

WEEK OF 20 – 26 OCTOBER 2026

Financial Crime Weekly Digest

Global enforcement actions, regulatory moves & intelligence from the world of AML & financial crime.

STORY OF THE WEEK

The gatekeeper gets designated: Treasury sanctions a law firm that registered companies behind Iran's shadow fleet, and a Dubai-based shipping agent

ENFORCEMENT

Nine years for a courier in a Chinese money laundering organisation · the FCA restricts six Annex 1 lenders over AML controls · an accountant's three Bounce Back Loans

REGULATORY

Companies House pauses small-company profit and loss filing · OFAC extends its Lukoil sale licence · a US self-disclosure pilot for healthcare fraud

STORY OF THE WEEK · UNITED STATES / PANAMA / GREECE / UAE / SINGAPORE

The Gatekeeper Gets Designated. A Law Firm Behind Iran's Shadow Fleet

First

issuance of a FinCEN administrative subpoena under 31 U.S.C. § 5318(k) of the Bank Secrecy Act, used in its investigation of a Greek bank's potential ties to Iran, per Treasury

On **21 October**, under Operation Economic Outcast, the US Treasury sanctioned **Karnakis and Karnakis**, a Panama- and Greece-based law firm that Treasury says has for years used its legal practice to register shipping companies that own shadow fleet vessels carrying Iranian steel, petroleum and petrochemicals. Treasury says the firm was corporate agent for many of the firms of Iranian LPG magnate Seyed Asadoollah Emamjomeh, and that its employees act as directors and officers of many of the companies they register in order to **obfuscate the true beneficial owners**. OFAC also designated the firm's owners and employees named by Treasury, and **Roxette Maritime Shipping and Trading S.A.**, for which the firm is corporate agent, identifying the Panama-flagged cargo vessels Roxette manages as blocked property.

Treasury also targeted **two shipping agents**: Amigoz Singapore Pte. Ltd. and Dubai-based **Whales Shipping Line LLC**, which Treasury says acted as shipping agent for Sparrow Trading FZE, a sanctioned Dubai-based front company; Whales's two UAE-flagged small support vessels were identified as blocked property. Separately, Treasury says FinCEN, working with European partners including in Greece, used its **first issuance of an administrative subpoena** under 31 U.S.C. § 5318(k) to advance an investigation into a Greek bank's potential ties to Iran and its proxies, and has issued multiple requests for information on banks' relationships with OFAC-designated Iranian financial institutions.

- Legal basis: E.O. 13902 · the law firm for operating in the petroleum and petrochemical sectors of Iran's economy · Whales for materially assisting Amigoz
- Treasury says it is targeting law firms and corporate service providers that establish shell and front companies for persons trading in sanctioned Iranian products
- General License HH authorises wind down and limited safety, environmental and offloading activities through 12:01 a.m. EST on 20 November 2026 · payments to a blocked person must go into a blocked account
- In the same action OFAC removed Belarus- and North Korea-related entries from the SDN List and issued Russia-related General License 131K

WHY IT MATTERS FOR COMPLIANCE TEAMS

Treasury describes shell and front companies as “an essential service” for anyone trading in sanctioned Iranian products, and it is now designating the people who set them up. For KYB, the sign Treasury describes is concrete: staff of the formation agent sitting as directors and officers of the companies their firm registers. Three questions for any firm onboarding shipping, trading or holding companies. **Do you record who formed the company and who its corporate agent is, and screen them? Do you flag directors who work for that agent? And would your screening catch a customer whose shipping agent, not the customer itself, is the designated party?**

ENFORCEMENT ACTIONS

Law Enforcement Strikes This Week

US DEPARTMENT OF JUSTICE · UNITED STATES / CHINA / MEXICO

9 YEARS

Real and Fake Identities, Shell Accounts: a Courier for a Chinese Money Laundering Organisation Gets Nine Years

On **21 October** Shu Jun Zhen, 31, of New York, was sentenced in the Western District of North Carolina to **nine years** in prison and ordered to forfeit nearly **\$23 million** for her role in a Chinese money laundering organisation that laundered **over \$92 million** in illicit funds, including proceeds of illegal drugs brought into the United States, primarily through Mexico. According to court documents, she collected drug proceeds from US-based traffickers and deposited the money, **using both real and fake identities**, into shell company bank accounts registered by other members of the organisation. She is the second defendant from it to receive a significant sentence.

FINANCIAL CONDUCT AUTHORITY · UNITED KINGDOM

6 FIRMS

The FCA Restricts Six Annex 1 Lenders Over Their AML Controls

On **23 October** the FCA announced restrictions on **6 unregulated lenders**, known as Annex 1 firms, after it raised concerns about their anti-money laundering policies, controls and procedures while assessing their applications. Imposed at each firm's request, the restrictions limit their ability to take on new customers or do new business with existing customers, including extending credit; most also require an independent review of the firm's AML framework, and one firm must wind down its existing loan book in an orderly way. Annex 1 firms register with the FCA under the Money Laundering Regulations but are not authorised. The FCA says it is assessing responses to an information request sent to **around 900** registered Annex 1 firms.

UK INSOLVENCY SERVICE · UNITED KINGDOM

£307,690

An Accountant With Three Bounce Back Loans From Separate Banks Ordered to Repay £307,690

Announced **21 October**: Birmingham accountant Zeeshan Ashraf was handed a confiscation order of **£307,690** at Birmingham Crown Court on 13 October, after being jailed in February 2025 for defrauding the Eat Out to Help Out, Bounce Back Loan and Covid Job Retention schemes. He used his accountancy company to secure **three £50,000 Bounce Back Loans from separate banks** in 2020, when businesses were only entitled to a single loan, claiming turnovers of £215,000 to £244,000 when it was actually just £8,000. He also made false or unauthorised Covid Job Retention Scheme applications on behalf of his business clients. He has three months to pay or could face a further two and a half years in prison.

REGULATORY DEVELOPMENTS

Regulatory Moves

Reshaping the Compliance Landscape

UNITED KINGDOM

Companies House Pauses Profit and Loss Filing for Small Companies; Software Filing Goes Ahead

On **23 October** Companies House said the government will **pause** the requirement, under the Economic Crime and Corporate Transparency Act 2023, for small companies and micro-entities to file profit and loss accounts from April 2028, while it explores streamlining Companies House and HMRC filing. In practice, companies may still file abridged accounts, and smaller companies may still remove, or “fillet”, their profit and loss information from accounts filed after 1 April 2028. The requirement for **all UK registered companies to file accounts in iXBRL using commercial software from April 2028** goes ahead, as do a strengthened eligibility statement for companies claiming an audit exemption and a limit on how often a company can shorten its accounting reference period.

UNITED STATES / RUSSIA

OFAC Reissues Its Licence for Contingent Contracts on the Sale of Lukoil International

On **21 October** OFAC issued Russia-related **General License 131K**, replacing 131J of 18 September 2026. It authorises transactions ordinarily incident and necessary to negotiating and entering into contracts for the sale of **Lukoil International GmbH** and entities it owns 50% or more, provided that performance of any such contract is made expressly contingent on separate OFAC authorisation, and the maintenance or wind down of those entities' operations, through 12:01 a.m. EST on **21 November 2026**. It does not authorise the transfer of funds to any person or account in Russia.

UNITED STATES

DOJ and HHS Open a Six-Month Self-Disclosure Pilot for Healthcare False Claims

On **22 October** the Justice Department's Civil Division and the Department of Health and Human Services launched a **Healthcare False Claims Act Self-Disclosure Pilot Program**. Companies must describe all relevant details of the potential violations, produce documents, describe their remedial actions and make a financial repayment with a **1.25–1.6 multiplier**, set by factors including the timeliness of the disclosure and the involvement of senior leadership. In exchange they receive a coordinated civil release under the False Claims Act and certain HHS administrative authorities. Submissions are accepted through **22 April 2027**. The pilot covers civil liability; potential criminal conduct is disclosed separately to the National Fraud Enforcement Division.

ON OUR RADAR

Watch This Space

FATF · GREY LIST · GLOBAL

The FATF Plenary Meets 28 – 30 October, With Outcomes Due on the 30th

On **20 October** the FATF announced that its first Plenary under the UK Presidency of Giles Thomson takes place in Paris from **28 to 30 October 2026**. Delegates are expected to discuss the mutual evaluation reports of **Mexico and the US**, advance work on the FATF's roadmap on combatting fraud, and **review progress made by jurisdictions under increased monitoring**. The FATF says a summary of the outcomes will be published after the meeting, and its President will announce them at a virtual press conference on **Friday 30 October** at 17:00 CEST.

SCAM CENTRES · CRYPTO · UNITED STATES / CAMBODIA / BAHAMAS

Extradited From the Netherlands: an Alleged Launderer for Cambodian Scam Centres

On **23 October** Zheng Zhao, 44, a Chinese national, was arraigned in the Central District of California after extradition from the Netherlands for his alleged role in a cryptocurrency investment conspiracy run from scam centres in Cambodia; the government identified 174 US victims. According to court documents, **more than \$36.9 million** in victim funds went from US accounts controlled by co-conspirators to a single account at **Deltac Bank in the Bahamas**, which Zhao and others arranged to convert to USDT and send to a wallet controlled in Cambodia. He is charged with conspiracy to commit money laundering. A charge is an allegation.

HEALTHCARE FRAUD · UNITED STATES

A Los Angeles Takedown: 15 Defendants Charged Over \$1.8 Billion in Claims

On **22 October** the Justice Department announced charges against **15 defendants**, including six medical professionals, for health care fraud schemes that it says collectively resulted in **over \$1.8 billion** in fraudulent claims to government and private health care programs. They include over \$1.6 billion billed in an alleged scheme to lure vulnerable people to California for sham substance abuse treatment, which the Department calls the largest case of its type it has prosecuted, and a scheme involving unnecessary invasive procedures it says was detected through data analytics. Charges are allegations.

This Week's

3 Key Takeaways

01

Ask Who Formed the Company, Not Only Who Owns It

Treasury's headline target this week was not a ship but the law firm that registered ship-owning companies, and whose employees act as directors of companies it registers to obscure their true beneficial owners. Treasury says it is targeting law firms and corporate service providers that set up shell and front companies for trade in sanctioned Iranian products. For corporate customers in shipping and commodity trading, record the formation agent and corporate agent, screen them as related parties, and treat a board made up of the agent's own staff as a reason to find the real owner before onboarding.

02

A Register Entry Is Not Due Diligence

The FCA reminds regulated firms that registration under the Money Laundering Regulations is not a substitute for their own due diligence on Annex 1 firms: seek direct confirmation of registration status, check the information independently, and understand the risks. The same discipline applies to public registers generally. From April 2028 small UK companies may still file abridged accounts and leave out their profit and loss account, so a filing at Companies House will not by itself tell you whether a customer's turnover is real. Ashraf claimed his company's turnovers were £215,000 to £244,000 when they were just £8,000.

03

Our Six: the UAE Through OFAC; the FATF Decides This Week

From the regulators of the six jurisdictions this digest follows, we found no in-week financial crime item among the pages we could reach. The UAE appears in OFAC's Iran action, through a designated Dubai-based shipping agent and the sanctioned Dubai front company it served. The FATF Plenary meets 28 – 30 October and announces its outcomes on 30 October, after this issue, so we make no grey-list comment this week; we will cover the outcomes next Monday. Several sites block automated access, so that is what we could see, not proof that nothing was published.

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1st

**FINCEN SUBPOENA
UNDER 31 U.S.C. § 5318(k)**

US Treasury · 21 Oct · Greek bank
inquiry

\$92M+

**LAUNDERED BY A
CHINESE MONEY
LAUNDERING
ORGANISATION**

DOJ · 21 Oct · courier sentenced to
nine years

~900

**ANNEX 1 FIRMS SENT AN
FCA INFORMATION
REQUEST**

FCA · 23 Oct · six lenders restricted

28–30 Oct

FATF PLENARY, PARIS

FATF · outcomes announced 30
Oct

#FinancialCrime #AML #Sanctions #KYC #KYB #Compliance #RiskTech #SonarPulse

Sources: US Treasury / OFAC · US Department of Justice · FCA · UK Insolvency Service · Companies House · FATF