DOES FINANCIAL REPORTING FRAUD RECOGNIZE BORDERS?
EVIDENCE FROM BANK FRAUD IN IRAN

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Abstract

Reliable and high quality financial information is the lifeblood of the global capital markets and that quality can be adversely affected by the existence and persistence of financial reporting fraud (FRF). The 2007-2009 global financial crisis caused by subprime loan mortgage shenanigans has also provided incentives and opportunities for management to engage in FRF. Fraud in general and FRF in particular (Enron, WorldCom, Satyam, Madoff, Olympus) are global phenomena. The September 2011 discovery of Iran’s biggest bank fraud, totaling 2.6 billion USD, resulted in the arrest of more than 50 suspects, including some government officials. This bank fraud involved the use of forged documents to secure credit at one of Iran’s top financial institutions to acquire companies, conduct fraudulent business, and transfer money abroad. This article concludes that FRF does not recognize borders and can occur in any country. In the end, fraud does not yield rewards but rather result in severe consequences such as death sentences of the four fraud perpetrators in the bank fraud case in Iran.

Keywords: Financial reporting fraud, bank fraud in Iran, fraud prevention and detection

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