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The Afghani Way of Banking

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Poker players, oil traders and a disguised lottery all flourish in Afghanistan's fledgling banking sector

In banking, there's Switzerland and Singapore, secure and secretive. There's Indonesia, which has been so plagued by corruption you can never be sure who's actually holding your money. And then there is Afghanistan, in a class of its own.

Afghanistan's leading commercial banker is a professional [Las Vegas](#) poker player. His bank's most popular product is basically a lottery, advertised on Kabul streets as "The Easiest Way to Make a Million."

Its main competitor is funded by a man who makes his money as a petroleum trader, whose right-hand man is a former adviser to Afghanistan's deposed king and whose company car is a gleaming black and bulletproof Humvee, with two armed guards riding shotgun.

[Credit cards](#) are unknown in Afghanistan and to use one of the few ATMs means braving a street known as Sniper Alley. Getting caught with the wrong rumped notes in your change in the bazaar is not unknown. There were four competing tenders until recently, including two minted by warlords acceptable at half of face value outside their fiefdoms.

The biggest bank branch was once the Pakistan Embassy, the Taliban's paymasters, and you risk your life entering the central bank on the wrong day. Those big bollards out the front are designed to ward off [suicide bombers](#).

And all that's before any discussion about where most of Afghanistan's money-handling takes place - among the grizzled operators of *hawala*, the informal money-transfer honor system that Washington suspects funds international terror.

The central Da Afghanistan Bank now holds US\$2 billion in foreign reserves after being looted by the fleeing Taliban in 2001. It administers 15 licensed banks and there's even talk

about capital markets and a stock exchange. There are foreign banks from the UK, India, Tajikistan, Iran and Pakistan. The three biggest local banks have taken US\$1 billion in deposits in the three years they've been open. And there's at last a single currency - the afghani - which has been stable so far. With the exception of the Iraqi dinar, the afghani is perhaps the world's only currency that's backed not so much by reserves or gold but the uncertain political will and rhetoric of the international community.

The most popular product of Afghanistan's biggest local bank, Kabulbank, is called Bakht, which translates as "fortune" in the Dari tongue. Marketed as banking by Koranic principles, Bakht has been a mighty success among Afghans since it was introduced two years ago.

Kabulbank's Indian chief executive, M. R. Johnson, told me depositors had tripled to almost 100,000 since Bakht was launched, lured by that slogan - "The Easiest Way to Make a Million" - on Kabulbank's billboards around the capital.

For every US\$100, or 5,000 afghanis, deposited in a Bakht account, the depositor is given a ticket for a lucky draw held every month and broadcast nationally on state TV. The winning ticket holder is read out and he - it's always a male - is handed a check for US\$20,000, or the million afghanis, as promised. It's a lifetime's income for most of Afghanistan's 30 million people.

So it's a lottery. "No, you cannot say it is a lottery," insists Johnson, who was a mid-rank official at a small Indian bank before arriving in Kabul in 2004. Now he sits in Kabulbank's head office, which was once the Pakistani embassy, a history he says gives him a little *frisson* of excitement as an Indian national.

"Here you don't lose your money; you are getting an incentive by way of luck. It's an Islamic banking product; it coincides with religious sentiments," Johnson says. It's a semantic argument. Gambling is *haram* (unlawful) in Islam.

"There's no interest paid on a Bahkt account," Johnson explains. "That would be against Islam." Instead, Bakht ticket holder/depositors keep their stake even if they don't win the draw.

Indeed, they remain eligible for the next draw and those after that, with more chances available every time they deposit more units of US\$100, a stroke of marketing genius from the bank's point of view.

Kabulbank now has about US\$400 million on deposit and more than 100,000 customers, but with monthly obligations to its Bakht customers that fall well under what a bank would ordinarily return as interest on deposits. "Of course we are profitable," Johnson beams. "It's a grand function, very tremendous."

At the new Azizi Bank, self-professed "good Muslim" Hayatullah Dayani frowns on Kabulbank's Islamic credentials. The former adviser to the deposed king, Dayani returned to Kabul from a monied exile in Germany, where he was a textile trader.

Dayani says "many people misuse religion" in Afghanistan. "One should keep business away from religion and away from politics; let this country stand on its own feet."

Dayani's bank is named after its Dubai-based chairman and major shareholder, Mirwais Azizi, regarded by many Afghans as their country's richest man. Azizi handles as much as 70 percent of the petroleum products sold in Afghanistan, where electricity is mainly produced by diesel generators.

He joined another Afghan tycoon, a hawala operator named Haji Ali Akbar, in starting Azizi Bank, and sent the message that the bank is in Kabul for the long term by buying an US\$8 million villa abutting the presidential palace that was the ministry of tribal affairs under the Taliban.

A renovated mosque stands on the grounds for staff use, and the villa has been converted into a lavish carpeted banking hall, with screens flickering the latest deposit rates and spreads. "We are not involved with any **drug money**, with any war economy," Dayani says. "This is one of the long-term investments in Afghanistan; this is not an import-export business you can open and close as you like."

That Kabulbank's Bakht resembles gambling is perhaps not surprising, given Kabulbank's backer. Its major shareholder and chairman is Sherkhan Farnood, one of the world's richest Afghans, based in Dubai. It might not please those pious Kabulbank depositors who believe they are banking Islamically if they knew he is also a professional poker player.

Indeed, the week I was in Kabul seeking out Sherkhan, he was in Las Vegas for the 2006 **World Series** of Poker, coming runner-up in the Pot-Limit Omaha Championship.

The PokerDatabase website says: "Sherkhan has found his way to many final tables. He did a double in Australia last year, a double in Paris in September and a double in Walsall in November 2003. He likes to drink double Blue Label," a tippie its distiller, Johnnie Walker, says "is not a whisky for beginners."

Pokerforum.com describes him as "certainly Afghanistan's most accomplished poker player. Farnood works as a banker."

Farnood doesn't hide his skills at the tables - he likes to describe himself as one of the world's leading players. But his reputation among hawala operators is sound. As one of his colleagues says: "There has never been an incident where he has not paid up, despite his people getting killed and money going missing."

And in Afghanistan, where security is likely to be a manager's biggest expense, that's as ringing an endorsement as you can hear.