS)	23 January 2012 (De-listed 28 May 2025)	15 March 2006 [16] 10 August 2011 [17]	24 January 2012 (De-listed 6 March 2025)
Agricultural Cooperative Bank	23 January 2012 (De-listed 24 February 2025)	16 October 2014	24 January 2012 (De-listed 6 March 2025)
Industrial Bank	23 January 2012 (De-listed 24 February 2025)	16 October 2014	24 January 2012 (De-listed 6 March 2025)
Real Estate Bank	2 September 2011 (De-listed 28 May 2025)	1 December 2011	05 September 2011 (De-listed 6 March 2025)
Popular Credit	23 January 2012 (De-listed 24 February 2025)	16 October 2014	24 January 2012 (De-listed 6 March 2025)
Savings Bank	23 January 2012 (De-listed 24 February 2025)	16 October 2014	24 January 2012 (De-listed 6 March 2025)
Central Bank of Syria (CBS)	27 February 2012 (De-listed 28 May 2025)	17 August 2011 (EO 13582) 22 December 2022 (Caesar Act)	27 February 2012 (De-listed 6 March 2025)
Syrian International Islamic Bank	26 June 2012 (De-listed 11 June 2014)	30 May 2012	27 June 2012 (De-listed 12 June 2014)

14- Money-Laundering designation under Section 311 of the USA PATRIOT Act.
15- Proliferation Activities designation under EO 13382.
16- Money-Laundering designation under Section 311 of the USA PATRIOT Act.
17- Proliferation Activities designation under EO 13382.

Cham Islamic Bank	N/A	16 May 2017	N/A

Source: OFAC, OFSI, EU Commission.

Beyond the banking sector, sanctions on Syria targeted key segments of the economy, focusing on oil exports, foreign investment, and trade restrictions. Though intended to support a political settlement and lasting peace, they also worsened fuel shortages and compounded the effects of decades of mismanagement, corruption, war economies, and a prohibitive business environment.

By reducing banking channels, blocking trade finance, and disconnecting the financial sector, sanctions lowered industrial output, deterred investment, and reduced state revenue from licit sources. Faced with declining formal revenues and rising wartime costs, the Assad regime adapted by developing alternative economic networks, including narcotics production and trafficking.

The regime's embrace of the captagon trade and its routine extraction of funds from elite businesspeople suggest not only opportunism but also underlying financial strain. Sanctioning regime-linked business elites restricted their international transactions, but many adapted by establishing front companies and informal networks. Rather than crippling regime finances at scale, sanctions inadvertently fueled illicit economies and entrenched war profiteering. These activities were driven primarily by the regime and its proxies, while the measures failed to elicit meaningful political concessions.

4. Impacts of Banking Sanctions

Banking sanctions dealt a severe blow to Syria's formal financial sector, triggering its near-total collapse. Before 2011, despite US sanctions on the largest state-owned bank and the country's designation under the USA PATRIOT Act as a jurisdiction of primary money laundering concern, the system remained relatively functional. Syrian banks maintained hundreds of correspondent banking relationships that enabled trade finance, remittances, and investment.

Early 2000s sanctions did not immediately cripple the sector, in part because the measures remained limited and in part because Syria was not yet fully integrated into global financial markets. At the same time, Bashar al-Assad's government had initiated a cautious process of banking liberalization after he assumed power in 2000. Decree 28 of 2001 authorized the creation of private banks, leading to the establishment of the Bank of Syria and Overseas in 2004, the first in the private sector. Subsequent legislation enabled the licensing of Islamic banks in 2005, investment banks in 2007, and microfinance institutions in 2010. Law 24 of 2006 also allowed the creation of non-banking financial institutions such as currency exchanges. By 2010, Syria had 14 private banks (11 conventional and three Islamic) operating alongside its six state-owned banks.

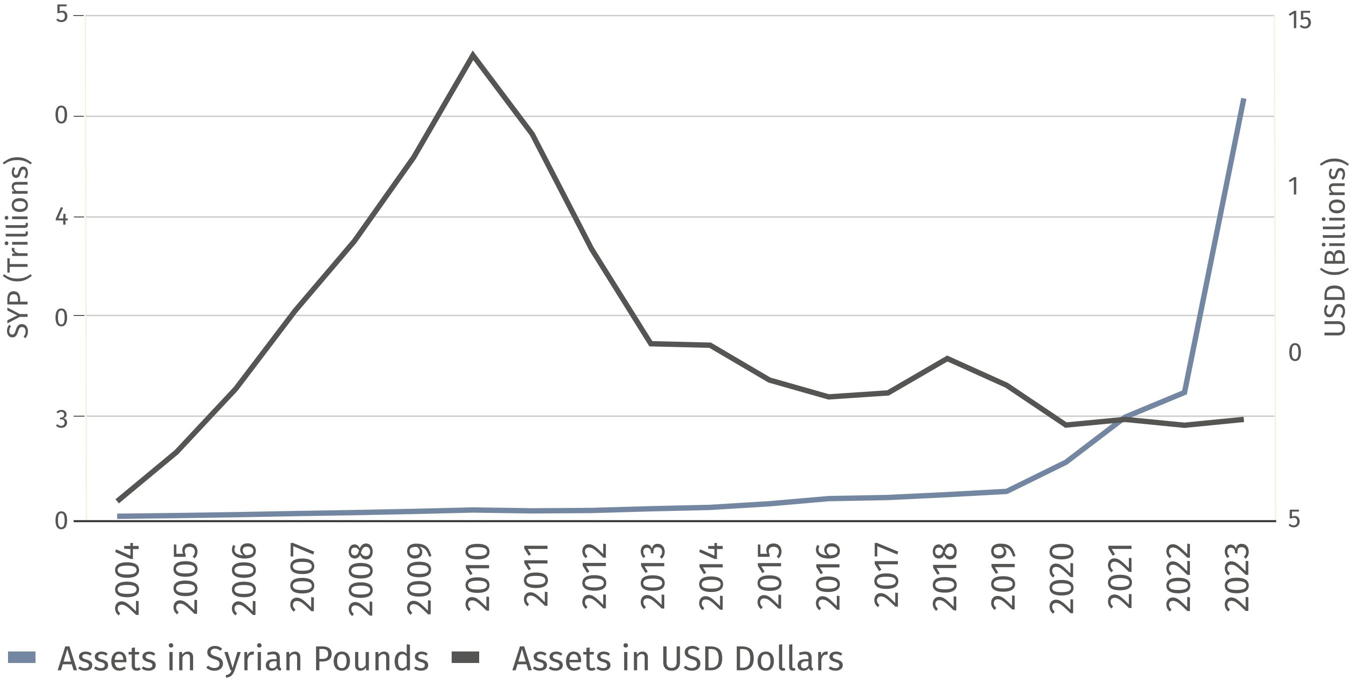
These developments suggest that sanctions alone did not sever access to the global financial system. Rather, the cumulative effect of expanded sanctions during the conflict, combined with heightened regulatory scrutiny, Syria's limited compliance with international AML/CTF financial standards, and rising risk aversion among global financial institutions, progressively undermined confidence and led to banking disengagement. This trend became particularly evident after the 2008 Global Financial Crisis, during which at least 25% of global correspondent banking relationships were terminated. In its aftermath, banks reassessed risk exposure, and regulatory changes prompted the withdrawal of correspondent relationships in many high-risk jurisdictions. Smaller economies under sanctions were among the most affected, as compliance and reputational risks outweighed potential profitability.

US sanctions on the Syrian banking sector also contributed to the country's near-total disconnectedness from SWIFT, [18] despite no direct regulatory prohibition against its use.

Although the US government does not control SWIFT, many global banks choose to disengage from heavily sanctioned jurisdictions, like Syria, to avoid violating US sanctions or breaching US and international regulatory standards, particularly in relation to AML/CTF. This dynamic is especially pronounced in transactions involving US dollars, as clearing such payments requires access to the US financial system, either directly or through intermediaries.

18- Society for Worldwide Interbank Financial Telecommunication, the Belgium-based financial messaging network that facilitates a vast amount of international payments.

Total Assets of Private Sector Banks in Syria



Source: Annual results reports of all Syrian private sector banks. Data compiled by Karam Shaar Advisory Ltd.

With formal banking channels inaccessible, Syrian businesses, humanitarian organizations, and households shifted to informal financial networks, particularly hawala systems. These networks offered an alternative means of transferring funds but introduced major risks and inefficiencies. Over time, the hawala system further reduced financial oversight, increasing the potential for money laundering, fraud, and illicit financial flows.

As a result, Western banks have been reluctant to process transactions involving Syria, even when such transactions are legally authorized. This hesitancy stems less from the threat of secondary sanctions, which had limited impact after the financial isolation and banking collapse were already underway, and more from the high compliance costs, uneconomical effort required, legal ambiguity, and reputational risks involved in engaging with Syrian counterparties.[19] Measures such as the Caesar Act, which prohibit significant engagement with the Syrian government and bar foreign financial institutions from transacting with the CBS and other designated banks, have further deepened this climate of caution and contributed to widespread overcompliance.

While Syria's economic collapse is linked to several factors (including capital flight, business environment deterioration, the Lebanese banking crisis, and, most importantly, the destruction of productive infrastructure), sanctions and restrictions on the banking sector also played a role. Inflation surged to triple-digit levels as the

19- Interview with Bashar Al-Sit, former CEO at the Syrian International Islamic Bank (SIIB), Damascus, 29 January 2025.

conflict took its toll: annual inflation rose from an average of 5.7% in the decade before the war (2001–2010) to 38.2% between 2011 and 2020, and then to 103.4% between 2021 and 2023.

This sharp rise in prices and cost of living resulted from a twofold dynamic. Economic output declined while the money supply expanded—opposite the typical monetary response in stable conditions—driving sustained stagflation. The increase in money supply reflected the government's inability to fund basic functions through forms other than money printing. Sanctions contributed to this by restricting operations, limiting revenue access, and undermining the state's ability to contain inflationary pressures.

With limited access to trade finance and foreign currency, the Syrian pound (SYP) has experienced severe devaluation, leading to runaway inflation. Since 2011, prices of food and essential goods have increased by over 700%, GDP has contracted by more than 80%, and liquidity crises have intensified as banking restrictions continue to limit access to foreign reserves and investment capital.

On the humanitarian side, despite Western exemptions for aid operations, banking restrictions have severely disrupted the flow of assistance. UN agencies and NGOs face delays in transferring funds, resulting in shortages of medical supplies, food aid, and support for relief programs more broadly.

The effectiveness of sanctions on Syria's banking sector has been the subject of intense debate in both policy and academic circles. Sanctioning authorities argue that these measures served as a non-kinetic, low-cost tool to weaken the then-Assad regime and push for political change. Critics, however, contend that the real impact has disproportionately harmed civilians, entrenched informal financial networks, and failed to achieve strategic objectives. Both views are valid: sanctions did weaken the regime, but they have also caused significant collateral damage to ordinary Syrians.

A common critique is that sanctions constitute a form of collective punishment, in violation of international humanitarian principles. Although most are officially described by sender states as targeting the then-regime, certain measures—particularly those aimed at the banking sector—are structured in ways that affect the broader financial system. This, in turn, disrupts non-financial economic activity well beyond the intended political targets.

As a result of increasing regulatory uncertainty, rising compliance costs, reputational risk—both real and perceived—and fear of penalties, international banks have increasingly engaged in overcompliance. Some institutions block or delay transactions that are explicitly permitted under humanitarian exemptions, either due to concern over breaching sanctions or because resolving compliance issues is not cost-effective in terms of time and resources. This behavior has contributed to the phenomenon of de-risking: the withdrawal of financial services from entire sectors or regions, further restricting personal remittances through formal banking channels.

Banking restrictions have also impacted trade financing, leaving many Syria-based companies unable to import raw materials or conduct basic commercial transactions with foreign partners due to an inability to process payments. Some small and medium enterprises (SMEs) linked to the Assad regime were also cut off from international finance, suggesting that sanctions had some impact on regime-affiliated businesses.

More concerning is the growing body of studies showing that Syrian elites have been able to adapt. Business cronies have bypassed sanctions through front companies, proxy networks, and regional financial hubs such as the UAE. The regime, true to form, shifted further toward alternative and highly profitable illicit revenue streams; they include the captagon drug trade, illegal oil shipments, and various forms of extortion.

Finally, rather than crippling the regime's financial operations as intended, banking sanctions have driven transactions underground, contributing to the widespread expansion of Syria's informal financial system. Hawala networks now dominate remittance flows, making financial transactions harder to monitor and regulate. The growing reliance on cash-based transactions also raises concerns about illicit financial flows and may facilitate money laundering and terrorism financing.

5. Findings

5.1 The Loss of Correspondent Banking Relationships

According to key informant interviews conducted with eight private banking sector stakeholders in Damascus in 2025, the loss of correspondent banking relationships was identified as the most significant impact of sanctions.

Before the escalation of sanctions in 2011, Syrian banks maintained hundreds of correspondent banking relationships with foreign financial institutions. For instance, Banque Bemo Saudi Fransi processed approximately 700 transactions per day through correspondent banks and received 2,000 cash transactions daily from Saudi Arabia alone.[20] "The first impact of sanctions was losing relationships with correspondent banks in 2012," said one banker.[21] However, the extent of the disruption varied across banks. Some reported that, until 2015, limited correspondent banking with international institutions continued.[22] For instance, the Syrian International Islamic Bank (SIIB) still had correspondent banking relations with two banks in the EU and the Gulf Cooperation Council countries until that year.[23] It remains unclear why some institutions were able to retain these relationships longer; possible explanations include differences in ownership, client profiles, perceived risk levels, political affiliations, or the strength of compliance frameworks.

One contributing factor was the US Syria Sanctions Regulations, which: (1) prohibited US persons from transacting with the Syrian government and designated financial institutions, and, more importantly, (2) banned the export of financial services from the US to Syria, including correspondent banking and payment processing.

As noted earlier, banking operations functioned relatively smoothly before the conflict. Until 2011, US sanctions on institutions like the CBoS and the SLCB were primarily based on Section 311 of the USA PATRIOT Act (as amended in 2006), which targeted money laundering. At that time, Syrian banks were not subject to sector-wide service bans or full blocking sanctions—both of which were introduced in 2011. Notably, Section 311 did not prohibit correspondent banking outright but functioned as a stigma-based designation that undermined the reputation of foreign financial institutions in the eyes of their US counterparts.[24]

20- Interview with Maria al-Harastani, Chief Compliance Officer at Bank Byblos Saudi Fransi, Damascus, 27 January 2025.
21- Interview with Maria al-Harastani, Chief Compliance Officer at Bank Byblos Saudi Fransi, Damascus, 27 January 2025.
22- Interview with Karam Bechara, General Manager of Shahba Bank (formerly Byblos Bank Syria), Damascus, 21 January 2025; Interview with Bashar al-Sit, former CEO at the Syrian International Islamic Bank, Damascus, 29 January 2025.
23- Interview with Bashar al-Sit, former CEO at the Syrian International Islamic Bank, Damascus, 29 January 2025.
24- Interview with Karam Bechara, General Manager of Shahba Bank (formerly Byblos Bank Syria), Damascus, 21 January 2025; Interview with Bashar Al-Sit, former CEO at the SIIB, Damascus, 29 January 2025.

EU sanctions imposed asset freezes and prohibited the direct or indirect provision of funds or economic resources to listed individuals and entities. These included the CBS, all six public sector banks, and the SIIB.[25] Prior to 24 February 2025, EU regulations explicitly prohibited the establishment of new relationships with "any Syrian credit or financial institution," though exemptions have since been introduced and broader economic sanctions lifted.

As a result, ongoing operations and contractual obligations initiated before the imposition of sanctions in 2011 and 2012 (see Figure 1) continued, although new operations declined amid heightened scrutiny of Syria-related transactions.[26]

Between 2014 and 2015, Syria's private banking sector was nearly cut off from the global financial system. Correspondent relationships were severed, and foreign accounts were frozen.

Unlike earlier phases of financial isolation, this wave of disconnection was not prompted by new sanctions. Interviewees attributed the breakdown to increased overcompliance and de-risking by Western and regional financial institutions during the armed conflict.[27] No major regulatory changes occurred in the US or EU sanctions frameworks during this period. However, the rise of the Islamic State (ISIL) heightened counterterrorism concerns, prompting a shift in legal frameworks. The UN ISIL (Daesh) and Al-Qaeda Sanctions Committee designated several groups and individuals operating in or from Syria.

Three factors likely drove the acceleration of financial disengagement:

- growing reputational risk amid continued conflict
- heightened sensitivity to Syria-related sanctions exposure
- stricter compliance measures globally, which increased caution when processing Syria-related transactions.

25- The EU sanctions apply the notion of ownership and control of such entities even if not explicitly designated or listed.
26- Interview with Maria Al-Harastani, Chief Compliance Officer at Bank Byblos Saudi Fransi, Damascus, 27 January 2025.
27- Four interviewed bankers identified this period as the most critical. Their high-level positions provided the authors with informed insights into sector-wide trends and institutional behavior.

The emergence of ISIL in 2014 led US and EU institutions to apply greater scrutiny, further discouraging correspondent ties. [28] A 2015 Financial Action Task Force (FATF) [29] report found that more than 20 Syrian financial institutions operated in ISIL-controlled areas. Many branches remained connected to headquarters in Damascus and, in some cases, retained links to the international financial system.

Enforcement actions also played a role. BNP Paribas received a USD 8.9 billion penalty for clearing dollar transactions involving Sudan, Iran, and Cuba (See Figure 1) and Deutsche Bank was fined USD 258 million for processing payments on behalf of Syria, Iran, Sudan, and other sanctioned entities (See Annex I).

Although these penalties involved multiple jurisdictions, the inclusion of Syria signaled the potential financial and reputational risks of Syria-related activity. Many institutions responded by severing all ties with Syrian banks—regardless of legal exemptions—out of an abundance of caution. This highlights a broader issue in sanctions compliance: the gap between what banks are legally permitted to do and what they actually choose to do, often described as the "de-risking delta." [30]

5.2 The Expansion of Informal Financial Systems

Following the collapse of correspondent banking relationships and the increasing isolation of the banking sector, Syria's economy gradually shifted toward informal financial systems. The hawala network (a traditional, unregulated money transfer system) became the primary mechanism for handling remittances, business transactions, and cross-border trade, effectively replacing formal banking.

Even before the conflict, a significant share of remittances was sent through informal channels. Hawala, in particular, was widely used not only because the formal sector was underdeveloped and lacked reach in rural and underserved areas, but also because it offered a range of practical advantages. According to a 2006 survey by the European Investment Bank, 81% of respondents who sent remittances to Syria used informal means—hawala, personally carrying money, or unregistered couriers—citing safety, ease of use, and the absence of delivery urgency as key reasons.

Hawala is more convenient than formal banking due to lower transaction costs (typically under 3%), faster service (often settling transactions within a day), and minimal paperwork. It is especially accessible for those without formal bank accounts. Operating on trust and minimal regulation, hawala provides a discreet and cost-effective alternative.

28- Interview with Maria Al-Harastani, Chief Compliance Officer at Bank Bayblos Saudi Fransi, Damascus, 27 January 2025; Interview with Bashar Al-Sit, former CEO at the SIIB, Damascus, 29 January 2025.
29- The Financial Action Task Force (FATF) is an intergovernmental body based in Paris that sets international standards to combat money laundering, terrorist financing, and related threats to the integrity of the financial system.
30- Interview with Laith Rikabi, Deputy CEO at Fransabank, Damascus, 28 January 2025.

Many businesses also favored hawala before the conflict, because transactions are not easily traceable. This allowed for tax evasion, helped minimize security risks related to Assad's intelligence apparatus, and avoided regulatory scrutiny. While the rapid development of competitive private services may have gradually built public trust and expanded financial inclusion, this trajectory was disrupted by the war and the imposition of international sanctions.

The overall degradation of the banking sector dramatically accelerated the shift to informal finance. Overcompliance by international banks and blanket restrictions on "Syria-related" transactions in interbank messaging made formal remittance transfers and humanitarian funding nearly impossible. Syrian expatriates and refugees were left with no viable option aside from hawala networks to support their families. Over time, these operators captured the entire remittance market.[31]

Although hawala systems have long existed in Syria and the region, our research suggests that since 2015 they have evolved from an auxiliary mechanism into the de facto backbone of the financial system.

In many respects, hawala companies have not only filled the gap left by the weakened banking sector but have effectively replaced it. Digital platforms such as Cham Cash, mandated for public payroll use as of May 2025, demonstrate how informal actors now perform essential state functions. Cham Cash is tied to Cham Bank (a Turkish-registered currency exchange lacking international recognition) and has partnered with major hawala firms Al-Fouad and Al-Haram to facilitate withdrawals and payments.

However, sanctions are not the sole driver of this shift. In addition to the pre-conflict factors already noted, hawala operators also benefit from offering exchange rates that more closely reflect the black-market or "parallel" rate. In contrast, formal banks are bound to the artificially low and uncompetitive rate set by the CBS, making hawala the preferred channel for remittance transactions.

5.3 The Impact of Financial Isolation on Compliance and Transparency

Sanctions have deepened Syria's financial exclusion, contributing to the erosion of compliance oversight and transparency. The loss of correspondent banking relationships has not made global regulatory standards inaccessible—many remain publicly available—but it has removed any meaningful incentive for Syrian banks to follow them. Still, it would be difficult to argue that state-owned banks controlled by Assad and staffed by regime loyalists would have fully embraced international best practices even in the absence of sanctions.

What sanctions and financial isolation have clearly done is eliminate the external pressure and material rationale for investing in costly compliance frameworks. Even

31- All interviewed bankers agreed.

if a Syria-based bank were to implement international standards, it would likely remain unable to raise capital abroad or re-establish correspondent ties. As a result, the incentive to comply has diminished, and many institutions have abandoned routine inspections, compliance reviews, adoption of evolving best practices, and participation in international financial monitoring; this further isolates the country from global oversight.

The FATF has not reviewed Syria's compliance with AML/CTF regulations since 2018, primarily due to security concerns. It has also not conducted an on-site visit to assess implementation of reforms since 2006. Consequently, Syria remains on the FATF grey list, signaling elevated risks of money laundering and terrorism financing and making it an unattractive partner for international financial institutions.

According to the FATF, Syria had made notable progress by 2014 in addressing deficiencies identified at the time of its greylisting in 2010. In June 2014, the organization acknowledged Syria's actions to criminalize terrorism financing and establish procedures for freezing terrorist assets. However, given the institutional collapse and expanded use of informal financial channels since then, it is likely that Syria's compliance status has significantly deteriorated. A comprehensive reassessment of its AML/CTF framework is long overdue.

In addition, the absence of meaningful enforcement mechanisms and a dwindling pool of trained compliance professionals has further constrained Syria's ability to meet international standards.[32]

Most significantly, FATF greylisting—though it began before the 2011 conflict—has reinforced de-risking by international banks. By designating Syria as high-risk for money laundering and terrorist financing, the grey list has prompted widespread disengagement and cut off access to correspondent services. Even if sanctions were lifted, greylisting would remain a serious barrier to financial reintegration. Conversely, removal from the grey list alone would not restore financial ties without parallel sanctions relief, but it would signal progress in financial governance. For any future recovery or reconstruction effort, improving Syria's FATF status is a necessary, though insufficient, step toward restoring basic financial connectivity.

5.4 The Gap Between Regime-Aligned and Independent Actors

Sanctions widened the divide between regime-linked actors and those operating with relative autonomy. While no financial institution in Syria was fully independent under Assad, some private banks maintained looser ties to regime networks. Others were deeply embedded in the system.

Cham Islamic Bank faced sanctions for supporting the Assad regime. The SIIB also faced sanctions; oligarch Samer Foz, who is himself under sanctions, held a 10%

32- Interview with Maria Al-Harastani, Chief Compliance Officer at Bank Byblos Saudi Fransi, Damascus, 27 January 2025.

stake in SIIB and additional shares in Al-Baraka Bank. Meanwhile, Syrian government organizations own a 15% stake in Qatar National Bank's operations in the country. These banks, which all had clear regime affiliations, experienced the smallest declines in credit and assets during the war—an indication of preferential treatment and greater resilience due to political backing.[33]

By cutting private banks off from international financial flows, sanctions disproportionately weakened institutions that sought to operate independently. At the same time, they reinforced the dominance of regime-linked actors, even as those actors also lost access to global markets. The loss of correspondent banking, combined with capital flight, declining public confidence, and overall economic contraction, drained liquidity and forced commercial banks to scale back operations, restrict lending, and impose higher fees.

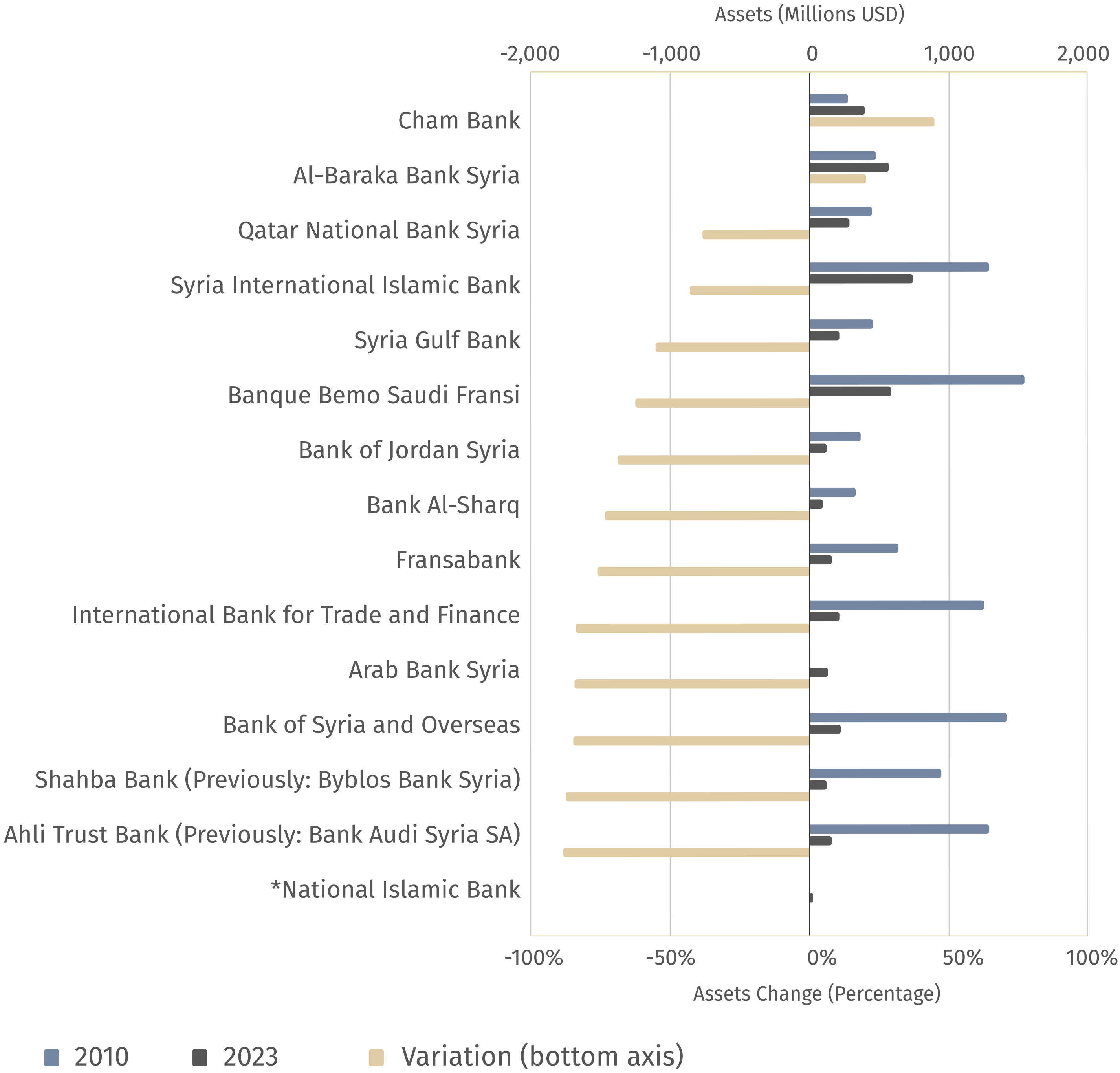
To survive amid shrinking liquidity and limited access to foreign markets, many banks shifted their focus to high-value domestic clients. These clients not only provided large volumes of capital, but also had access to alternative sources of wealth and state-backed guarantees that shielded them from the full effects of international isolation.

This group often included regime-linked businesses and individuals—many of them under sanctions—who held monopolistic positions in key sectors, secured privileged access to government contracts, and extracted rents from the economy. These advantages allowed them to preserve banking access even as international channels collapsed.[34]

Prioritizing these clients carried significant regulatory and reputational risks, particularly for banks that hoped to maintain or eventually reestablish ties with the global financial system. In practice, however, the lack of alternatives and the domestic dominance of regime-affiliated capital outweighed these concerns. This created a skewed form of banking that favored sanctioned actors over independent businesses and ordinary citizens. Those outside regime networks lacked such protections and were pushed further to the margins of the financial system. As a result, private banking services became concentrated among high-net-worth individuals tied to the regime, and largely inaccessible to the wider population.

33- Interview with Maria Al-Harastani, Chief Compliance Officer at Bank Byblos Saudi Fransi, Damascus, 27 January 2025.
34- Interview with Laith Rikabi, Deputy CEO at Fransabank, Damascus, 28 January 2025.

Private Sector Banks Assets



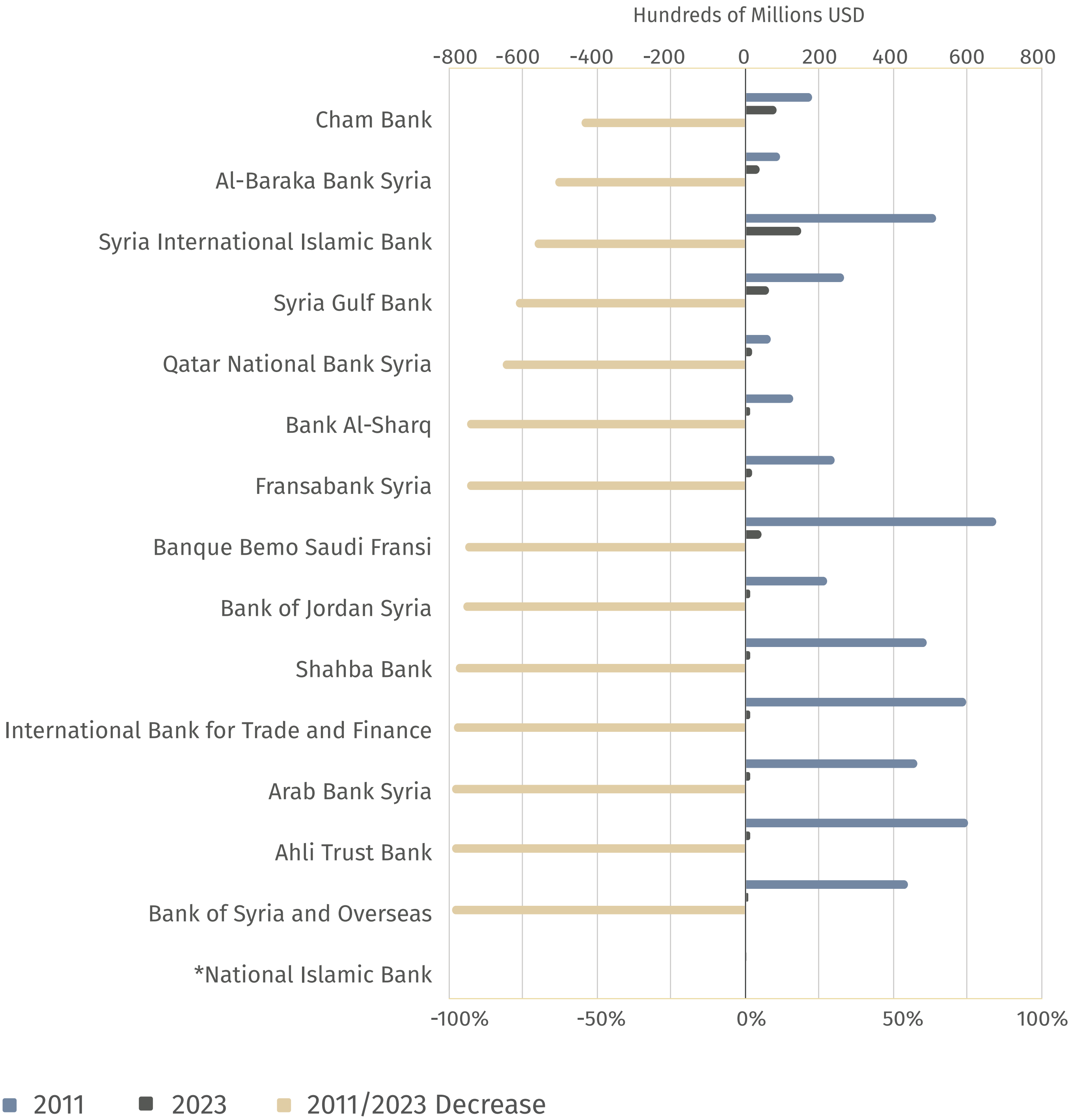
Source: Private sector banks' yearly financial reports.
*First results reported in 2022

By the end of 2012, the SIIB had surpassed Banque Bemo Saudi Fransi to become Syria's largest private bank by assets. Despite being under sanctions, SIIB rose in prominence due to its expanding partnerships with state institutions and regime-linked entities. Its trajectory illustrates how regime affiliation could function as a lifeline rather than a liability.

Most Western banks, by contrast, sought to comply with international regulations by avoiding any transactions involving sanctioned individuals. In doing so, they faced severe financial losses, reduced lending capacity, and a shrinking market presence. As profitability declined, so did their ability to offer credit and remain competitive, further weakening the banking sector overall.

The public banking sector experienced similar stagnation. According to data from the CBS, total lending by the six public sector banks in 2011 stood at SYP 13.3 billion—equivalent to approximately USD 283 million at the time, based on an exchange rate of SYP 47/USD. By 2022, total lending remained nearly flat at SYP 13.4 billion. However, severe devaluation meant this was worth only USD 3 million at the parallel market rate of SYP 4,500/USD.

Private Sector Banks Credit



Source: Private sector banks' yearly financial reports.
*First results reported in 2022

5.5 The Erosion of Banking Trust

Sanctions and financial restrictions have further undermined already low public confidence in Syria's formal banking sector, making it an unreliable option for both individuals and businesses. Years of inefficiency and regime manipulation have pushed many toward alternative financial mechanisms.[35] In addition to restrictive government policies (e.g., the artificially low exchange rate imposed by the CBS), the loss of correspondent banking relationships and withdrawal of international services have rendered formal banks impractical for routine financial needs. Humanitarian organizations and remittance senders face blocked transactions, excessive fees, and long delays. Some actors still rely on the formal system, not by choice but out of necessity. For example, pensioners must receive salaries through government-affiliated banks, which are the designated recipients of state wage transfers.

International actors, including humanitarian organizations, also often find themselves forced to use formal banking channels. Although many would prefer more agile systems such as hawala networks, legal and regulatory obligations in their home jurisdictions often prevent them from doing so.[36]

As a result, most Syrians have abandoned formal banking, relying instead on hawala networks, cash transactions, and alternative platforms to conduct business and transfer funds. This widespread shift has helped entrench a parallel economy and diminished the role of the formal banking sector. Even if sanctions were lifted, distrust in traditional banking—among both Syrians and foreign entities—would likely persist. Years of inefficiency and regime manipulation have made alternative mechanisms more appealing.[37]

Although the CBS and government authorities have recently taken steps to unify exchange rates, the effectiveness of these reforms remains uncertain. Without structural changes, increased transparency, and improved regulatory compliance, the formal sector will continue to struggle while unregulated channels dominate. In addition, banks may require hard-currency-backed liquidity injections to stabilize prudential ratios and rebuild public confidence. Without such support, even small-scale withdrawals could trigger renewed bank runs and further erode trust in the system.

5.6 Temporary Sanctions Suspensions Are Insufficient

Since the collapse of the Assad regime, sanctioning bodies such as the US, EU, and

35- Written survey response by Mohammad Abu Naaj, Branch Manager at Al-Baraka Bank Syria, online, 22 January 2025.
36- For institutions bound by strict AML/CTF standards, such as the UN, using informal systems is nearly impossible.
37- Written survey response by Mohammad Abu Naaj, Branch Manager at Al-Baraka Bank Syria, online, 22 January 2025.

UK have introduced various exemptions and suspensions within their sanctions programs. For example, in January 2025, the US Treasury issued GL 24, authorizing specific transactions related to energy provision, remittances, and engagement with governing institutions. This license offered limited but targeted relief intended to support humanitarian access and the provision of essential services.

Despite this measure, Syrian bankers reported that GL 24 had no meaningful impact on the sector.[38] Correspondent banking relationships remained frozen, and foreign institutions continued to avoid Syrian banks due to compliance concerns and reputational risk. As of mid-April 2025, no foreign banks had re-engaged,[39] and the use of official banking channels for remittances remained virtually nonexistent. Most bankers agreed that without explicit guarantees—such as comfort letters from the US Treasury's Office of Foreign Assets Control (OFAC)—financial institutions are unlikely to change their risk posture.

GL 24 also faced structural and legal limitations. Its six-month duration discouraged long-term planning or engagement, and overlapping sanctions frameworks, including export controls and terrorism-related designations, created additional uncertainty. Although some immediate benefits were anticipated, they failed to materialize.

On 23 May 2025, OFAC issued GL 25, significantly expanding the scope of authorized financial activity. Unlike GL 24, GL 25 has no expiration date and permits a broad range of transactions previously prohibited under the Syrian Sanctions Regulations and related authorities.[40] It covers dealings with major banks—including the CBS, the CBoS, the Real Estate Bank, the Agricultural Cooperative Bank, the Industrial Bank, the Popular Credit Bank, and the Savings Bank—as well as numerous public institutions and state-owned enterprises across the energy, oil, trade, and tourism sectors.

Although GL 25 represents a substantial step toward broader sanctions relief, its ability to restore connectivity between Syrian banks and the international financial system remains uncertain. More broadly, the effectiveness of general licenses as a tool for encouraging private-sector re-engagement is subject to debate, particularly since GL 25 does not remove the listed status of these banks. This raises important concerns about the reputational risks of engaging with entities that remain formally designated.

38- All banking sector interviewees reported GL 24 had minimal impact on the sector.
39- An additional online interview conducted 17 April 2025, with a Syrian compliance officer who requested anonymity, also highlighted this point.
40- Weapons of Mass Destruction Proliferators Sanctions Regulations (31 CFR part 544); Iranian Financial Sanctions Regulations (31 CFR part 561); Global Terrorism Sanctions Regulations (31 CFR part 594); Foreign Terrorist Organizations Sanctions Regulations (31 CFR part 597); Executive Order 13574.

6. Proposed Solutions to Revive Syria's Banking Sector

The recommendations outlined below propose a series of solutions to revive Syria's banking sector and aid its reconnection to the global financial system. These steps are addressed to sanctioning authorities, the CBS, international financial institutions, and Syrian banks, who are all stakeholders.

6.1 Regulatory and Compliance Adjustments

Enforced by the CBS, Syrian private banks must improve internal governance and compliance in line with FATF standards. The CBS should require independent risk assessments, mandate internal controls aligned with international financial norms, and implement effective AML/CTF frameworks. These reforms must be supported through capacity building and regular independent audits conducted by external experts. Conditioning access to cross-border transactions and foreign currency operations on demonstrated compliance would significantly enhance credibility. A gradual rollout, supported by institutions such as the World Bank and the International Monetary Fund (IMF), would help establish a solid foundation for re-engagement.

Overcompliance by international financial institutions remains a major barrier to legitimate financial flows into Syria. Civil society and aid agencies have repeatedly called on Western governments to publish detailed guidance on permissible transactions, particularly those related to humanitarian operations and early recovery. Although there have been efforts to address this at critical junctures,[41] clear, consistent, and timely guidance has remained largely insufficient.

This gap reflects two key problems:

- the complexity of the Syrian sanctions regulations, which intersect with other sanctions regimes—including those targeting terrorism and human rights—amid growing transatlantic divergence
- a lack of political will among governments to invest in this area of sanctions policy.

In some cases, governments may deliberately leave rules vague to discourage any activity that could risk violating sanctions. In others, it may simply reflect a lack of staff, resources, or capacity to develop and maintain more detailed guidance.

Within this context, Western sanctions authorities should consider practical steps to reduce blanket de-risking, which has excluded Syrian banks from the global financial system.[42] These steps may include issuing comfort letters, clarifying

41- General License (GL) 21, OFAC; EU Guidance note on the provision of humanitarian aid to fight the COVID-19 pandemic in certain environments subject to EU sanctions; GL 23, OFAC; EU Guidance note following 2023 earthquakes in Türkye and Syria; UK GL 2023; GL 24, OFAC; FAQs 1205-1212, OFAC; UK GL 2025.
42- Blanket de-risking refers to the indiscriminate severing of financial ties with all banks or actors in a country, regardless of individual risk, often due to sanctions or compliance concerns.

licensing procedures, and supporting case-by-case evaluations of individual Syrian banks. Structured compliance mechanisms should also be introduced to differentiate between sanctioned and non-sanctioned financial actors, with dedicated channels for monitored transactions. Engagement with private sector banks will be essential to restore confidence and operational clarity.

6.2 Reintegration into the Global Financial System in the Context of Reconstruction

International institutions such as the FATF, the World Bank, and the IMF should play a central role in supporting Syria's reintegration into the global financial system. This includes helping develop robust compliance frameworks and providing technical assistance. Any reintegration process should include periodic reviews and monitoring to ensure that reopened channels support legitimate economic activity and are not exploited by sanctioned entities or individuals. This oversight becomes particularly important as delistings and sanctions-easing measures continue to unfold.

A serious and objective reassessment is also needed regarding the continued listing of Ahmad al-Sharaa and HTS, the reportedly defunct group he once led, under the UNSC's 1267 sanctions regime for Al-Qaeda and ISIL. Al-Sharaa, who now serves as Syria's interim president, remains listed as a Specially Designated Global Terrorist (SDGT). HTS is also designated as both an SDGT and a Foreign Terrorist Organization (FTO), although GL 25 now authorizes transactions with Al-Sharaa.

These designations create substantial legal and political barriers to re-engaging with Syria's financial institutions. Foreign ministries, central banks, and international organizations may be unable or unwilling to cooperate with counterparts such as the Ministry of Finance or the CBS due to the blurred line between engaging with state institutions led by former HTS members and the risk of providing material support to a still-designated FTO. Even reformed, AML/CTF/CPF-compliant publicly owned banks are likely to remain off-limits due to the criminal liabilities associated with the FTO designation. Without a timely reassessment of these designations, restoring formal financial connectivity will remain severely constrained.

Although the US has issued a 180-day waiver suspending the Caesar Act in its entirety, clarification is still needed. The US Treasury should publicly reaffirm, drawing on FAQ 884, that non-US entities are not subject to Caesar Act sanctions for engaging in activities that are permitted for US persons under general licenses. While this legal position is formally acknowledged, more proactive outreach is required to counter persistent overcompliance and transaction paralysis. Many financial institutions have yet to effectively incorporate this clarification into their compliance strategies.

Western banks should begin assessing the feasibility of re-establishing correspondent banking relationships with Syrian institutions that demonstrate strong governance and risk controls. While current sanctions—particularly the US "services ban," which restricts a wide range of banking-related activity—remain a major constraint, initial evaluations can take place within existing legal frameworks. These may include technical assessments, legal consultations, and early-stage dialogue with regulators to determine the scope of permissible engagement.

Rather than maintaining a blanket exclusion, banks should adopt risk-based assessments to determine whether limited and monitored re-engagement is feasible. Pilot partnerships facilitated through regional intermediaries in the Gulf, Lebanon, or Türkiye could provide a controlled environment for testing such engagement. Each transaction should be subject to third-party monitoring and compliance audits to mitigate misuse.[43]

Syrian private banks must also take tangible steps to prepare for reintegration. This includes modernizing financial systems, hiring and training new staff, upskilling existing staff, implementing risk-based compliance frameworks, and actively pursuing partnerships with regional and international institutions. Engagement with banks in Jordan, Türkiye, and the Gulf—particularly those linked to EU and UK jurisdictions following recent sanctions-easing measures—could serve as an initial gateway. Syrian banks should also participate in international financial forums, signal a commitment to transparency and reform, and adopt the Wolfsberg Transparency Principles to demonstrate alignment with global banking norms.

In parallel, Western governments could help facilitate dialogue by leading delegations of compliance, legal, and risk officers from Western banks to Damascus. This type of engagement would help identify practical barriers to financial reconnection and clarify due diligence expectations. Without such direct discussions, banks are likely to remain hesitant to re-engage. Creating space for structured, technical dialogue could reduce uncertainty and build the trust needed for incremental progress.

6.3 Humanitarian and Financial Access Channels in the Context of Reconstruction

Western governments must urgently establish humanitarian banking mechanisms that allow for reliable and transparent financial flows, especially as the effects of sanctions relief are expected to materialize gradually. Although the US, EU, and UK have introduced sanctions relief in the post-Assad environment, operational overcompliance and widespread de-risking continue to obstruct critical aid delivery. Private banks in Western jurisdictions can play a central role by creating secure and compliant financial corridors in partnership with international NGOs, UN agencies,

43- These are a set of anti-money laundering (AML) and compliance guidelines developed by the Wolfsberg Group, an association of thirteen global banks promoting best practices in financial crime risk management. The guidelines address key areas including: Know Your Customer, Customer Due Diligence, Enhanced Due Diligence, Transaction Monitoring, Correspondent Banking Due Diligence, and Recordkeeping.

and regional financial institutions. These could include dedicated accounts subject to enhanced due diligence and regulatory exemptions, enabling controlled remittance and aid transfers.

Governments should coordinate with multilateral financial institutions such as the IMF and the World Bank to design neutral, independently monitored channels. Precedents such as the Special Trust Fund for Afghanistan and the Afghanistan Resilience Trust Fund offer valuable models. These mechanisms should allow donor funding to reach intended beneficiaries without violating sanctions or implying full political normalization.

To enable deeper engagement, the US government should also consider lifting Syria's State Sponsor of Terrorism (SST) designation, which remains a barrier to accessing full support from the World Bank and the IMF. Discussions between Interim Government authorities and the World Bank have reportedly taken place. A structured access mechanism, once established, could evolve into a scalable framework for early recovery and reconstruction financing while reducing reliance on unregulated channels such as hawala.

Syrian private banks should explore digital banking tools that enhance transparency and accessibility, while navigating the constraints imposed by international sanctions. Although mobile platforms and e-money services aligned with global AML/CTF standards could provide alternatives to cash-based systems and promote financial inclusion, particularly for vulnerable groups, their development must take into account existing restrictions on IT, software, and financial services in Syria. Any digital initiative must be designed with a clear understanding of sanctions compliance to avoid unintended violations and maintain credibility with international partners. Over time, expanding these services could enhance financial inclusion and better position the sector for long-term reconstruction and integration into the global financial system.

6.4 Financial Oversight and Market Monitoring in the Context of Reconstruction

As Syria remains cut off from the global financial system, Western governments should strengthen financial oversight by coordinating with regional regulators in Lebanon, Türkiye, and Jordan, as well as with the Middle East and North Africa FATF. These countries and institutions act as critical financial intermediaries and can help support the development of transparent cross-border flows for humanitarian aid, trade, and reconstruction financing. Regional oversight mechanisms can ensure that transactions stay within regulated channels and contribute to recovery rather than diversion or misuse.

Western banks should also begin piloting low-risk engagement models with Syrian and regional financial institutions that meet international compliance standards. The goal is to build confidence, trust, and momentum for broader financial normalization. This could include working with non-sanctioned institutions such as

Al-Baraka Bank Syria, Arab Bank Syria, or Qatar National Bank, contingent on enhanced due diligence. These pilot models should emphasize transaction transparency, third-party monitoring, and strict compliance audits. Limited engagement—focused on remittances, essential trade finance, and early recovery investments—could provide a replicable blueprint for scalable re-engagement.

Syrian private banks must, in parallel, focus on rebuilding public trust. Years of instability and state interference have eroded depositor confidence and driven citizens toward informal, cash-based systems. Restoring confidence requires adopting international standards for risk management, transparency, and customer service. Banks should offer secure deposit options, clear withdrawal policies, and practical incentives, including competitive interest-bearing accounts and flexible lending products. Re-establishing trust in the formal banking system will be essential to channel domestic capital into regulated institutions and support Syria's reconstruction efforts.

6.5 Trade Finance and Alternative Investment Models in the Context of Reconstruction

To support Syria's economic recovery without violating sanctions, Western banks could establish highly regulated financing models targeting small and medium enterprises (SMEs), which form the backbone of the national economy. SMEs have been disproportionately affected by liquidity shortages and exclusion from formal finance. By working with international and regional institutions, banks can implement microfinance schemes and tailored credit facilities for SMEs operating in permitted sectors. These instruments should include strict safeguards, such as transparent auditing procedures and traceability tools, to ensure compliance with sanctions regulations.

As the regulatory environment evolves, these mechanisms could gradually expand to cover trade credit guarantees, invoice discounting, and supply chain financing. These tools are critical to reindustrialization, business continuity, and job creation.

Syrian private banks must also take steps to reclaim market share from informal financial networks, which are likely to resist such efforts to redirect financial flows. To succeed, banks must offer secure and cost-effective alternatives for remittance processing and trade transactions. Digital platforms—particularly person-to-person mobile money services—can increase transparency and help meet international compliance standards. By investing in these technologies and forming partnerships with vetted financial institutions, Syrian banks can facilitate lawful cross-border transactions and position themselves as active participants in the reconstruction process.

Trade finance instruments such as letters of credit and pre-export financing, tailored to the needs of SMEs, should also be introduced to support recovery in critical sectors.

6.6 Clarifying GL 25 Legalities and Lifting the Three Remaining Statutory Sanctions

The issuance of GL 25 in May 2025, alongside the 180-day suspension of the Caesar Act, marks a historic shift in US sanctions policy toward Syria. GL 25 is broad by any measure; it authorizes "all transactions" not involving blocked persons sanctioned under the Syrian Sanctions Regulations (31 CFR part 542), except for dealings with Specially Designated Nationals (SDNs) or entities owned 50 percent or more by SDNs.

Significantly, GL 25 authorizes engagement with nearly 30 previously unauthorized entities. Section (b) authorizes dealings with the current Government of Syria, entities owned or controlled by the government, SDNs identified in the GL 25 Annex, and entities owned by those SDNs at a 50 percent level or greater. These transactions had previously been prohibited under multiple regulatory frameworks, including the Weapons of Mass Destruction Proliferators Sanctions Regulations (31 CFR Part 544), the Iranian Financial Sanctions Regulations (31 CFR Part 561), the Global Terrorism Sanctions Regulations (31 CFR Part 594), the Foreign Terrorist Organizations Sanctions Regulations (31 CFR Part 597), and EO 13574.

According to the GL 25 Fact Sheet issued by OFAC on 28 May 2025, GL 25 authorizes:

- the provision of services to individuals and companies in Syria
- new investment in Syria
- the import or trade of petroleum and petroleum products from Syria
- transactions with the new Government of Syria, and transactions involving SDNs listed in the GL 25 Annex.

Permitted activities include services related to telecommunications, energy infrastructure rehabilitation, healthcare, education, agriculture, civil aviation, transportation, construction, water and waste management, and finance and investment. US financial institutions are now authorized to process transactions with the CBS. Non-US persons are not exposed to US sanctions for facilitating or participating in activities authorized under GL 25.

However, GL 25 does not authorize:

- transactions with SDNs not listed in the GL 25 Annex, or entities owned 50 percent or more by those SDNs
- transactions involving the governments of Russia, Iran, or North Korea, or related entities transacting through Syria
- dealings involving assets or property blocked under Syria-related sanctions as of 22 May 2025, including certain CBS assets.

Before GL 25, the US relied primarily on GL 24, which remains in effect until 7 July 2025, as a transitional measure following the fall of the Assad regime. Intended to signal Washington's "commitment to ensuring that US sanctions do not impede activities to meet basic human needs, including the provision of public services or humanitarian assistance," GL 24 proved limited in both form and scope. It failed to support the long-term recovery Syria urgently needs.

GL 24 authorized a range of activities related to the delivery of public utilities—including electricity, energy, water, and sanitation services—but imposed a six-month time limit, expiring in July 2025. Its temporary nature undermined confidence and deterred donors and private sector actors from initiating or sustaining projects that require predictability and long-term planning.

GL 25 enhances the effectiveness of the licensing framework by adopting an open-ended duration, similar to the permanent status granted to GL 22 for northern Syria. Although revocable at any time, this change improves predictability and encourages broader engagement, signaling deeper US commitment to stabilization in Syria.

This approach carries minimal risk for the US. General licenses, signed by the Director of OFAC, can be quickly rescinded if conditions change. Nonetheless, while GL 25's indefinite duration provides donors and investors with greater certainty, it may still be perceived as provisional. Because general licenses can be revoked with little notice, some in the private sector may view this as a temporary or stopgap measure, which could discourage long-term commitments.

GL 24 had stopped short of permitting "new investment," broadly defined as "a commitment or contribution of funds or other assets" or "a loan or other extension of credit." That restriction continued to limit private sector activity, impeding the financial and commercial exchange needed to support reconstruction. Banks in jurisdictions observing US sanctions prohibitions remained unwilling to process transactions that could support rebuilding, often citing unresolved risk exposure.

GL 25 addresses this gap. By authorizing new investment, it clarifies under what conditions such engagement is allowed and signals a shift toward facilitating recovery. At the same time, it preserves safeguards designed to prevent misuse of funds by sanctioned entities.

This change involved unwinding the expansive prohibitions on services and investment that were introduced by President Obama in 2011.[44] These measures were originally imposed to "deepen the financial isolation of the Assad regime and further disrupt its ability to finance a campaign of violence against the Syrian

44- Executive Order 13582 prohibits, among other activities, (a) new investment in Syria by a United States person, wherever located; and (b) the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a United States person, wherever located, of any services to Syria.

people." That regime and its campaign have now ended. Still, the sweeping ban on services—including financial services—remained in place, effectively constraining legitimate trade and reconstruction financing by blocking banking operations.

6.7 Addressing Remaining Legal Barriers and Compliance Uncertainty

For all its features, GL 25 will not achieve all of its intended effect unless several other critical steps follow:

- **Clarify unresolved legal and procedural ambiguities**: Key questions remain about how GL 25 interacts with statutes such as the Syria Accountability Act, particularly as implemented through EO 13338. These uncertainties are especially relevant in the context of export controls and the treatment of US-origin goods, services, and technologies. One critical ambiguity concerns whether the export of civilian, non-controlled goods, software, and technology is permitted. While GL 25 references these restrictions, the scope of allowable exports remains unclear.
- **Amend export licensing requirements**: The Department of Commerce's Bureau of Industry and Security (BIS) has not removed the broad export licensing requirements covering nearly all goods, software, or technology subject to the US Export Administration Regulations when destined for Syria, directly or indirectly. While the US State Department reviews Syria's SST designation, BIS should issue a parallel measure to GL 25 allowing broader exceptions—beyond just food and medicine—to include telecommunications equipment, related computers, software and technology, and parts and components necessary for civil aviation safety and the operation of commercial passenger aircraft.
- **Provide policy clarity on SST and FTO designations**: Syria remains subject to overlapping US sanctions regimes—some dating back to 1979. These include the SST designation, the FTO listing of HTS, and statutory frameworks such as the Caesar Act and the Syria Accountability Act. The Trump administration should clarify the remaining legal restrictions associated with these designations. It could issue a Department of Justice memorandum outlining its prosecutorial stance on material support to FTOs operating in Syria, thereby improving legal certainty, particularly for humanitarian actors.
- **Engage Congress to reassess statutory sanctions:** The Trump administration should work with Congress to review and update statutory sanctions on Syria to reflect the collapse of the Assad regime and current political realities. This includes reconsidering the SST designation, the Syria Accountability and Lebanese Sovereignty Restoration Act, and the Caesar Syria Civilian Protection Act.
- **Address banking sector hesitancy:** Despite the expanded permissions under GL 25, many financial institutions—especially in Europe and North America—remain risk-averse, citing reputational exposure, AML/CFT risks, and the potential for

policy reversal. The US Treasury and FinCEN should provide clear, ongoing reassurances and maintain active engagement with domestic and international financial actors to counter overcompliance and encourage a positive reassessment of Syria-related transactions.

Conclusion

In a letter to Senator Elizabeth Warren, ranking member of the US Senate Banking Committee, senior State Department official Paul Guaglianone described the fall of Bashar al-Assad as a “historic opportunity” for Syria to rebuild—free from Iranian and Russian influence. Nowhere is this opportunity more urgent than in the banking sector, which remains structurally collapsed, disconnected from global oversight, and dominated by informal financial networks.

With the EU’s decision to lift economic sanctions on Syria and the announced US intention to do the same, the conditions for re-engagement are beginning to take shape. However, these political shifts have not yet translated into regulatory clarity or practical tools for financial institutions, leaving the sanctions architecture technically in place and the banking sector effectively paralyzed.

Maintaining these broad restrictions risks trapping the IG in a cycle of paralysis, unable to implement reforms or address urgent needs while the economy remains strangled. It also risks pushing the current leadership closer to Western rivals, including Russia and Iran.

To restore functionality and credibility, IG authorities must implement core compliance reforms and re-engage with international standards, including those set by FATF and the Wolfsberg Group. Western governments, in turn, must recalibrate sanctions and offer practical guidance to financial institutions to address regulatory uncertainty. The UN and the World Bank should support this transition by establishing a neutral financial channel to facilitate supervised reconstruction funding.

For European governments, reintegrating Syria’s economy with the global system is not only a moral and humanitarian obligation—in light of continued US policy vagueness, it is also a strategic imperative. In the absence of action, a financially isolated Syria risks becoming a nexus for instability, migration, illicit trade, and extremist financing. Rebuilding formal banking capacity is essential to mitigate these threats. Europe must act by offering clear incentives and political backing to institutions willing to re-engage, not only for Syria’s recovery, but for its own long-term security.

Annex I: US Fines Related to Syrian Sanctions

Date of Settlement	Sanctioned Organization	Sanctioning Body	Fine	Legislation Breached	Reason
9 September 2014	Zulutrade, Inc.	US Treasury Office of Foreign Assets Control (OFAC)	USD 200,000	Executive Order (EO) 13582 of 17 August 2011, "Blocking Property of the Government of Syria and Prohibiting Certain Transactions With Respect to Syria"	Zulutrade maintained accounts for over 400 persons in Iran, Sudan, and Syria, and exported services to these customers by placing FX trades via its platform.
3 November 2015	Deutsche Bank AG	New York Department of Financial Services (NYDFS)	USD 200,000,000	Syrian Sanctions Regulations and related EOs Breaches of New York Banking Law §§ 39, 44, 104, and 200-c	From 1999 to 2006, Deutsche Bank processed USD transactions for Syrian clients by deliberately removing or masking sanctions-related information in payment messages to evade OFAC detection.
4 November 2015	Deutsche Bank AG	Federal Reserve Board	USD 58,000,000	International Emergency Economic Powers Act (IEEPA), 50 United States Code (USC) §§ 1701–1706 Trading with the Enemy Act (TWEA) Failures under OFAC Regulations	From at least 2001 to 2006, Deutsche Bank processed USD transactions involving sanctioned parties, including from Syria, by removing or omitting identifying information in payment messages. This lack of transparency impeded compliance by US banks and caused intermittent violations of OFAC sanctions programs.
15 April 2019	UniCredit Bank AG	OFAC	EUR 528,135,864.67	Syrian Sanctions Regulations, 31 CFR Part 542	Between 3 January 2007 and 27 December 2011,

				*Among others	UniCredit Bank AG processed 2,158 payments totaling USD 527,467,001 through financial institutions in the US, in apparent violation of the sanctions programs identified above.
15 April 2019	UniCredit Bank Austria AG	OFAC	USD 20,326,340	Syrian Sanctions Regulations, 31 CFR Part 542 *Among others	For a number of years, up to and including 2012, UniCredit Bank Austria AG processed transactions to or through US financial institutions that involved countries, entities, and/or individuals subject to the sanctions programs listed above.
15 April 2019	UniCredit S.p.A.	OFAC	USD 37,316,322	USD 37,316,322	For a number of years, up to and including 2012, UniCredit S.p.A. processed hundreds of transactions to or through US financial institutions that involved countries, entities, and/or individuals subject to the sanctions programs listed above.
26 February 2020	Société Internationale de Télécommunications Aéronautiques SCRL (SITA)	OFAC	USD 7,829,640	Global Terrorism Sanctions Regulations, 31 CFR §§ 594.201 and 594.204	Provided commercial services and software that were subject to US jurisdiction and benefitted certain airline customers after OFAC designated those airlines as SDGTs pursuant to Executive Order 13224

					(Including SyrianAir)
8 July 2020	Amazon.com, Inc.	OFAC	USD 134,523	Syrian Sanctions Regulations, 31 CFR Part 542	From on or about 15 November 2011, to on or about 18 October 2018, persons located in Crimea, Iran, and Syria placed orders or otherwise conducted business on Amazon's websites for consumer and retail goods and services where the transaction details demonstrated that the goods or services would be provided to persons in Crimea, Iran, or Syria. Amazon also accepted and processed orders on its websites for persons located in or employed by the foreign missions of Cuba, Iran, North Korea, Sudan, and Syria.
28 December 2020	National Commercial Bank (NCB)	OFAC	USD 653,347	EO 13582, Section 2(b) *Among others	Between 7 November 2011 and 28 August 2014, NCB processed, directly or indirectly, 13 USD transactions totaling USD 5,918,560 to or through the United States in circumstances where a benefit of NCB's service was received by Sudanese or Syrian counterparties, or that involved goods originating in or transiting through Sudan or Syria. None

					of the Sudanese or Syrian parties was a customer of NCB.
4 January 2021	Union de Banques Arabes et Françaises (UBAF)	OFAC	USD 8,572,500	EO 13582 EO 13382 of 1 July 2005, "Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters"	Between August 2011 and April 2013, UBAF processed 127 transactions totaling USD 2,079,339,943.52
18 February 2021	BitPay, Inc.	OFAC	USD 507,375	Syrian Sanctions Regulations, 31 CFR § 542.207	Between approximately 10 June 2013 and 16 September 2018, BitPay processed 2,102 transactions on behalf of individuals who, based on IP addresses and information available in invoices, were located in sanctioned jurisdictions.
23 July 2021	Payoneer Inc.	OFAC	USD 1,385,901.40	Syrian Sanctions Regulations, 31 CFR § 542.207	Payoneer processed 2,201 payments for parties located in certain jurisdictions and regions subject to sanctions including the Crimea region of Ukraine, Iran, Sudan, and Syria, and 19 payments on behalf of sanctioned persons on OFAC's List of Specially Designated Nationals and Blocked Persons (SDN List).
10 August 2021	HDR Global Trading Limited and affiliates (BitMEX)	OFAC	USD 100,000,000	Bank Secrecy Act (BSA), 31 CFR Chapter X	BitMEX willfully failed to implement an AML program, a customer identification program, and to report suspicious transactions,

					including at least 16 unreported transactions valued at USD 138,189 with Syrian and Iranian exchanges. BitMEX allowed over 43,000 accounts linked to sanctioned jurisdictions such as Syria to operate on its platform during the relevant period (2014–2020).
27 August 2021	First Bank SA	OFAC	USD 862,318	Syrian Sanctions Regulations, 31 CFR §§ 542.205 and 542.207	Processing of transactions in apparent violation of OFAC's Iran and Syria sanctions programs
25 April 2022	Toll Holdings Limited	OFAC	USD 6,131,855	Syrian Sanctions Regulations, 31 CFR § 542.205	Toll originated or received payments through the US financial system involving sanctioned jurisdictions and persons. These payments were in connection with sea, air, and rail shipments conducted by Toll, its affiliates, or suppliers to, from, or through the Democratic People's Republic of Korea (DPRK), Iran, or Syria, or the property or interests in property of an entity on OFAC's SDN List.
26 September 2022	CA Indosuez (Switzerland) S.A. (CAIS)	OFAC	USD 720,258	Syrian Sanctions Regulations, 31 CFR § 542.207	CAIS is a financial institution based in Switzerland that specializes in wealth management and corporate and investment banking. CAIS serves clients worldwide, including

					during the relevant time period 17 individual clients located in Iran, Syria, Sudan, the Crimea region of Ukraine, and Cuba.
26 September 2022	CFM Indosuez	OFAC	USD 401,039	Syrian Sanctions Regulations, 31 CFR § 542.207	CFM is a financial institution based in Monaco that specializes in wealth management and corporate and investment banking. CFM serves clients worldwide, including during the relevant time period 11 individual clients located in Iran, Syria, and Cuba.
30 September 2022	Tango Card, Inc	OFAC	USD 116,048.60	Syrian Sanctions Regulations, 31 CFR § 542.207	Between September 2016 and September 2021, Tango Card transmitted 27,720 merchant gift cards and promotional debit cards, totaling USD 386,828.65, to individuals with email or IP addresses associated with Cuba, Iran, Syria, North Korea, or the Crimea region of Ukraine.
11 October 2022	Bittrex, Inc.	OFAC	USD 24,280,829.20	Syrian Sanctions Regulations, 31 CFR § 542.207	As a result of deficiencies related to Bittrex's sanctions compliance procedures, Bittrex failed to prevent persons apparently located in the Crimea region of Ukraine, Cuba, Iran, Sudan, and Syria from using its platform to engage in approximately USD

					263,451,600.13 worth of virtual currency-related transactions. (7,999 apparent violations of the Syrian Sanctions Regulations, 31 CFR §542.207.)
30 December 2022	Danfoss A/S	OFAC	USD 4,379,810	Syrian Sanctions Regulations, 31 CFR Part 542	Between approximately 21 November 2013 and 28 August 2017, Danfoss FZCO sold cooling and heating equipment and related components to customers in Sudan, Syria, and Iran. During this period, Danfoss FZCO employees directed these customers to remit payments to at least three accounts at banks located in the UAE, including Danfoss's US Branch Account. Danfoss FZCO's customers in Iran, Syria, and Sudan used third-party agents such as money exchangers in nonsanctioned jurisdictions ("third-party payers") to pay Danfoss FZCO at this account. Danfoss FZCO also used third-party payers to make five transfers from its US Branch Account to parties in Syria and Iran. The use of third-party payers disguised the originator or

					disguised the originator or beneficiary of these transactions. As a result, the payments at issue were not stopped by the bank's transactional screening filters. The total value of all transfers was approximately USD 16,959,683.
30 March 2023	Wells Fargo Bank, N.A.	OFAC	USD 30,000,000	Syrian Sanctions Regulations, 31 CFR § 542.210	By providing "Bank A" with a software platform specially designed to make it easier for "Bank A" to engage in trade finance transactions with persons located in Iran, Sudan, on one occasion Syria, and, on six occasions, sanctioned entities, Wells Fargo undermined the policy objectives of three US sanctions programs.
6 April 2023	Microsoft Corporation	OFAC	USD 2,980,265.86	Syrian Sanctions Regulations, 31 CFR § 542.207	Between July 2012 and April 2019, the Microsoft Entities engaged in 1,339 apparent violations of multiple OFAC sanctions programs when they sold software licenses, activated software licenses, and/or provided related services from servers and systems located in the US and Ireland to SDNs, Blocked Persons, and other end users located in Cuba, Iran, Syria,

					Russia, and the Crimea region of Ukraine. The total value of these sales and related services was USD 12,105,189.79.
1 May 2023	Poloniex, LLC	OFAC	USD 7,591,630	Syrian Sanctions Regulations, 31 CFR § 542.207	Between January 2014 and November 2019, the Poloniex trading platform allowed customers apparently located in sanctioned jurisdictions to engage in online digital asset-related transactions—consisting of trades, deposits, and withdrawals—with a combined value of USD 15,335,349, despite having reason to know their location based on both Know Your Customer information and internet protocol address data. (one Apparent Violation of the Syrian Sanctions Regulations, 31 CFR § 542.207) (one Apparent Violation of the Syrian Sanctions Regulations, 31 CFR § 542.207)
2 November 2023	Payoneer Inc.	NYDFS	USD 1,250,000	New York Banking Law, § 44 3 New York Codes, Rules and Regulations (NYCRR), § 417.2(c)	From 2013 to 2018, Payoneer processed 2,220 transactions worth USD 794,000 involving sanctioned jurisdictions including Syria. Weak screening algorithms, screening algorithms,

					failures to flag IP/mailing addresses, and auto-released flagged payments led to prohibited transfers through its platform.
6 November 2023	Swift Prepaid Solutions, Inc. d/b/a daVinci Payments (DaVinci)	OFAC	USD 206,213	Syrian Sanctions Regulations, 31 CFR § 542.207	Between 15 November 2017 and 27 July 2022, DaVinci, which manages prepaid reward card programs, enabled reward cards to be redeemed from persons apparently resident in sanctioned jurisdictions.
21 November 2023	Binance Holdings, Ltd	OFAC	USD 968,618,825	Syrian Sanctions Regulations, 31 CFR § 542.207	For over five years, between August 2017 and October 2022, Binance matched and executed virtual currency trades on its online exchange platform between US person users and users in sanctioned jurisdictions or blocked persons.
21 November 2023	Binance Holdings, Ltd.	US Financial Crimes Enforcement Network (FinCEN)	USD 3.4 billion	BSA, 31 USC § 5318 BSA, 31 CFR §§ 1022.210, 1022.320, and 1022.380	Binance failed to register as a Money Services Business, implement an effective AML program, or file Suspicious Activity Reports, including for transactions involving Syrian users. Over 1.5 million US users and users from sanctioned jurisdictions were allowed to transact without proper compliance procedures.

Source: Karam Shaar Advisory Ltd.

Annex II: EU Fines Related to Syrian Sanctions

Date of Settlement	Sanctioned Organization	Sanctioning Body	Fine	Legislation Breached	Reason
7 February 2019	Danmar Logistics	Penal Court of Antwerp	Conditional fines of up to EUR 500,000	Council Regulation (EU) No. 36/2012 (as amended), which prohibits the "transfer or export, directly or indirectly," of equipment, goods, or technology that "might be used for the manufacture and maintenance of products which might be used for internal repression." Both items were listed as restricted dual-use substances under the EU sanctions regime against Syria, and their export required prior approval from national export control authorities.	Convicted of exporting chemicals to Syria without a license, AAE, Anex, and Danmar were found to have breached the regulation by allegedly exporting 168 tonnes of isopropanol, 219 tonnes of acetone, 77 tonnes of methanol, and 21 tonnes of dichloromethane to Syria across 24 shipments between 2014 and 2016. Herman Van Landeghem, a manager at Anex Customs and Danmar Logistics, was sentenced to 12 months in prison.
7 February 2019	Anex Customs	Penal Court of Antwerp	Conditional fines of up to EUR 500,000	Council Regulation (EU) No. 36/2012 (as amended) Both items were listed as restricted dual-use substances under the EU sanctions regime against Syria, and their export required prior approval from national export control authorities.	(See Danmar Logistics entry above)

					shipments between 2014 and 2016. Herman Van Landeghem, a manager at Anex Customs and Danmar Logistics, was sentenced to 12 months in prison.
7 February 2019	AAE Chemie Trading	Penal Court of Antwerp	Conditional fines of up to EUR 500,000	Council Regulation (EU) No. 36/2012 (as amended) Both items were listed as restricted dual-use substances under the EU sanctions regime against Syria, and their export required prior approval from national export control authorities.	(See Danmar Logistics entry above)
9 September 2019	Telia Carrier UK Limited	UK Office of Financial Sanctions Implementation (OFSI)	GBP 146,341	Contravention of Regulations 4 and 6 of the Syria (European Union Financial Sanctions) Regulations 2012 (SI 2012/129)	Telia Carrier UK Limited had indirectly facilitated international telephone calls to SyriaTel, an entity designated under the above regime.
14 December 2021	A/S Dan-Bunkering Limited	Court of Odense	EUR 4 million and EUR 540,000	Council Regulation (EU) No. 36/2012 of 18 January 2012 concerning restrictive measures in view of the situation in Syria and repealing Regulation (EU) No. 442/2011, Article 7a.	A/S Dan-Bunkering Ltd. was sanctioned for selling a total of about 172,000 tonnes of kerosene to Russian companies, which was then delivered to Syria in violation of EU sanctions against Syria.

Source: Karam Shaar Advisory Ltd.

KARAM SHAAR ADVISORY LTD.

MAKING SENSE OF SYRIA'S ECONOMY