



AML Compliance Amid Growing Tensions in the Middle East

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Conflict zones across the Middle East are reshaping how financial institutions manage anti-money laundering (AML) and counter-terrorism financing (CTF) obligations. What used to be a routine compliance framework is now a balancing act between humanitarian considerations, sanctions exposure, and geopolitical volatility.

As tensions rise, AML programs face new layers of risk — from sanctions entanglements and fragile correspondent networks to the blurred boundaries between legitimate aid and illicit transactions. For compliance teams, vigilance and adaptability are no longer optional; they are strategic necessities.

Navigating Compliance in Conflict-Affected Regions

Operating in or near conflict-affected areas introduces unique challenges. Even routine payments from such jurisdictions can carry political weight, reputational sensitivity, and complex due-diligence requirements.

At the same time, regional financial hubs are strengthening their frameworks. The United Arab Emirates (UAE), for example, has implemented Ultimate Beneficial Ownership (UBO) disclosure obligations. Oversight now extends across mainland and most commercial free zones, with dedicated beneficial-ownership registers in ADGM and DIFC. These reforms aim to align the UAE's standards with the Financial Action Task Force (FATF) and reduce vulnerabilities that have historically attracted global scrutiny.

Adjusting to Sanctions Risk in Real Time

Sanctions regimes tied to Middle Eastern conflicts evolve daily, demanding continuous monitoring and immediate integration of new designations.

- Iran remains classified as a *high-risk jurisdiction* under FATF's *Call for Action* as of 13 June 2025, subject to counter-measures. While the country ratified the Palermo Convention (14 May 2025) and approved conditional accession to the CFT (1 October 2025), its FATF status has not yet changed.
- Dynamic screening systems are now essential. Financial institutions increasingly rely on AI-powered sanctions filters, network analytics, and adaptive workflows to keep pace with the volume of newly listed entities and individuals.

Regional Divergence and Enforcement

Across the Gulf Cooperation Council (GCC), progress toward regulatory harmonization remains uneven. Most member states have strengthened their AML/CTF frameworks and joined international cooperation mechanisms, but supervisory capacity and enforcement intensity still differ.

The UAE, in particular, has taken notable steps forward:

- The European Commission's Delegated Regulation (EU) 2025/1184, adopted on 10 June 2025 and confirmed by the European Parliament on 9 July 2025, removed the UAE from the EU's high-risk AML/CTF list. The measure took effect in early August 2025, lowering certain EU-mandated enhanced-due-diligence requirements for firms dealing with UAE counterparties while raising expectations for sustained compliance performance.
- Domestic enforcement has intensified. UAE authorities imposed over AED 339 million in AML/CTF fines by June 2025, surpassing AED 370 million by mid-August. These penalties targeted banks, exchange houses, and insurers for deficiencies in risk management and reporting obligations.

Such actions signal a broader shift: regional regulators are moving from policy alignment toward tangible enforcement outcomes.

Implications for Compliance Strategy

Conflict-driven instability complicates trade and financial flows, heightening the need for sharper transaction analysis. Compliance functions must combine domain expertise with data-driven intelligence to distinguish legitimate activity from sanction evasion or illicit finance.

Key priorities include:

- Strengthening Know Your Customer (KYC) and beneficial-ownership verification.
- Applying enhanced due diligence (EDD) for politically exposed persons (PEPs).
- Investing in real-time AI models capable of detecting anomalous behavior across high-risk corridors.

- Ensuring data quality and lineage within AML systems to support auditability and explainability.

Ultimately, effective compliance in volatile environments depends on integrating technology with contextual understanding — knowing not only *who* is behind a transaction, but *why* and *under what geopolitical pressures*.

The Takeaway

Geopolitical tensions in the Middle East redefine what resilient compliance looks like.

Financial institutions operating in or connected to the region should:

- Maintain agile, continuously updated sanctions screening,
- Strengthen beneficial-ownership transparency,
- Monitor evolving FATF and EU expectations,
- Foster collaboration between data, risk, and business teams.

A forward-leaning AML strategy — one that merges technological agility with deep regional insight — is now essential.