



**Independent Joint Anti-Corruption  
Monitoring & Evaluation Committee**

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**PRESS RELEASE**

**MEC UPDATE ON KABUL BANK SCANDAL**

**Kabul, Sunday, October 2, 2016** – Today MEC releases its update on the status of the Kabul Bank scandal. The details of this crime outraged the public when it became known in 2010 – it was the largest known case of fraud, forgery and embezzlement in Afghanistan – involving the theft of \$987 million. In September 2014, the National Unity Government was quick to condemn this, and on President Ghani’s second day in office he issued Presidential Decree 3. The Decree opened the investigation and did four things: 1) required the Attorney General to arrest those suspected of being involved; 2) required all institutions to support the recovery of stolen assets; 3) instructed the Ministry of Foreign Affairs to assist in cross-border efforts to recover assets through diplomatic means; and, 4) instructed the Ministry of Finance to draft a plan to privatize the successor New Kabul Bank (NKB).

Criminal Proceedings – In November 2014, an appeals court issued a verdict on this case and sentenced the two main suspects – both former shareholders and managers of Kabul Bank – to a prison term of 10 years for embezzlement, and an additional five years for money laundering.<sup>1</sup> Sentences for an additional nine former employees of Kabul Bank and Da Afghanistan Bank ranged from modest fines to a year in prison. Also, the assets were frozen of 12 people and eight companies who had an active role in the embezzlement, including the brothers of a former President and Vice President of Afghanistan. However none of these 12 were sentenced for embezzlement or money laundering, and the court’s verdict did not order the confiscation or seizure of their assets.

Recovery of Funds – A plan was put in place to recover the funds and up to October 2014, a total of \$224 million had been recovered or obtained as assets. However, since then, only an additional \$61.8 has been recovered - \$29.1 million of this was recovered in cash and the remaining \$32.7 million was through signed repayment agreements with debtors. So as of this date, less than half the stolen amount has been returned.

Privatization of New Kabul Bank – The Ministry of Finance developed several options for privatization, however none of the plans were deemed feasible and during this time the NKB continued to operate at a loss, totaling some \$50 million. The NKB has an additional gap in equity of \$41 million, making the total equity gap \$ 91 million which the government is committed to filling, however no details have been provided on how it will do so. The Ministry announced in July of this year that a competitive bidder was identified who would be willing to purchase the bank for \$51 million, but no further details have been provided.

As the process of prosecutions, recovery of assets, and sale of the NKB go forward, MEC would expect transparency in all these areas. The public is entitled to know the details of how this process unfolds, how much money is returned, how the guilty are punished, and the transaction of selling the New Kabul Bank. MEC’s Chairman, Dr. Yama Torabi stated, “The latest episode in Kabul Bank scandal is evidence that the initial strong political will became diluted in the face of strong pressure. This case shows that Afghanistan is still not well equipped to recover stolen assets – both internally and working with foreign governments. Nor has it the will to sentence all those who engaged in organized financial crimes.”

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<sup>1</sup> The whole sentence is ten years according to the Afghan law since the most severe term is applied.