



Counterfeit Bank Notes Seized in Iran

OE Watch Commentary: The Islamic Republic of Iran has long suffered from high inflation, and faces 32 percent inflation in consumer goods in 2020. The Iranian currency has also devalued significantly. In 1979, the year of the Islamic Revolution, one US dollar bought 70 rials. Today, the exchange rate is over 42,000 rials to the dollar. Such devaluation has caused Iran to issue a series of ever-higher denomination bank notes. The Central Bank of Iran, for example, introduced a 200-rial bank note in 1982, and a 10,000-rial bank note a decade later. In 2007, a 50,000-rial bank note entered circulation.

The necessity of commerce required higher bills, but the Iranian government has been reluctant to acknowledge hyperinflation and print the denominations of bills necessary to ease transactions. For the past decade, the highest-circulation bill has only been a 100,000-rial note, worth less than \$2.50.

While many countries facing similar financial difficulties would turn to the US dollar or Euro, Iran's revolutionary ideology would forbid this, even if it were not for the impediments caused by US financial sanctions. In order to bypass the psychological impact of higher banknotes, the Central Bank has begun issuing "bank checks" in denominations of 500,000 rials and one million rials which circulate as currency.

In practice, these are easier to produce and, while they do have some safeguards against counterfeiting, they do not have the same level of security features as ordinary currency. In addition, higher denomination notes are often more tempting for counterfeiters to seek to copy. The excerpted article from an Iranian straight news portal reports on the seizure of 11 counterfeit 500,000 bank notes during a traffic stop in the Western Iranian city of Kermanshah.

While this episode is by itself minor and the contraband checks represent just over \$130, it likely signals a more widespread problem as no counterfeiter produces only 11 copies of a product. Nor does the news report suggest that the two individuals arrested for possession of counterfeit checks were the actual counterfeiters. That suggests that the Iranian security forces have not yet identified those responsible for the counterfeit checks.

As the Iranian economy continues to deteriorate—the United Nations has forecasted a 2.7 percent recession in Iran for 2020—counterfeit checks could further undercut local confidence in the economy. The lack of confidence could also extend to Iraq (to which Kermanshah is on the road) which still conducts heavy trade with Iran and remains a major Iranian trading partner. **End OE Watch Commentary (Rubin)**



Iran's 500,000 rial bank check, worth around \$12.00 in January 2020.

Source: Toranji.ir, <https://toranji.ir/wp-content/uploads/2019/02/Iran-Cheque-50-2.jpg>

“Agents found 11 fake 500,000-rial bank checks.”

Source: “Kashaf bish az 5 Miliyon Rial Chek Pul Taghlibi dar Kermanshah (Discovery of more than 5 Million Rials in Counterfeit Checks in Kermanshah),” *Fartak News*, 29 January 2020. <https://cutt.ly/4rUU0Gs>

“Discovery of More than 5 Million Rials in Counterfeit Checks”

Colonel Hussein Barari stated, “While patrolling the western belt [road], a Kermanshah district rescue squad patrol stopped a Peugeot with two suspicious passengers after a short chase.” He continued, “On inspection of this vehicle, agents found 11 fake 500,000-rial bank checks, with the total counterfeit amount of 5.5 million rials [\$131]. Colonel Barari noted that, “In this regard, the two defendants were arrested and handed over to the judiciary for the necessary punishments.”