



Abolhassan Firouzabadi, the head of the High Council of Cyberspace, said that Iran's government has accepted cryptocurrency mining as an industry. The CBI is expected to divulge its regulatory stance on cryptocurrencies in the coming months and recognize the decentralized phenomena

US Sanctions Accelerate Iran's Blockchain Drive

Recent turbulence in foreign currency market and the devaluation of its currency, blamed partially on the revival of US sanctions, Iran is seeking to further develop its fledgling blockchain industry. Blockchain technologies, especially cryptocurrencies, have become a hot topic in Iran during the past few years, just as in most other countries. Few tangible results have materialized so far, but US officials may have actually done Iran a favor as they have significantly accelerated development of blockchain-based projects. The unilateral reimposition of US sanctions and a local drive for transparency have prompted Iranian authorities to increasingly turn to blockchain and

everything it enables. At least two state-backed virtual currencies are in the works, one spearheaded by the Central Bank of Iran (CBI) and the other by the Information and Communications Technology Ministry. Authorities have signaled they will at least partially embrace cryptocurrencies. The head of the High Council of Cyberspace, Abolhassan Firouzabadi, said Nov. 4 that Iran's government has accepted cryptocurrency mining as an industry. The CBI is expected to divulge its regulatory stance on cryptocurrencies in the coming months and recognize the decentralized phenomena; while it is unclear what degree of recognition will take place, the expected move signals an about-face from the blanket ban on handling cryptocurrencies for financial insti-

tutions issued in April. The latest example of Iran striving to expand its blockchain development efforts came Nov. 14, when a trilateral agreement of cooperation was signed with Russia and Armenia during the Chain-Point 18 conference in Yerevan, Armenia. It was signed between the CBI-affiliated Iran Blockchain Labs, the Russian Association of Cryptoindustry and Blockchain and the Armenian Blockchain Association. The agreement deals with transferring knowledge and experience, holding mutual consultations, participating in joint work groups and raising awareness about blockchain technologies. AI-Monitor unsuccessfully sought comment on the agreement from Iran Blockchain Labs. However, Arme-



nian Blockchain Association President Vigen Arushanyan said the accord “is about sharing the expertise and experience between professionals from the participating countries,” adding, “All of the three countries have strong and prominent academia, and technical and technological human resources, so it is natural to combine efforts for the sake of the development of emerging technologies.”

The president of the Russian Association of Cryptoindustry and Blockchain, Yuri Pripachkin, said his group is comprised of players and companies representing various aspects of the Russian crypto industry: miners, traders, developers of blockchain technologies, lawyers and information and security specialists. He said the command that Russian developers and experts have about the subject is seen as quite high by those outside the country, “so the interest of Iranian colleagues in the experience of domestic Russian] specialists is understandable.” Pripachkin told Al-Monitor, “We are waiting for Iranian colleagues to exchange the experiences, contacts and knowledge that they have accumulated during their work.”

Practical applications of the distributed ledger technology offered by blockchain are immensely diverse and promise radical transparency. Iranian authorities have also started tapping into some of its various applications as it was announced in early August that the National Library and Archives of Iran will become

accessible on blockchain. However, especially in light of reimposed US sanctions, Iran is now mostly focused on blockchain-enabled solutions in the financial sector.

In remarks reported by Russia’s RBK following finalization of the trilateral blockchain agreement, Pripachkin said it could prove especially useful to Iran, where the situation is more complicated in terms of sanctions. “According to our information, an active development of an Iranian version of SWIFT is currently under way,” he said, adding that cryptoeconomic tools can be effectively utilized to bypass sanctions restrictions.

On Nov. 5, the day the second tranche of US sanctions targeting Iran’s banking and oil industries among others came into effect, CBI Governor Abdolnasser Hemmati said the central bank had actively planned for various possible sanctions scenarios. He also confirmed that the CBI has already commenced work on a replacement for Society for the Worldwide Interbank Financial Telecommunication (SWIFT). Shortly after, the Belgium-based global financial messaging service caved in to US pressure and disconnected the CBI and several other Iranian banks. On Nov. 18, the semi-official Fars News Agency quoted an unnamed banking official who also confirmed work on a replacement for SWIFT, and said all Iranian banks and a number of foreign banks have already connected to it without mentioning any names.

More recently, Russian Presi-

dent Vladimir Putin said Nov. 28 that Russia is “actively working” with partners to create financial systems that are independent of SWIFT.

According to Mohammad Tehrani, a senior member of the Khatam University Blockchain Lab, building a blockchain-based financial messaging service would entail two major dimensions: technical and commercial-legal.

“Blockchain’s distributed ledger technology can provide the required technical grounds that will have beneficiary countries, perhaps the Commonwealth of Independent States [CIS] nations, as members,” he told Al-Monitor.

The blockchain-enabled financial system could be pegged to gold, or a more sustainable backer that could be a basket of Iranian and CIS member states’ currencies. This way, “If Iran’s rial continues to slide, for example, the impact on the overall currency will be limited,” he said. For Tehrani, the more problematic aspect will be working out the commercial and legal challenges. The cryptocurrency expert said a multilateral blockchain-enabled financial messaging system would be nothing but a “pipe dream” absent committed negotiations to work out the details.

The text of the trilateral blockchain agreement does not mention any specific applications, including a financial messaging service. Pripachkin said Iran and Russia could potentially use cryptocurrency instruments to facilitate international payments.



Armenian Blockchain Association President Vigen Arushanyan said the accord “is about sharing the expertise and experience between professionals from the participating countries,. All of the three countries have strong and prominent academia, and technical and technological human resources

