



Increased Vigilance is Needed to Reduce the Risk Counterfeits Present

Counterfeiting US currency is on the rise. In 2013, \$88.1 million dollars of counterfeit currency was confiscated, an increase of 9% over 2012. What is especially alarming is the 49% increase in the number of arrests made – evidence that more counterfeiters are entering the market. A key reason for this increase is the relative ease in which “ordinary” individuals can produce counterfeit currency. Recently, a 34-year old hairstylist was arrested and admitted to producing upwards of \$10,000 in fake money using an inkjet printer and a household cleaner.

The advances in low-cost digital printing make it easier than ever to produce relatively high-quality counterfeit bills. In 2013, 60% of the counterfeits recovered were made using an inkjet or laser printer, according to the Secret Service. “Depending on the technology, you could just print up some and go out on a Friday night,” said Ed Lowery, the agent in charge of the Secret Service’s criminal division.¹ What was once a sophisticated operation requiring significant technical expertise and financial investment has now become somewhat commonplace.

Currency redesigns occur more frequently

With over \$1.27 trillion in circulation, the US government takes the issue of counterfeit deterrence very seriously. In 1996, it introduced the first significant currency redesign in 67 years, beginning with a new \$100 bill. In 2013, only 17 years later, it introduced yet another significant design change for the \$100 bill, adding two new security features: the 3-D security ribbon and the Bell in the Inkwell.

According to Larry Felix, director of the Bureau of Engraving and Printing, counterfeiting using digital technology is becoming more dominant in the marketplace. The new \$100 bill includes “security features (that) work collectively to create layers of complexity that make these redesigned notes, including the new \$100 note, difficult to counterfeit, but easy to authenticate.”²

All it takes is once

For a counterfeiter to be successful, it only requires them to pass the note once. The counterfeiter has more choices than ever in terms of where and how to pass fake cash, including ATMs and self-service check-outs, not to mention the usual choice of retailers, etc. Their goal is to pass off the fake bill and receive real cash in return. Once the unknowing individual or company has the fake, they may either pass it along or try to deposit it at their financial institution (FI).

Depending on the quality of the counterfeit, many FIs will detect it and the depositor loses the value of that bill. If the FI does not detect it, they may unknowingly pass it along to another FI, including a Federal Reserve Bank (FRB). If it gets as far as the FRB, the depositing FI will lose the value of the note passed, plus pay a fine. Regardless of whether an individual, FI or business knows a bill is counterfeit or not, the organization that is caught with a fake is stuck with the loss – and a potential fine. For small

¹ Chicago Tribune, May 14, 2014, A new digital era of counterfeiting

² Testimony before the Subcommittee on Domestic Monetary Policy and Technology, July 20, 2010

bills, this may not have much impact, but the majority of counterfeits are \$50s and \$100s, which can add up to a very costly loss.

Cash is the most prevalent form of payment

While many people think the world is going cashless, the reality is 40% of consumer transactions involve cash. Depending on the industry, cash payments can account for as much as 51% of transactions. Cash is still the most used payment instrument today and, surprisingly, all income and age groups use cash with roughly the same frequency.³ With the continued preference for cash, especially given recent large scale incidents of credit card fraud, it becomes incumbent on industries that deal in large amounts of cash to employ the best available methods to protect their organization from the risks associated with this type of fraud.

Centuries old problem

Few Americans realize that the origin of the Secret Service in 1865 was due to the need to suppress counterfeit currency. At the onset of the Civil War, the government permitted the Treasury Department to print “greenbacks,” as a means to help finance the war. In 1913, Federal Reserve Banks were authorized to issue notes, which replaced bills from individual banks and began the system of uniform currency we use today.

But counterfeiting has occurred for as long as transactions have existed. Coins were introduced around 5000 B.C. and within 100 years, counterfeiting began. With the introduction of this crime came punishment, and in many countries that included death.⁴ In the US today, counterfeiting can be punished by a fine or imprisonment for up to 15 years, or both.

Prevention is the best cure

Counterfeiting is increasing and so is the need to better protect against this risk. While counterfeiting will never be eliminated, organizations can take action to safeguard their profits.

Most organizations that deal with cash use automated technology to count and sort their currency. Today’s currency scanners are reasonably priced investments that increase accuracy, productivity and the morale of employees. In addition, organizations can choose equipment that offers basic counterfeit detection technology, such as magnetic ink detection, up to very sophisticated forms of detection that use multiple technologies, including infrared and UV fluorescence.

Cummins Allison offers currency scanners with the most advanced form of counterfeit detection, plus the ability to read and record serial numbers. For organizations that deal with very large volumes of cash, such as Financial Institutions or Casinos, tracking currency by serial number (and retaining this information for future retrieval), as well as using advanced counterfeit detection machines, can lead to significant reductions in the number of false bills accepted, plus an increased understanding of how

³ Cash Continues to Play a Key Role in Consumer Spending, Barbara Bennett, et al, April 2014

⁴ Counterfeit money and its origin, Lt. James Perez, September 9, 2011

counterfeits are entering their system. With this increased prevention and knowledge, organizations can make adjustments to their security strategies and improve their ability to prevent counterfeit money from being accepted.

For more information about how you can minimize your risk, contact cumminsallison.com/counterfeit.