

# افغانستان آزاد – آزاد افغانستان

AA-AA

چو کشور نباشد تن من مباد بدین بوم و بر زنده یک تن مباد  
همه سر به سر تن به کشتن دهیم از آن به که کشور به دشمن دهیم

[www.afgazad.com](http://www.afgazad.com)

[afgazad@gmail.com](mailto:afgazad@gmail.com)

European Languages

زبان های اروپایی

The Washington Post

## Kabul Bank employees flee amid investigation into lending

By Joshua Partlow and Andrew Higgins

01/31/2011

KABUL - The acting chief financial officer and other Pakistani employees of Kabul Bank have fled Afghanistan amid an investigation into the scope of the bank's reckless lending and allegations that its shareholders paid large bribes to many senior Afghan officials, according to Afghan officials and others familiar with the issue.

The executive, Rana Tayyab Tahir, and his colleagues in the finance department of Afghanistan's largest and most sophisticated bank fled to Pakistan on Jan. 14, a move some said was made out of fear for their lives and possible arrest in Afghanistan.

Afghan authorities have called several bank managers, including foreigners, in for questioning and detained some in southern Afghanistan's Helmand province in connection with illicit transfers of bank funds.

Sherkhan Farnood, a world-class poker player who founded Kabul Bank and served as its chairman until his ouster in September, is now under effective house arrest, along with former chief executive Khalil Fruzi. Both are barred from leaving Afghanistan.

But other shareholders who took out million-dollar loans, including Mahmoud Karzai, the brother of President Hamid Karzai, and Haseen Fahim, the brother of Vice President Mohammad Qasim Fahim, have been allowed to leave the country.

Tahir and his colleagues could not be reached for comment. Two bank insiders said that authorities appear to be making managers into scapegoats for the powerful shareholders who withdrew hundreds of millions from the bank for personal use.

Investigators with Afghanistan's Central Bank and the attorney general's office have begun the complicated process of unraveling the web of illicit loans to politically connected shareholders and allegations of bribery to members of Karzai's administration.

Fruzi doled out millions of dollars to cabinet members, lawmakers and other influential Afghans, according to former bank officials and investigators, as used bank money to finance Karzai's 2009 election campaign.

"Nearly everyone in the cabinet got money from the bank," said a person familiar with the investigation.

Fruzi could not be reached for comment. Farnood, reached by telephone, said he was not allowed to comment.

Several people involved in the probe say they do not believe the attorney general's office will attempt to prosecute the powerful shareholders. The investigation, they said, had been stalled by a lack of technical capacity to understand the transactions and by political pressure from President Karzai's office.

Last year, the U.S. government pressed Afghans to accept an independent forensic audit of Kabul Bank by an international accounting firm, but Karzai's government resisted. This month, Afghan finance ministry officials told Western officials that they would move forward with the forensic audit, under their control, and have begun accepting bids.

Kabul Bank's near-collapse last September prompted a Central Bank takeover and exposed a culture of back-room favors for Afghanistan's ruling elite.

In those precarious days, depositors mobbed Kabul Bank and withdrew an estimated \$800 million in about two weeks, according to sources familiar with the bank. The panic prompted the Afghan government to pour \$450 million into the bank's coffers to stave off collapse.

Afghan and Western officials believe the bank has now stabilized due to the financial support, but say serious risks remain for them and other banks in Afghanistan.

Kabul Bank's owners, as well as U.S. and Afghan officials, have long acknowledged the central problem: Shareholders in Kabul Bank were allowed to take out vast loans and not repay them.

The bank loaned out as much as \$967 million, about 80 percent of which went to shareholders,

often registered in names of relatives or associates, which they used to invest in other businesses, according to estimates from Afghan and Western officials.

"The criminals are the shareholders," said the Afghan official familiar with the investigation.

The loan figure does not necessarily represent losses at the bank, if they are repaid. But Afghan authorities have had problems collecting. Some of the shareholders have repaid small portions of the loans and agreed to payment schedules.

"The amount of recovery at this stage is very uncertain," said one Western official. "Unless you take legal action and you seize their assets, which needs to happen fast, you're not going to recover their assets."

The official added that the Afghan government's investigation is not going fast enough, and that "they should focus on the shareholders. They should extinguish their shareholdership."

"Action needs to be taken fast," the official said.

Some bank shareholders accuse Farnood of taking the largest share of the loans, nearly \$470 million. But he has disputed this figure and told investigators that many loans to other people who failed to pay were registered in his name. Farnood has argued, using bank documents, that more than \$300 million of this total was borrowed by others, according to a bank insider.

Since the crisis last year, the Central Bank has been struggling to regain control of assets purchased with bank money. These include at least a dozen luxury villas on Palm Jumeirah, a high-end real estate development in the Persian Gulf.

Most of the property in Dubai, where values plummeted after the 2008 financial crisis, was registered in the name of Farnood or his wife. The couple has agreed to transfer the property to Kabul Bank, but legal complications in Dubai have so far prevented this from happening.

The bank's shareholders are arguing bitterly over responsibility for off-the-book lending and other unorthodox practices. Mahmoud Karzai, a 7 percent shareholder in Kabul Bank, has blamed Farnood.

"He is the center of all the misconduct. He fooled the shareholders and fooled the Central Bank," Mahmoud Karzai said.

Like most other shareholders, Karzai did not pay for his shares but obtained them with money borrowed from the bank.

A particularly sensitive area of investigation are the links between Kabul Bank and a state-owned commercial bank, Bank-e-Millie Afghan. Kabul Bank, for example, allegedly made several secret payments to the state bank's executives, according to one Kabul Bank insider. The payments, the insider said, were recorded as reimbursement for overcharging on cash transfers

through Shaheen Exchange, a currency transfer outfit set up by Farnood and affiliated with Kabul Bank.

Bank-e-Millie's president and chief executive, Khan Afzal Hadawal, denied in an interview that his bank received any illicit payments. He acknowledged that his bank-suffering from a poor rating in 2009 that prevented it from lending-had deposited about \$22 million in Kabul Bank as an investment and received an interest payment of 13 percent.

Documents obtained by investigators show Kabul Bank paid a higher interest rate--16.25 percent-which some officials view as a sign of malfeasance.

"These people are committing betrayal of the public treasury and we have to disclose it," said the Afghan official familiar with the investigation.

But bank insiders describe this higher rate as the extra amount intended to cover tax withholdings for the Afghan government, and said the net interest remained 13 percent as contractually agreed.