

Aviation Regulatory Update

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DOT NARROWS U.S. AIR CARRIER DELAY AND CANCELLATION REPORTING OBLIGATIONS

On September 3, 2026, the U.S. Department of Transportation published a final rule amending 14 C.F.R. Part 234 (i.e., Airline Service Quality Performance Reports) to implement Section 511(b) of the 2024 FAA Reauthorization Act. Section 511(b) mandated that ten (10) specific types of events be excluded from the causes that are considered within an airline's control for DOT reporting purposes. This narrows the existing "Air Carrier" reporting category under 14 C.F.R. 234 by excluding certain causes of flight cancellations and delays from those which are attributable to airline control. To eliminate Part 234 reporting ambiguity in the future, DOT itemized those ten (10) specific events as follows:

- 1) Aircraft cleaning necessitated by the death of a passenger,
- 2) Aircraft damage caused by extreme weather, foreign object debris, or sabotage,
- 3) A baggage or cargo loading delay caused by an outage of a bag system not controlled by a carrier or its contractor,
- 4) Cybersecurity attacks (provided that the air carrier complies with applicable cybersecurity regulations),
- 5) A shutdown or system failure of government systems that directly affects the ability of an air carrier to conduct flights safely and is unexpected,
- 6) Overheated brakes due to a safety incident resulting in the use of emergency procedures,
- 7) Unscheduled maintenance, including in response to an airworthiness directive, manifesting outside a scheduled maintenance program that cannot be deferred or must be addressed before flight,
- 8) An emergency that required medical attention through no fault of the carrier,
- 9) The removal of an unruly passenger, and
- 10) An airport closure due to the presence of volcanic ash, wind, or wind shear.

Please note that this development does not apply to foreign air carriers. It does, however, demonstrate a continued willingness by the Trump administration to undertake deregulatory efforts at the behest of industry. While this final rule becomes effective on **October 19, 2026**, DOT plans to undertake further rulemaking in the coming months to make additional revisions beyond those required by Section 511(b). Reporting U.S. air carriers and Airlines for America are expected to advocate for greater deregulation in this regard.

EL AL CANCELLATION REFUND COMPLAINT

In 2023, Ivan and Bella Gilbert purchased two tickets on El Al Airlines Ltd. ("El Al"). Following the events in Israel on October 7, 2023, their flight was canceled, and the tickets were converted into travel vouchers. The Gilberts later sought a cash refund after El Al advised certain affected passengers that they could cancel their flights and receive either a credit voucher or a refund. Despite their request, El Al initially issued credit vouchers instead. The parties subsequently reached an agreement for a full refund, but El Al did not immediately follow through, prompting the Gilberts to pursue the matter through informal complaints and ultimately file a formal administrative complaint with the U.S. Department of Transportation. Although El Al subsequently refunded the full amount paid for the tickets, the Gilberts' amended complaint alleges that the refund did not resolve the broader consumer-protection concerns arising from El Al's handling of the matter, including the time and effort required to obtain the agreed-upon refund. The amended complaint asks the Department of Transportation to investigate and take appropriate administrative or other remedial action. This matter remains ongoing, and more information can be provided upon request.

OFAC SANCTIONS AND POLICY UPDATES:

OFAC TIGHTENS SANCTIONS ON IRANIAN AVIATION SECTOR

On **September 8, 2026**, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") indefinitely suspended General License J-1, which had permitted certain non-Iranian air carriers to operate temporary sojourns ("TS") to Iran subject to specified conditions. A TS is a limited authorization allowing an otherwise restricted aircraft to enter Iran temporarily and depart within a specified period. The authorization was particularly significant for foreign airlines operating aircraft containing substantial U.S.-controlled content, including many Boeing and Airbus aircraft. With the suspension of J-1, foreign air carriers can no longer rely on the TS authorization to operate qualifying aircraft to Iran, significantly constraining international commercial air service to the country.

OFAC also suspended other aviation-related authorizations, including a prior authorization permitting certain payments associated with overflights of Iranian airspace or emergency landings in Iran. Separately, OFAC sanctioned 27 Iranian air carriers (the list of carriers can be found [here](#)) for supporting Iran's aviation sector, including through activities involving sanctioned entities such as Mahan Air. The sanctions further isolate these carriers from the international aviation industry and prohibit U.S. persons from transacting with them. Non-U.S. persons and entities should also exercise heightened caution when conducting aircraft transfers, performing cargo services, or providing air transportation because transactions involving sanctioned entities in Iran's aviation sector may create secondary sanctions risks. As the international aviation industry works to comply with the latest sanctions activity targeting Iran, OFAC has issued a temporary license allowing the wind-down of certain previously authorized transactions through **September 23, 2026**. Recent OFAC sanctions activity will significantly increase scrutiny of aviation stakeholders. Accordingly, U.S. and non-U.S. persons should closely evaluate any activity with a potential Iranian nexus, including route networks, codeshare agreements, aircraft transfers, and cargo arrangements. To further strengthen compliance, the Financial Crimes Enforcement

Network has issued an alert identifying red flags that the commercial aviation industry should consider in light of recent Iranian efforts to procure aircraft parts in violation of U.S. sanctions.

MODIFICATIONS MADE TO OFAC'S IRAN RELATED SPECIFIC LICENSING POLICY

As part of OFAC's August 2026 Operation Economic Outcast ("OEO") campaign, the agency recently adjusted its licensing policy for Iran-related activities. OEO is described by Treasury as a whole-of-government economic campaign against Iran and its enablers, with the stated goal of pressuring Iran to stop pursuing nuclear and conventional weapons capabilities and obstructing the Strait of Hormuz.

Effective **September 10, 2026**, OFAC established a "presumed denial" policy for specific license requests involving activities prohibited by the Iranian Transactions and Sanctions Regulations ("ITSR") and other Iran-related authorities. Under the new policy, Iran-related specific licenses may be issued only when required by law or in exceptional and urgent circumstances, such as risks to life, limb, or environmental safety.

This update follows broader sanctions actions announced as part of OEO on August 24, 2026, which expanded OFAC's ability to impose sanctions on foreign persons, regardless of where they are located, that operate in or provide services supporting five identified sectors of the Iranian economy: digital assets, technology, gold, aviation, and shipping.

For specific license applications, applicants should provide a written attestation explaining the circumstances that support an exception to the presumed-denial policy. OFAC will review these applications on a case-by-case basis and may consult with the Department of State before deciding whether to grant the requested authorization.

OFAC SETTLES WITH INDIVIDUAL FOR APPARENT VIOLATION OF IRAN RELATED SANCTIONS REGULATIONS

OFAC announced a \$1,427,230 settlement with a person referred to as "U.S. Person-1" for 39 apparent violations of U.S. sanctions on Iran between 2019 and 2021. OFAC says U.S. Person-1 provided consulting services to two Iranian companies, referred to as "Iranian Company-1" and "Iranian Company-2." U.S. Person-1 also received \$713,615 in dividends from Iran and used some of that money to purchase property in Iran for relatives. OFAC determined that these activities violated several provisions of the Iranian Transactions and Sanctions Regulations.

OFAC described the violations as egregious and willful, citing U.S. Person-1's knowledge of the sanctions and experience doing business in Iran. The potential penalty was \$14,730,300, but OFAC reduced the final settlement based on several factors, including the person's lack of previous OFAC violations, the fact that the relevant activities had stopped, and the person's inability to pay a larger amount. The settlement resolves OFAC's civil enforcement case.

IRS AND CBP UPDATES:

IRS UPDATES QUARTERLY INTEREST RATES ON CUSTOMS DUTIES

On September 22, 2026, U.S. Customs and Border Protection issued a notice addressing the Internal Revenue Service's ("IRS") quarterly interest rates used to calculate interest on customs-duty underpayments and overpayments. Effective **October 1, 2026**, Revenue Ruling 2026-15 set the interest rate for underpayments at 7 (seven) percent for both corporations and non-corporations. The rate for overpayments is 7 (seven) percent

for non-corporations and 6 (six) percent for corporations. These rates remain unchanged from the previous quarter.

The rates had increased in the third quarter of 2026, beginning July 1. At that time, the underpayment rate increased from 6 (six) percent to 7 (seven) percent, the non-corporate overpayment rate increased from 6 (six) percent to 7 (seven) percent, and the corporate overpayment rate increased from 5 (five) percent to 6 (six) percent. The rates are reviewed quarterly and are next subject to change for the quarter beginning January 1, 2027.

CUSTOMS AND TRADE UPDATES:

EXECUTIVE ORDER STRENGTHENS CUSTOMS ENFORCEMENT AND INCREASES REQUIREMENTS FOR IMPORTERS OF RECORD

On June 3, 2026, President Trump issued Executive Order 14411, directing the Department of Homeland Security and U.S. Customs and Border Protection ("CBP") to strengthen customs enforcement and increase oversight of importers of record ("IORs"). The order focuses on ensuring that IORs are properly identified, financially accountable for customs duties, and compliant with U.S. customs and trade laws.

Among other measures, the order directs CBP to increase minimum bond requirements and require IORs to maintain sufficient domestic assets, bonding, or both. IORs will also be required to provide additional information to CBP, including anticipated import volumes, ownership and beneficial ownership information, business affiliations, and domestic assets. CBP will also establish "good standing" requirements and conduct enhanced, recurring vetting of IORs and other parties involved in importing goods.

The order places additional requirements on foreign IORs, which will be prohibited from using informal entry procedures and, for formal entries, generally will not be permitted to rely on continuous bonds unless CBP determines that customs revenue will be protected and compliance requirements will be met. Certain foreign IORs will also be required to participate in the Customs-Trade Partnership Against Terrorism ("CTPAT") program or use a CTPAT-validated and licensed customs broker.

Finally, the order directs CBP to strengthen import disclosure and certification requirements and increase enforcement of customs penalties, with particular attention to forced labor, misclassification, undervaluation, and illegal transshipment. It also establishes a minimum penalty of 50 percent of the assessed penalty, absent exceptional circumstances.