

Lebanon

COUNTRY RISK BRIEFING - 2026





Country Overview



Location:

Western Asia (Middle East), bordered by Syria, Israel, and the Mediterranean Sea



GDP:

\$20.518 billion nominal GDP (World Bank, 20243)



Capital:

Beirut



Major Economic Sectors:

Banking and financial services (restructuring), tourism, real estate, agriculture



Currency:

Lebanese Pound (LBP)



Economic Classification

Lower-middle income



Population:

5.8 million (United Nations, 2025)



Government:

Parliamentary republic

Economy & Politics

Lebanon faces one of the world's worst economic crises since the mid-1800s, with its financial system having collapsed following decades of systematic mismanagement. The World Bank has characterised Lebanon's banking model as a "Ponzi scheme" run by political elites to systematically capture national resources. Since 2019, the Lebanese pound has lost over 95% of its value against the dollar, bank deposits have declined by \$31 billion, and approximately 74% of the population now lives in poverty. The cash economy has become entirely dominant, with formal banking nearly non-functional for ordinary citizens.

The economy historically relied on services, particularly banking and tourism, with an oversized financial sector relative to GDP. Remittances from Lebanon's extensive diaspora traditionally provided crucial foreign currency inflows. However, capital controls imposed since 2019 have trapped depositors' savings, effectively wiping out the middle class. The economic crisis, which began in 2019, continues to devastate Lebanese society. Lebanon's gross domestic product fell 38% between 2019 and 2024, with a peak annual inflation rate of 221% in 2023. In addition, the 2023/24 conflict with Israel is estimated to have caused US\$8.5 billion of damage.

Politically, Lebanon operates under a confessional system where government positions are allocated along sectarian lines among Christian, Sunni Muslim, and Shia Muslim communities. Historically, this power-sharing arrangement has facilitated endemic corruption and state capture by political-military factions, most notably Hezbollah. Lebanon experienced extended periods without a functioning government or elected president from 2022-2025, with political paralysis preventing implementation of necessary reforms and blocking access to international assistance including a proposed \$3 billion IMF programme.

In January 2025, Lebanon's political landscape underwent its most significant shift in years when parliament elected army commander General Joseph Aoun as President. This ended a two-year institutional vacuum after 12 failed attempts to elect a successor to Michel Aoun. Aoun's appointment came weeks after a tenuous ceasefire agreement halted 14 months of fighting between Israel and Hezbollah, as Lebanon sought aid for reconstruction. In February 2025, President Aoun announced the formation of a new government, appointing Prime Minister Nawaf Salam - a diplomat and former president of the International Court of Justice - to lead a 24-minister cabinet; Lebanon's first full-fledged government since 2022.

Lebanon's leadership under President Aoun and Prime Minister Salam signals a potential shift from years of political deadlock and economic collapse. It is seen as a manifestation of Hezbollah's diminished influence in Lebanese politics, partly due to the group's military and financial losses in the conflict with Israel and the fall of the Assad regime in Syria in 2024.



In April and July 2025 respectively, the Lebanese Parliament passed a law allowing the lifting of banking secrecy and a bank resolution law (to provide a framework for assessing the viability of defaulting banks), marking a historical shift for the country's financial system. Despite these legislative achievements, implementation remains the critical challenge. An IMF mission visited Lebanon from May 2025 to initiate discussions on policies and a reform programme, covering banking sector restoration, fiscal sustainability, monetary policy, governance, AML/CFT enhancement, and state-owned enterprise reform, with bank restructuring described as a critical priority. However, as of April 2026, a formal IMF programme agreement has not yet been concluded.

Regionally, Lebanon's financial crime landscape continues to be shaped by the aftermath of the 2024 Israel-Hezbollah conflict. While a ceasefire entered force in November 2024, Israel has continued to conduct daily violations, with Lebanon's Foreign Ministry documenting over 2,000 Israeli violations in the final three months of 2025 alone. Iran's Islamic Revolutionary Guards Corps-Qods Force has simultaneously maintained a major financial pipeline to Hezbollah. The broader Gulf regional environment - characterised by Houthi operations in the Red Sea, continued Iran-Gulf tensions, and Gulf states' deep concern about Captagon trafficking - has significantly shaped Lebanon's strategic priorities and its financial crime risk profile. Saudi Arabia, in particular, has made Lebanon's commitment to combating drug trafficking a precondition for renewed commercial and investment ties, creating direct linkages between counter-narcotics enforcement and economic recovery.



Themis

Expert View

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Lebanon's financial crime landscape in 2026 is entering a paradoxical phase: meaningful institutional reform has begun, yet the structural vulnerabilities enabling financial crime are, in many respects, deepening in the short term even as the legislative architecture improves.

The most significant development in 2025 was the lifting of banking secrecy - a reform that removes a cornerstone of Lebanon's identity as an opaque financial centre and satisfies a long-standing IMF prerequisite. The April 2025 law grants the Central Bank, the Banking Control Commission, and judicial authorities retroactive access to banking records dating back to 2015. However, the reform's limitations are telling. The 2025 law excludes real estate and non-bank financial sectors - key channels for money laundering. Critics argue the reforms are cosmetic: politicians can still stymie investigations via judicial delays, and the law's passage has been accompanied by coordinated defamatory campaigns by banking interests against independent media and reform advocates. The banking secrecy reform is best understood as a necessary first step whose consequences will depend entirely on whether forensic audits are actually conducted and whether investigative findings lead to accountability.

The Hezbollah financial adaptation story is equally instructive. Israel's 2024 military campaign and the collapse of the Assad regime in Syria - which served as Hezbollah's primary logistical bridge to Iran - fundamentally degraded the organisation's traditional financing infrastructure. Since January 2025, Iran's IRGC-QF has transferred over \$1 billion to Hezbollah, mostly through money exchange companies, exploiting Lebanon's cash-based financial sector. The organisation has pivoted from reliance on formal banking and Syrian transit routes to a diversified approach centred on exchange houses, gold conversion schemes, and internationally dispersed procurement networks - as demonstrated by the AQAH/Jood SARL case.

This adaptation represents not a weakening of the financial crime risk but a transformation of it: the methods are more opaque, more distributed, and more difficult to interdict using existing Lebanese regulatory tools.

The new government's anti-drug campaign is the area where reform credentials are most visible. Major Captagon laboratory seizures in July and September 2025, the dismantling of international smuggling networks, and the explicit prioritisation of narcotics enforcement by Interior Minister Ahmad al-Hajjar represent a genuine departure from the theatrical enforcement of prior years. However, structural incentives for drug production in the Beqaa Valley - entrenched poverty, collapsed public sector wages, and Hezbollah's weakened but still-present territorial influence - have not been removed. The resumption of the Captagon trade and the trafficking networks' scouting of new markets such as Iraq demonstrates their capacity to adapt.

Perhaps the most underappreciated risk in Lebanon's 2026 profile is reconstruction financing. With billions of dollars expected to flow into Lebanon from Gulf states, France, and the United States, the corruption and money laundering risks embedded in infrastructure contracting, public procurement, and real estate investment are acute. The same patronage networks and politically connected contractors that captured previous reconstruction funds after the 2006 war and the 2020 port explosion remain embedded in Lebanon's political economy. Reform of procurement oversight, judicial independence, and beneficial ownership disclosure will need to mature significantly before large-scale reconstruction funding can flow without major diversion risks.

Regulatory Overview

Primary Anti-Financial Crime Agencies and Regulators:

- **Special Investigation Commission (SIC):** Lebanon's Financial Intelligence Unit responsible for receiving and analysing suspicious transaction reports and AML/CFT coordination
- **Central Bank of Lebanon (Banque du Liban - BDL):** Central bank with supervisory authority over financial institutions for AML/CFT compliance
- **Banking Control Commission of Lebanon (BCCL):** Supervisory body for banking sector regulation and oversight. The April 2025 banking secrecy reforms grant the BCCL access to banking data for the first time, enabling appointment of specialist auditors to evaluate individual banks and investigate potential violations.



Primary Anti-Financial Crime Legislation:

- **Law No. 318 (2001):** Primary AML legislation establishing reporting requirements and criminalizing money laundering.
- **Law No. 44 (2015):** Primary combined AML/CFT legislation criminalising money laundering and terrorist financing and establishing reporting requirements.
- **Law No. 1/2025 [Banking Secrecy Amendment] (2025):** Landmark April 2025 legislation lifting banking secrecy for a retroactive period of ten years (since 2015), granting regulatory and judicial access to banking data.
- **Law No. 23 (2025):** Bank resolution law providing a framework for restructuring or liquidating defaulting banks, passed July 2025.
- **Law on the Ordinary Judiciary (2025):** Passed 31 July 2025, establishing a judicial independence and accountability framework as part of broader governance reforms.

Financial Action Task Force Assessment

Lebanon underwent its most recent FATF mutual evaluation in 2023 and, in 2024, it was added to the FATF list of jurisdictions under increased monitoring (grey list), requiring the country to address strategic AML/CFT deficiencies despite the challenging social, economic, and security situation.

The 2023 evaluation found that Lebanon achieved "Compliant" or "Largely Compliant" ratings on 34 of 40 FATF Recommendations, demonstrating acceptable technical compliance. However, the evaluation identified substantial deficiencies in understanding ML/TF risks, particularly regarding the non-profit sector and virtual assets. Quality of financial intelligence, ML investigations and prosecutions, and mechanisms for asset confiscation all require significant improvement. Lebanon chose to defer to report to FATF on implementation progress in February, June, and October but provided progress reporting ahead of the February 2026 plenary.

Category	2023 FATF Mutual Evaluation / 2024-2026 Grey List Status
Overall Assessment	Lebanon has a good understanding of ML and TF risks, with significant improvements to be made in addressing them. Grey-listed since October 2024 with an agreed action plan.
Technical Compliance Ratings	<p>Compliant: 9 Recommendations Largely Compliant: 25 Recommendations Partially Compliant: 6 Recommendation</p> <ul style="list-style-type: none"> • R. 3 – Money laundering offence • R. 15 – New technologies • R. 25 – Transparency and beneficial ownership of legal persons • R. 28 – Regulation and supervision of DNFBPs • R. 38 – Mutual legal assistance: freezing and confiscation • R. 39 – Extradition
Key Risks Identified	<ul style="list-style-type: none"> - Burdens posed by large numbers of refugees - Corruption and tax evasion - Illicit drug trafficking - Financial secrecy - Terrorist financing
Strengths	<ul style="list-style-type: none"> - Understanding of TF and ML risks - Legal framework for asset recovery - Mechanisms for implementing sanctions - April 2025 banking secrecy reform is a positive development acknowledged by the IMF and international partners
Areas for Improvement	<ul style="list-style-type: none"> - Understanding of risks associated with precious metals and stones sector - Policy on identifying, freezing, and confiscating proceeds of crime - Demonstrating sustained ML/TF prosecutions - Addressing TF risks associated with Hezbollah - Banks' measures in applying AML/CFT obligations - Identifying BO of legal persons - Supervision of lawyers and DNFBPs - Providing mutual assistance support - Effective use of financial intelligence by law enforcement
Grey List Action Plan Progress	Lebanon's pace of progress has been slow relative to peer grey-list countries, having deferred FATF reporting on three occasions (February, June, and October 2025). The April 2025 banking secrecy reform and July 2025 bank resolution law are meaningful steps toward the action plan. However, the absence of demonstrated sustained ML/TF prosecutions, weak DNFBP supervision, and beneficial ownership deficiencies remain unresolved. De-listing is unlikely before 2027.

Financial Crime Risk Matrix

Crime Type	Risk Level*	Key Indices	Key High-Risk Sectors	Cross-Border Nexus
Money Laundering	High	<p>Basel AML Index 2025 (see here)* 5.893 / 10 (Ranked 47th of 177 countries)</p> <p>*Basel AML Score is on a 0-10 scale, with 10 representing the maximum risk.</p> <p>Global Organized Crime Index 2023 (see here)* AML Resilience: 3.08 / 10</p> <p>*Global Organized Crime Index Score is on a 0-10 scale, with 0 denoting non-existent crime and 10 severe influence.</p>	Banking restructuring processes, real estate, reconstruction financing, currency exchange, gold trading, trade-based money laundering, professional services	Syria, Cyprus, Europe (particularly France, Switzerland), Gulf states
Terrorist Financing	High	<p>Global Terrorism Index (GTI) 2026 (see here)* Overall Score: 0.648 / 10 (Ranked 72nd of 163 countries)</p> <p>*The GTI scores each country on a scale from 0 to 10; where 0 represents no impact from terrorism and 10 represents the highest measurable impact of terrorism.</p>	Exchange houses, gold trading companies, NPOs, charities, informal value transfer systems, Hezbollah-controlled businesses, cash-intensive sectors	Iran, Syria, Israel, Palestinian territories
Sanctions Evasion	High	<p>Hezbollah's control of port and border areas enables systematic sanctions evasion. Lebanese entities used as intermediaries for Iranian sanctions circumvention. Iran's IRGC-QF transferred over \$1 billion to Hezbollah through Lebanese exchange houses in 2025.</p>	Port operations, shipping, banking correspondent relationships, currency exchange, trade finance, gold trading, NGO-front entities	Iran (primary), Syria, sanctioned Russian entities, designated individuals and entities

Crime Type	Risk Level*	Key Indices	Key High-Risk Sectors	Cross-Border Nexus
<p>Bribery & Corruption</p>	<p>High</p>	<p>Transparency International Corruption Perceptions Index 2025 (see here)* 23/100 (Ranked 153rd of 182 countries)</p> <p>*Transparency International Corruption Perceptions Index score is the perceived level of public corruption, where 0 means highly corrupt and 100 means very clean.</p> <p>Trace 2024 Bribery Risk Matrix (see here)* 57/100 (Ranked 132nd of 194 countries)</p> <p>*Trace measures business bribery risk with a lower score indicating a lower bribery risk, while a higher score indicating a higher bribery risk.</p> <p>Global Organized Crime Index 2025 (see here)* Government Transparency and Accountability: 2.5 / 10 State-Embedded Criminality: 9.5 / 10</p> <p>*Global Crime Index Score is on a 0-10 scale, with 0 being non-existent crime to 10 being severe influence.</p>	<p>Public procurement (including reconstruction contracts), customs, port operations, financial system, electricity sector, judicial system, construction, real estate</p>	<p>Regional business networks, offshore structures in Europe and Cyprus</p>
<p>Financial Secrecy and Tax Crime</p>	<p>High</p>	<p>Banking secrecy laws formally lifted in April 2025 but implementation remains nascent. Non-bank sectors (real estate, gold trading) explicitly excluded from the reform. Shadow economy remains extensive. Depositor circumvention of capital controls continues via multiple exchange rates.</p> <p>Government revenue losses are significant due to corruption in customs and tax administration.</p>	<p>Banking, offshore structures, gold trading, real estate holding companies, professional services, informal economy, import/export</p>	<p>Cyprus, Switzerland, British Virgin Islands, UK (property markets), offshore centres for Lebanese elites</p>
<p>Fraud</p>	<p>High</p>	<p>Global Organized Crime Index 2025 (see here)* Financial crimes: 9 / 10</p> <p>*Global Crime Index Score is on a 0-10 scale, with 0 being non-existent crime to 10 being severe influence.</p>	<p>Banking, telecommunications, government procurement (reconstruction), online fraud including investment scams</p>	<p>Regional fraud networks, international cyber scam operations</p>

Crime Type	Risk Level*	Key Indices	Key High-Risk Sectors	Cross-Border Nexus
Cybercrime	Medium	<p>Global Organized Crime Index 2025 (see here)* Cyber-dependent crimes: 4.5 / 10</p> <p>*Global Crime Index Score is on a 0-10 scale, with 0 being non-existent crime to 10 being severe influence</p>	Banking IT systems, telecommunications, critical infrastructure, cryptocurrency exchanges, government systems	Iran, Israel, Gulf states, international hacking networks
Financial Secrecy and Tax Crime	High	<p>Banking secrecy laws formally lifted in April 2025 but implementation remains nascent. Non-bank sectors (real estate, gold trading) explicitly excluded from the reform. Shadow economy remains extensive. Depositor circumvention of capital controls continues via multiple exchange rates.</p> <p>Government revenue losses are significant due to corruption in customs and tax administration.</p>	Banking, offshore structures, gold trading, real estate holding companies, professional services, informal economy, import/export	Cyprus, Switzerland, British Virgin Islands, UK (property markets), offshore centres for Lebanese elites
Drug Trafficking	High	<p>Global Organized Crime Index 2025 (see here)* Heroin Trade: 4 / 10 Cocaine Trade: 6 / 10 Cannabis Trade: 9 / 10 Synthetic Drug Trade: 9 / 10</p> <p>*Global Crime Index Score is on a 0-10 scale, with 0 being non-existent crime to 10 being severe influence.</p>	Agriculture (Beqaa Valley cannabis), Captagon production facilities, port operations, transportation logistics	Transit for heroin, Captagon and cocaine transiting to the Gulf, Turkey, Saudi Arabia, Jordan, Iraq (emerging market) and Europe, sometimes from Latin America. Lebanon also exports cannabis to the Gulf, Syria, Iraq, Cyprus, and Europe.
Arms Trafficking	High	<p>Global Organized Crime Index 2025 (see here)* Arms trafficking: 9 / 10</p> <p>*Global Crime Index Score is on a 0-10 scale, with 0 being non-existent crime to 10 being severe influence.</p>	Port operations, Syrian border crossings, Hezbollah-controlled areas, informal networks, Palestinian refugee camps	Weapons supplied by Iran to Hezbollah through the Syria border. Hezbollah disarmament pressure ongoing but weapons caches remain significant. Many privately-held weapons

Crime Type	Risk Level*	Key Indices	Key High-Risk Sectors	Cross-Border Nexus
Modern Slavery & Human Trafficking	High	<p>US Department of State 2024 Trafficking in Persons Report (see here): Tier 2</p> <p>The Government of Lebanon does not fully meet the minimum for the elimination of trafficking and is not making significant efforts to do so</p> <p>Global Organized Crime Index 2025 (see here)* Human Trafficking: 8 / 10 Human Smuggling: 8.5 / 10</p> <p>*Global Crime Index Score is on a 0-10 scale, with 0 being non-existent crime to 10 being severe influence.</p>	Domestic work, agriculture, construction, service industry, sex trafficking	Domestic labourers from South and Southeast Asia, as well as Syria; irregular migration routes to Europe from Lebanese coast.
Environmental Crime	Medium	<p>Global Organized Crime Index 2025 (see here)* Flora Crimes: 2 / 10 Fauna Crimes: 3.5 / 10 Non-Renewable Resource Crimes: 7 / 10</p> <p>*Global Crime Index Score is on a 0-10 scale, with 0 being non-existent crime to 10 being severe influence.</p>	Illegal wildlife trade, oil smuggling, waste and waste trafficking, gold smuggling	Fauna are trafficked through Lebanon to and from Asia, Africa, and Europe. Lebanese birds are often poached and traded abroad. Diesel is also smuggled from Lebanon to Syria. Gold trafficking via Lebanon connecting African conflict zones to international markets.

* Methodology: Each financial crime risk rating is derived from a combination of globally recognised indices and supplementary risk factors. Each index score is normalised and translated into a Red-Amber-Green (RAG) rating. Specifically, jurisdictions or entities are grouped based on their position within the distribution of index values, with the top, middle, and bottom third of scores per index corresponding respectively to Green, Amber, and Red (e.g. a 5/10 rating in one index would be equivalent to a 12/24 rating in another). Additional risk factors – such as enforcement actions, FATF evaluations, and our own Themis internal intelligence – also influence the final RAG classification through an overlay and adjustment process.

Areas of Financial Crime Vulnerability



State Capture by Political-Military Factions: Lebanon's political system has enabled systematic state capture by sectarian political parties and their affiliated militias, particularly Hezbollah's control of port facilities, border crossings, and significant economic sectors. Political immunity provisions protect senior officials from prosecution, creating impunity for corruption and facilitating money laundering through legitimate business channels.

Collapsed Banking Sector and Capital Controls: The banking system's collapse has created a parallel economy with informal currency exchange networks operating outside regulatory oversight. Capital controls trap legitimate deposits whilst facilitating money laundering through cash-based transactions, hawala networks, and smuggling operations that exploit multiple exchange rates.

Banking Secrecy Reform: Implementation Gap: The April 2025 banking secrecy reform is legally significant but operationally nascent. The Banking Control Commission has yet to conduct systematic forensic audits of bank balance sheets; the law excludes real estate and non-bank sectors that are primary money laundering channels; and judicial delays remain a structural obstacle to translating investigative access into accountability. The reform removes a formal barrier but does not yet constitute effective oversight.

Gold Market as a Sanctions Evasion and TF Channel: Al-Qard Al-Hasan Association (AQAH) is a Hezbollah-affiliated non-profit financial institution, that provides interest-free loans and other financial services in Lebanon. AQAH's establishment of Jood SARL and related gold trading entities in 2025 illustrates how Lebanon's largely unregulated gold market – encompassing both licensed exchange houses and informal gold dealers – provides a mechanism for converting terrorist financing reserves into liquid funds outside the banking system. Lebanon lacks an effective regulatory framework for monitoring gold dealers and precious metals traders under AML/CFT obligations, a gap explicitly noted in FATF evaluations.

Systematic Corruption in Customs and Port Operations: Decades of corruption at Beirut port enabled smuggling operations worth hundreds of millions annually, with systematic bribery of customs officials facilitating sanctions evasion, narcotics trafficking, and arms smuggling. The 2020 port explosion exemplifies how corruption creates catastrophic consequences when safety violations are protected by political interests.

Reconstruction Financing and Procurement Corruption: The anticipated inflow of billions in reconstruction funding – from Gulf states, France, and international financial institutions – introduces acute procurement corruption risks. Lebanon's public contracting history is characterised by politically connected contractors securing contracts through kickbacks, inflated valuations, and phantom deliverables. In the absence of meaningful procurement oversight reforms, judicial independence, and beneficial ownership disclosure for contracting entities, reconstruction financing risks perpetuating the patronage economy that caused the original financial collapse.

Hezbollah's Economic Integration and Sanctions Exposure: Hezbollah's deep integration into Lebanon's economy – controlling businesses, charities, and informal financial networks – creates pervasive sanctions risks. The organisation's designation as terrorist entity by numerous countries, combined with its role facilitating Iranian sanctions evasion, exposes any Lebanese business relationships to potential sanctions violations. While Israel's 2024 military campaign and the collapse of Assad's Syria significantly degraded Hezbollah's traditional financing infrastructure, the organisation has rapidly adapted. It now relies primarily on Lebanon's cash economy, exchange houses, gold conversion schemes, and internationally dispersed procurement networks – creating new and more opaque financial crime vectors. Exchange houses operating in predominantly Shiite areas of Beirut, the Beqaa Valley, and Nabatiyeh face significant Hezbollah exposure, and their lack of meaningful AML supervision makes them primary conduits for terrorist financing. Iran's IRGC-QF pipeline has not been severed – it has been rerouted.

Captagon Production and Narcotics Transit Hub: Lebanon has emerged as a major production centre for Captagon, a synthetic stimulant trafficked to Gulf markets, with facilities in Hezbollah-controlled Beqaa Valley. The country also serves as transit point for cannabis and other narcotics, generating substantial proceeds requiring laundering through real estate investments and currency exchange operations. The fall of the Assad regime disrupted Syria-centred Captagon production and logistics, but production capacity in the Beqaa Valley remains active and networks have shown capacity to adapt routes and markets. The Beqaa continues to face underlying economic conditions – poverty, reduced state capacity, historical Hezbollah influence – that sustain trafficking networks even as enforcement pressures increase.

Judicial System Reform – Early Stage: The July 2025 judicial reform law establishes an independence framework, but Lebanon's judiciary remains subject to political influence and sectarian considerations. Investigations into high-level financial crime – including the Salameh case and Beirut port explosion accountability – have demonstrated the capacity of politically connected defendants to secure delays and procedural obstruction. Meaningful AML prosecutions at senior levels remain limited.



Financial Crime Risk In-Depth

01

Money Laundering: High Risk

Lebanon faces extreme money laundering risks in 2026 driven by the banking sector's collapse, systematic corruption, and integration of organised criminal proceeds into the formal economy. The banking reform period creates both new vulnerabilities and new oversight mechanisms in simultaneous tension. The banking restructuring process itself - involving the valuation, liquidation, and recapitalisation of banks - creates significant opportunities for asset diversion, fraudulent valuations, and the emergence of new banking structures designed to absorb illicit capital under a reformist veneer. The country's role as regional hub for narcotics production and trafficking, particularly Captagon and cannabis from Beqaa Valley, generates billions in criminal proceeds requiring sophisticated laundering. Real estate investments remain the primary integration mechanism, with high-value properties in Beirut and mountain regions purchased through shell companies and offshore structures. The April 2025 banking secrecy reform specifically excludes real estate transactions, preserving one of the most significant laundering channels. The informal currency exchange market, operating through hundreds of exchange houses across Lebanon, continues to function outside meaningful AML supervision and serves as the primary mechanism for moving Hezbollah-sourced funds, drug trafficking proceeds, and capital flight. Trade-based money laundering exploits Lebanon's position as an entrepôt, with customs valuation manipulation and phantom shipments disguising illicit fund transfers. Hezbollah's control of port facilities enables integration of smuggling proceeds, sanctions evasion payments, and Iranian financing through legitimate commercial channels. Gold trading - newly identified as a systematic Hezbollah financing mechanism - represents a rapidly emerging vulnerability. Reconstruction financing flows, expected to accelerate through 2026 and beyond, will create additional laundering opportunities through inflated contracts, shell company intermediaries, and politically connected construction firms.



02 Terrorist Financing: High Risk

Lebanon represents one of the world's highest terrorist financing risks due to Hezbollah's deep integration into the country's financial system and economy. The organisation operates an extensive network of businesses, charities, and social services that commingle legitimate funding with proceeds from narcotics trafficking, sanctions evasion, and Iranian state support. Informal value transfer systems, including hawala networks, facilitate movement of funds to Hezbollah and other designated entities with limited oversight. Since January 2025, Iran's IRGC-QF has transferred over \$1 billion to Hezbollah, mostly through money exchange companies, exploiting Lebanon's cash-based financial sector. They use these funds to support paramilitary forces, rebuild terrorist infrastructure and resist Lebanese government efforts to assert sovereign control over southern Lebanon and the Beqaa Valley. The organisation has systematically pivoted from banking-system reliance to exchange houses and gold trading following increased banking-sector enforcement, creating a more resilient and diffuse financing network that is harder to disrupt through traditional correspondent banking-based controls. The non-profit sector, whilst largely legitimate, faces exploitation risks due to weak supervision and cross-border connections to conflict zones. Cash-intensive businesses in Hezbollah-controlled areas - including fuel stations, supermarkets, and construction companies - provide integration points for terrorist financing.

03

Bribery & Corruption: High Risk

Historically, corruption has permeated every level of Lebanese governance, with systemic bribery required to access basic government services, secure business licenses and avoid regulatory scrutiny. The Riad Salameh case exemplifies grand corruption, with the former Central Bank Governor accused of embezzling over \$330 million through offshore brokerage firms whilst presiding over the country's financial collapse. The new government has stated anti-corruption as a priority - President Aoun and PM Salam have both stated that combating corruption will be a primary goal of the government, and some civil service reform has begun. However, Lebanon's corruption challenges are structural: they are embedded in the confessional political system, protected by political immunity provisions, and sustained by networks of interest that cross sectarian lines. Port and customs operations require systematic bribery, with officials collecting millions monthly from smuggling networks. Public procurement corruption affects reconstruction projects, electricity sector investments, and infrastructure development, with politically-connected contractors securing contracts through kickbacks. Judiciary corruption undermines prosecutions, with judges subject to political pressure and sectarian considerations influencing case outcomes.



04 Financial Secrecy and Tax Crime: High Risk

Lebanon's banking sector historically operated with substantial secrecy, attracting deposits from regional elites seeking discretion and favourable regulations. The April 2025 law introduces significant provisions including the granting of access to banking data to the Central Bank and Banking Control Commission, with specialist auditors able to investigate potential violations by bank management – applying retroactively for up to ten years, covering operations since 2015. This represents a historic departure from the 1956 banking secrecy framework. However, implementation is the critical challenge: the law excludes real estate and non-bank financial sectors, while critics argue politicians can still stymie investigations via judicial delays. Beneficial ownership transparency remains weak despite recent legislative improvements, with shell companies and offshore structures concealing ultimate ownership of real estate and businesses. The economic crisis has expanded the shadow economy, with informal transactions avoiding taxation and regulatory oversight. The shadow economy continues to expand as depositors locked out of their savings transact in cash, systematically avoiding tax obligations. Customs duty evasion through valuation manipulation costs the government hundreds of millions in annual revenue. Real estate transactions frequently involve undeclared cash payments, evading property transfer taxes and concealing proceeds origins. Lebanese offshore structures in Cyprus, British Virgin Islands, and other jurisdictions facilitate tax evasion by wealthy individuals and politically exposed persons parking assets abroad.

05 Sanctions Evasion: High Risk

Sanctions evasion risk has intensified in 2025-2026 despite, or because of, the increased enforcement pressure from OFAC. As traditional Hezbollah financing channels through the Syrian land bridge and formal Lebanese banking have been disrupted, the organisation has systematically moved to exchange houses, gold trading intermediaries, and internationally dispersed procurement networks. Unlicensed money exchanges and exchange companies that fail to conduct adequate customer screening allow Hezbollah to take advantage of Lebanon's largely cash-based economy to launder illicit money. The Lebanese government's stated commitment to addressing these networks has been reinforced by President Aoun's assurances to visiting US officials that Lebanon is combating terrorist financing, but regulatory capacity to enforce AML obligations on exchange houses remains limited. The February 2026 OFAC designation of Jood SARL underscores how Lebanon's government-licensed commercial framework can be exploited by sanctioned entities to establish apparently legitimate fronts. Lebanon faces extreme sanctions evasion risks driven by Hezbollah's control of critical infrastructure and its role facilitating Iranian sanctions circumvention. Beirut port has been used to smuggle sanctioned goods including weapons, dual-use technology, and prohibited materials into Lebanon and Syria. Currency exchange operations enable conversion of sanctioned entities' funds through multiple transactions exploiting parallel exchange rates. Lebanese shell companies serve as intermediaries in trade schemes designed to obscure Iranian origins of goods and payments. Banking correspondent relationships, though reduced following international pressure, historically provided channels for sanctions evasion through transaction manipulation. The lack of enforcement against Hezbollah-affiliated businesses creates systematic sanctions exposure for international companies with Lebanese operations.

06 Fraud: High Risk

Financial fraud proliferated following Lebanon's has diversified under the continued banking crisis, with depositors unable to access savings becoming targets for investment scams promising returns and fraudulent recovery services. Government procurement fraud involves inflated contracts, phantom projects, and kickback schemes that divert reconstruction funding. This accelerates with reconstruction financing. The banking restructuring process itself carries fraud risks, as bank valuations and asset disposals create opportunities for connected insiders to extract value at depositors' expense. Telecommunications and IT fraud exploits limited regulatory enforcement. Identity fraud using Lebanese passports and documents facilitates international financial crime. The collapse of multiple financial institutions involved fraudulent schemes where executives diverted deposits to personal accounts or related entities.

07 Cybercrime: Medium Risk

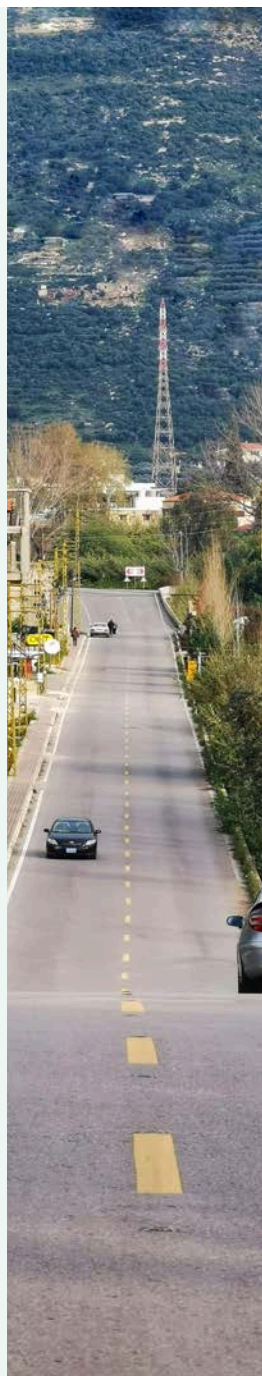
Cybercrime in Lebanon includes financially-motivated attacks targeting banking systems, though the sector's collapse has reduced attractiveness of these targets. Hezbollah maintains sophisticated cyber capabilities used for intelligence gathering, attacks on Israeli and Gulf state targets, and potential financial crimes. Lebanese nationals participate in international cyber fraud operations, including romance scams and business email compromise schemes. Cryptocurrency adoption has increased following banking collapse, creating new money laundering vulnerabilities through exchanges operating with limited oversight. Hezbollah's cyber capabilities remain active, used for intelligence gathering, financial intelligence collection, and potential financially motivated attacks. The rapid increase in cryptocurrency adoption in Lebanon – as citizens seek to preserve value outside the collapsed banking system – creates new money laundering vulnerabilities through exchanges operating with minimal oversight. Business email compromise schemes targeting Lebanese businesses and diaspora networks have increased.

08 Drug Trafficking: High Risk

Lebanon's drug trafficking activities focus on Captagon production in Beqaa Valley, where Hezbollah protects manufacturing facilities producing billions of pills annually for Gulf markets. Cannabis cultivation remains widespread in Beqaa despite government eradication efforts, with exports to Syria, Iraq, and Europe. The country's new government launched an unprecedented anti-narcotics campaign in 2025. In July 2025, the Lebanese army dismantled one of the largest Captagon labs in the country in Yammouneh village. In September 2025, army raids in the Beqaa Valley led on one occasion to the capture of 64 million Captagon pills and on another to the capture of a smuggling network planning to export 6.5 million Captagon pills and around 720 kg of hashish to Saudi Arabia. These operations represent genuine enforcement activity but must be contextualised against structural drivers that have not been resolved: entrenched poverty in the Beqaa, Hezbollah's weakened but residual territorial influence, and the demonstrated adaptability of trafficking networks. Production continues in the Beqaa Valley, though current levels remain relatively low compared to the Assad-era peak. The country serves as transit point for cocaine from Latin America and heroin from Afghanistan destined for European and Gulf markets. Port corruption enables container shipments of narcotics with limited inspection. Money laundering from drug trafficking occurs through real estate investments, currency exchange operations, and trade-based schemes. Syrian conflict has enhanced trafficking routes, with Hezbollah's control of border areas facilitating smuggling in both directions. The fall of Assad has diversified Captagon production geography, with some activity moving to other Syrian opposition-held areas and new transit routes emerging closer to Gulf destination markets.

09 Modern Slavery & Human Trafficking: High Risk

Lebanon's Kafala system for migrant domestic workers continues to create conditions conducive to forced labour exploitation, with workers from South and Southeast Asia, and increasingly East and West Africa, experiencing passport confiscation, unpaid wages, and movement restrictions. Syrian refugees face forced labour in agriculture and construction sectors, with children particularly vulnerable. Sex trafficking affects both Lebanese women and foreign victims, with some nightclubs and businesses serving as fronts for exploitation. Human smuggling operations along the Mediterranean coast have intensified during the economic crisis, with Lebanese nationals attempting irregular migration to Europe. Human trafficking investigations face obstacles due to victim deportation rather than protection, limited resources for victim support, and corruption among officials who may receive payoffs from traffickers.



10 Arms Trafficking: High Risk

Arms trafficking in Lebanon primarily involves Iranian weapons shipments to Hezbollah through Syrian border crossings and Beirut port, with sophisticated missile systems and small arms transferred despite international embargoes. Hezbollah's disarmament remains the central security challenge for the Aoun-Salam government. Domestic arms markets have expanded during the economic crisis as citizens purchase weapons for self-protection due to state security failures. Small arms from military and police stockpiles are diverted to black markets through corruption. Palestinian refugee camps operate outside state control, enabling weapons trading with limited oversight. The Syrian conflict created additional trafficking routes, with weapons moving in both directions across porous borders. Despite ceasefire commitments, Hezbollah retains substantial weapons caches in southern Lebanon and the Beqaa Valley, and Iran continues to seek resupply routes. The Lebanese army's expanding presence in formerly Hezbollah-controlled areas has created new points of friction. Palestinian refugee camps continue to operate outside effective state weapons control. Domestic arms markets remain large, with privately held weapons widespread.

11 Environmental Crime: Medium Risk

Environmental crime in Lebanon includes systematic fuel smuggling to Syria, with diesel subsidized by Lebanese government diverted across the border generating hundreds of millions in profits for organized networks. Lebanese government anti-narcotics operations in 2025 reduced some of the operational capacity of criminal networks that have historically overlapped with fuel smuggling and gold trafficking. However, structural environmental crime patterns - fuel diversion to Syria, illegal wildlife trade, informal gold transit - remain embedded in the same economic networks that sustain broader organised crime. The conflict aftermaths create reconstruction-linked environmental crime risks, including illegal extraction of resources from conflict-damaged areas and unregulated disposal of war waste. Bird trapping and hunting along migratory routes affects endangered species, with illegal wildlife products traded to Gulf markets. Gold transit through Lebanon connects conflict-affected mining in Africa and Syria to international markets. Illegal waste dumping, including importation of hazardous waste, has occurred through port corruption. Timber smuggling from remaining forest areas supplies Syrian reconstruction markets.

Case Study

Hezbollah's Post-Conflict Financial Adaptation - The AQAH Gold Conversion Network (2025-2026)

Following Israel's devastating 2024 military campaign against Hezbollah infrastructure and the simultaneous collapse of the Assad regime in Syria - which had served as Hezbollah's primary logistical bridge to Iran - the organisation faced acute financial pressure in early 2025. Its traditional revenue mechanisms, including Syrian transit routes and several AQAH branch offices destroyed during Israeli strikes, were severely disrupted. In response, Hezbollah directed its financial institution Al-Qard Al-Hassan (AQAH) - which operates under a Ministry of Interior NGO licence but functions as a parallel bank - to establish new cash-flow mechanisms.

AQAH officials rapidly established a chain of companies to trade gold in Lebanon and potentially overseas, with Hezbollah officials pushing for these companies to be created quickly to mitigate liquidity pressures throughout 2025. The central vehicle was Jood SARL, a Lebanese government-licensed gold exchange company established in September 2025. AQAH had amassed massive quantities of gold taken as collateral from customers, and with gold prices having risen significantly from around \$2,700 per ounce at the onset of Israel's bombing campaign in late 2024, Jood SARL provided an opportune vehicle for converting these reserves into usable currency.

To evade sanctions, AQAH officials established Jood SARL as a Lebanese government-licensed entity, overseen by already US-designated Samer Hassan Fawaz, with branches planned for predominantly Shiite areas including Beirut, the Beqaa Valley, and Nabatiyeh. The company was incorporated with multiple corporate ID numbers and slightly varying subsidiary names - an anomaly designed to make branches appear as independent entities, avoiding the sanctions connection to AQAH. Treasury officials noted that the financial activities included procuring arms from Russia and selling commodities, such as gold and fertilizer, to pay for arms and fund Hezbollah activities.

On 10 February 2026, OFAC designated Jood SARL and several associated individuals under Executive Order 13224, alongside an international procurement and shipping scheme involving Hezbollah financiers in Iran, Russia, and across the region. US Treasury Secretary Scott Bessent stated that Treasury would work to cut Hezbollah off from the global financial system to give Lebanon a chance to be peaceful and prosperous again.

Why This Case Matters:

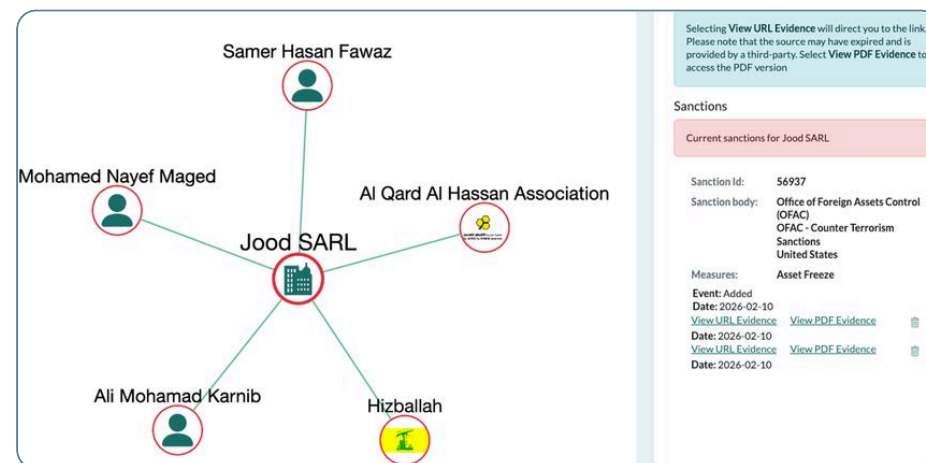
The Jood SARL case illustrates the speed and sophistication with which Hezbollah adapts its financing mechanisms in response to enforcement pressure. It demonstrates that government licensing and regulatory registration - including Lebanese Ministry of Interior approval - do not constitute meaningful due diligence barriers when the regulatory framework lacks beneficial ownership transparency and risk-based supervision of gold dealers and non-bank financial entities.

Key Takeaways:

Regulatory Front Exploitation: Hezbollah's use of Lebanese government-licensed entities as sanctions-evasion vehicles demonstrates that formal regulatory registration in high-risk jurisdictions cannot substitute for rigorous beneficial ownership verification and transaction monitoring. Any Lebanese gold trader, exchange house, or financial intermediary operating in predominantly Shiite areas warrants heightened scrutiny regardless of their regulatory status.

Adaptation Speed: From the destruction of AQAH infrastructure in late 2024 to the establishment and operation of Jood SARL by September 2025 represents approximately nine months - illustrating how sanctioned actors can rapidly reconstitute parallel financial infrastructure under new corporate identities. Compliance programmes relying on static entity-level screening are structurally inadequate against this threat model.

Gold as TF Vector: The shift to gold conversion as a primary mechanism for turning Hezbollah's collateral assets into liquid currency highlights a critical gap in Lebanon's AML/CFT framework: the gold and precious metals trading sector was explicitly excluded from the April 2025 banking secrecy reforms and remains subject to minimal AML oversight. This gap now represents one of the most significant terrorism financing vulnerabilities in the Lebanese financial system.



Case Study

Lebanon's 2025 Anti-Narcotics Campaign – Beqaa Valley Captagon Network Seizures

Following intensive diplomatic pressure from Gulf states – particularly Saudi Arabia, which had made counter-narcotics enforcement a precondition for renewed commercial and investment ties – Lebanon's new government under President Aoun and Interior Minister Ahmad al-Hajjar launched the country's most aggressive anti-drug enforcement campaign since the early 2000s.

In July 2025, the Lebanese Army, while operating in Yammouneh village, dismantled one of the largest Captagon laboratories in Lebanon. The operation uncovered industrial-scale manufacturing equipment and substantial pill inventories and resulted in multiple arrests. The location, in the Beqaa Valley close to the Syrian border, is characteristic of Lebanon's Captagon geography – areas where state presence was historically limited by Hezbollah's territorial control and clan-based trafficking networks.

The campaign escalated significantly in September 2025. Lebanese Armed Forces raids in the Beqaa Valley led, on one occasion, to the capture of 64 million Captagon pills and, on another, to the seizure of a smuggling network planning to export 6.5 million Captagon pills and approximately 720 kg of hashish to Saudi Arabia. Interior Minister al-Hajjar confirmed the dismantled network had foreign links, with operatives in Turkey, Australia, and connections planned in Jordan, with the drugs being prepared for shipment through Beirut port. The network's international dimensions – extending from the Beqaa production sites through Beirut port logistics to overseas distribution partners – illustrate the transnational character of Lebanon's narcotics trade. Earlier seizures in August 2025 yielded eight million Captagon pills worth more than \$90 million from a warehouse in northern Lebanon.

The financial dimension of these operations is significant: the Captagon pills seized in September 2025 alone represented a street value in Gulf markets that could exceed \$100 million based on per-unit pricing. Captagon pills cost less than \$1 to produce and can sell for as much as \$20 in Gulf Arab markets. Laundering proceeds at this scale requires sophisticated financial infrastructure including real estate investment, currency exchange operations, and trade-based schemes – making these narcotics networks primary drivers of Lebanon's money laundering risk.

Why This Case Matters:

The 2025 enforcement campaign represents the most concrete evidence that Lebanon's new government has the political will to take enforcement action against criminal networks previously protected by political immunity and Hezbollah's territorial reach. However, the scale of the seizures – tens of millions of pills, hundreds of millions of dollars in estimated value – also confirms the extraordinary depth of the problem and the massive money laundering flows that have historically gone through Lebanon's financial system as drug proceeds.

Key Takeaways:

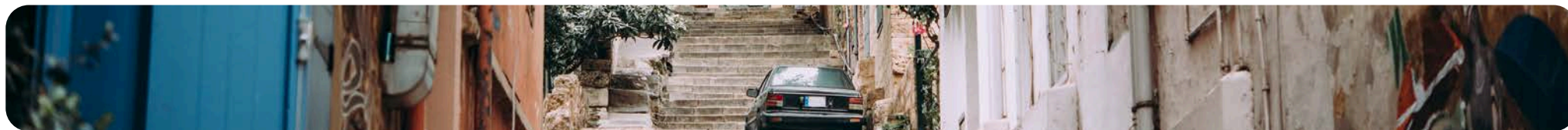
Geographic Risk Concentration: Beqaa Valley-based businesses – including agriculture, chemical supply, logistics, and transportation – carry heightened exposure to Captagon production networks. The dismantling of labs and seizure of equipment in specific villages underscores the need for granular geographic risk assessment rather than country-level evaluation when assessing Lebanese counterparties.

Port and Logistics Exposure: The September 2025 network's operational plan involved shipment through Beirut port, confirming that narcotics trafficking via Lebanese port infrastructure remains active despite enhanced scrutiny. Any trade financing, freight forwarding, or shipping insurance involving Lebanese goods destined for Gulf states – particularly Saudi Arabia – warrants enhanced due diligence on cargo content and counterparty networks.

Financial Proceeds Magnitude: The scale of seizures in 2025 – representing a small fraction of estimated total production – confirms that narcotics money laundering flows through Lebanon's financial system at a scale that dwarfs most other financial crime typologies. Real estate, exchange houses, and trade finance involving Beqaa Valley-linked entities are the primary integration channels for these proceeds.



Key Watchpoints



The following watchpoints highlight common financial crime risk indicators to lookout for as regards clients, partners, suppliers, and broader business transactions and relationships. They are designed to support client risk assessments, enhanced due diligence and transaction monitoring by identifying patterns frequently associated with financial crime in Lebanon.

Hezbollah Connection Indicators: Any business operating in Dahiyeh (southern Beirut suburbs), southern Lebanon, or Beqaa Valley requires enhanced due diligence for potential Hezbollah connections. Exchange houses and gold trading companies – including newly licensed entities – in these areas warrant heightened scrutiny given the Jood SARL precedent. Transactions involving entities with connections to AQAH, Tashilat SARL, or previously designated individuals require immediate screening against OFAC’s SDN list and equivalent EU and UK designations. Involvement in fuel distribution, construction, telecommunications, or supermarket chains in these areas presents high sanctions evasion risks.

Captagon Production Network Exposure: Agricultural businesses, chemical suppliers, or logistics operations in Beqaa Valley require investigation for potential involvement in Captagon production supply chains. Pharmaceutical precursor chemical imports through Lebanese entities, particularly to Beqaa addresses, present narcotics manufacturing red flags. Shipping or freight forwarding with routes to Gulf states warrants scrutiny for drug trafficking. Port-related transactions involving Lebanese logistics operators, particularly those with

Gold and Precious Metals Transactions: Following the AQAH/Jood SARL designations, any Lebanese gold dealer, exchange house, or precious metals trader – particularly those operating in predominantly Shiite areas or with links to NGO-registered entities – warrants significant enhanced due diligence. Gold-related transactions involving Lebanese intermediaries without clear commercial rationale, particularly in large volumes, should be considered a primary sanctions evasion red flag.

Post-Collapse Banking Relationships: Any Lebanese banking relationships post-2019 require understanding of capital control circumvention mechanisms. Currency exchange operations, particularly those offering rates significantly different from official rates, likely operate in grey markets. Corporate structures with both Lebanese and offshore entities may be designed to move trapped capital outside Lebanon through informal channels.

Banking Restructuring and Reconstruction Financing: Corporate structures emerging from Lebanon’s banking restructuring processes – including new entities formed from bank liquidations or restructurings, or new investment vehicles seeking to participate in reconstruction financing – require rigorous beneficial ownership verification. The absence of effective BCCL oversight during the restructuring period creates opportunities for asset diversion and new ML vehicles.

Real Estate Investment Patterns: High-value property purchases in Beirut, mountain regions, or coastal areas by Lebanese nationals or entities during 2019–2025 crisis period warrant investigation into funds sources, as legitimate business income collapsed whilst criminal proceeds continued flowing. Such purchases continue to represent a primary money laundering risk, particularly as the banking secrecy reform explicitly excluded real estate transactions from its scope. Properties held through offshore structures, particularly involving Cyprus, BVI, or Swiss entities, require beneficial ownership verification.

Port and Customs Transaction Anomalies: Any goods transiting through Beirut port require enhanced documentation review given systematic corruption in customs operations. Unusually low declared values, frequent classification code changes, or expedited customs clearances may indicate bribery of officials. Shipping routes involving Syria–Lebanon border crossings present smuggling risks given porous border controls and Hezbollah’s territorial influence.

Reconstruction Contract Counterparties: Any engagement with Lebanese contractors, consultants, or entities involved in reconstruction projects – whether funded by Gulf states, France, the World Bank, or other international donors – requires due diligence on beneficial ownership, political connections, and procurement history. The risk that reconstruction funds flow to politically connected entities with patronage networks linking to financial crime is assessed as high given Lebanon’s track record.



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Themis aims to be a leader in applying AI-led solutions to the problems of financial crime, and we are uniquely placed to do so. With strong working relationships with governments and businesses of many shapes and sizes, our software is developed with the needs of the whole financial crime compliance ecosystem in mind. By combining a focus on innovative technology with

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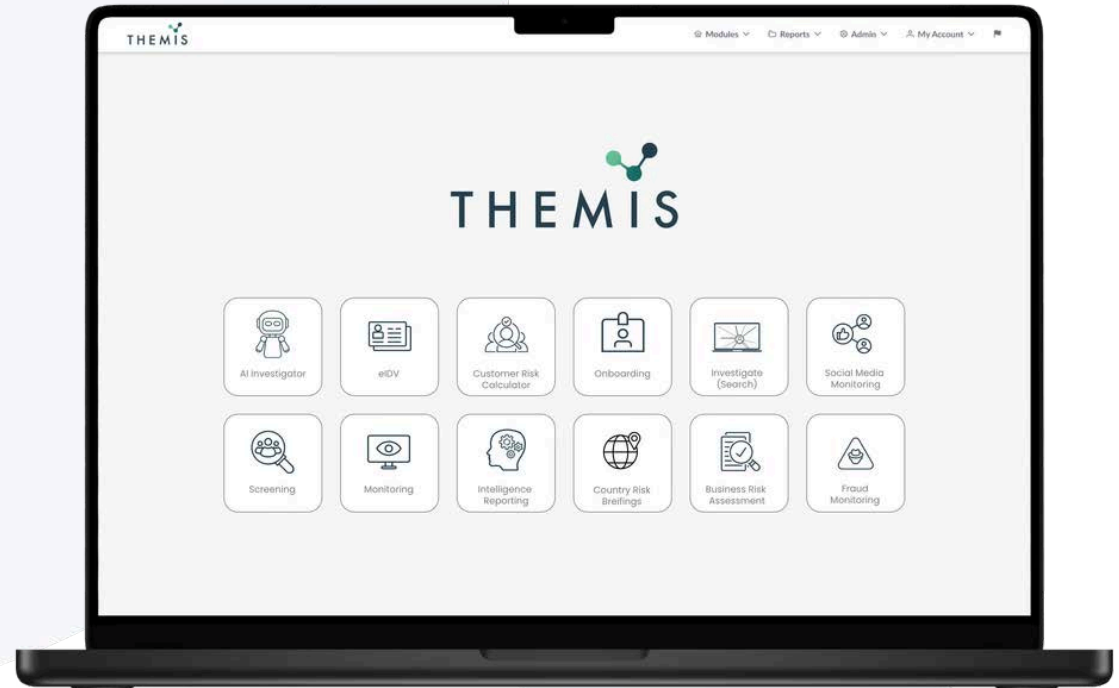
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