

REPORT OF
SIGNIFICANT CORRUPTION



Khalilullah Ferozi

Former CEO, Kabul Bank



Visa Restrictions and Sanctions Team

by

UNISHKA Research Service, Inc.

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PREFACE

Research for this report began during a project for the Bureau of International Narcotics and Law Enforcement (INL), *Combatting Corruption in Conflict Countries* (C-4). Unfortunately, the project was terminated prior to completion of the research and writing of this report. UNISHKA-Afghanistan, a civil society organization dedicated to anti-corruption, continued research on Kabul Bank crimes on a *pro bono* basis in the hopes that some justice might prevail. In December 2020, an intern from Mercyhurst University, Ridge School of Intelligence Studies (Maxx Palisin), began collaborating with UNISHKA to complete this report. The information contained herein is the result of exceptional research by UNISHKA-Afghanistan, Maxx Palisin, and UNISHKA's Corruption Research Analyst, Cole Plante. This report is provided to INL and the Visa Restrictions and Sanctions Team to assist them in fulfilling their legal obligations under Presidential Proclamation 7750 (To Suspend Entry of Persons Engaged in or Benefiting from Corruption), et.al.

Peer Review

Peer review was completed by:

Drago Kos – Head of the OSCE Anti-Bribery Working Group and former Chair of the Joint Independent Monitoring and Evaluation Committee (MEC) for Afghanistan.

Redacted for Personal Security

Kristin Haffert – Senior Gender Advisor, (also provided advice on Sextortion and protection of exploited women in research and reporting).

Andy Tamas, PhD – Team Leader, Afghan Local Governance Project and Advisor to Canadian Department of Justice.

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AUTHORITY:

The Immigration and Nationality Act, Section 212(f), gives the President of the United States broad authority to implement immigration restrictions by proclamation. The statute allows the President to suspend the entry of any aliens or of a class of aliens or place restrictions on the entry of a class of aliens temporarily if the President determines that the entry of such aliens would be detrimental to the U.S. interest. Under this authority, President G.W. Bush issued Presidential Proclamation 7750 to suspend entry of persons engaged in or benefiting from corruption. The Presidential Proclamation was subsequently codified in the Code of Federal Regulations at 3 C.F.R. 7750. This Report of Significant Corruption (RSC) was collected in furtherance of 3 C.F.R. 7750, which reads in part:

“The entry into the United States, as immigrants or nonimmigrants, of the following persons is hereby suspended:”

...
“(b) Persons whose provision of or offer to provide any article of monetary value or other benefit to any public official in exchange for any act or omission in the performance of such official's public functions has or had serious adverse effects on the national interests of the United States.” (see Annex A)

This report examines whether available information from credible sources is sufficient to demonstrate that the individual identified in this report offered to provide an article of monetary value or other benefit to a public official, in exchange for an act or omission in the performance of the official's public function and that such act or omission has or had a serious adverse effect on the national interest of the United States. We make no recommendation concerning the eligibility of any person for entry into the United States. The information contained in this report was collected in accordance with the laws of the United States, its respective states and applicable international agreements.

INDIVIDUAL: Khalilullah “Khalil” Ferozi (aka: Fruzi, Ferozi, Firozi, Frozi, Firozy)¹

BIOGRAPHICAL INFORMATION:

Date of Birth: 15 April 1967 (53 years, 10 months)
Province of Birth: Panjshir
Country of Birth: Afghanistan
Citizenship: Afghan and Russian (Dual citizenship)

FAMILY MEMBERS:

Spouses: Khalilullah Ferozi has four wives. Ferozi lives with three of his wives in Kabul. His youngest wife (approx. 28yrs old) lives in Dubai. Additionally, Ferozi has numerous girlfriends, the youngest (Sofia) being in her mid-twenties. All of his spouses and girlfriends benefit tremendously from Ferozi’s corruption.

POSITION:

Khalil Ferozi is a private individual subject to 3 C.F.R. 7750 para. (b) who served as CEO of Kabul Bank from June 2008 to Sept. 2010.

TYPE OF CORRUPTION:

Bribery, Fraud, Illegal Campaign Contributions; Illegal Gifts to Elected Officials; Conspiracy; Embezzlement; Forgery; Collusion; and Sex Trafficking.

¹ "Khalil Ferozi", *Afghan-Bios.Info*, accessed February 22, 2021, http://www.afghan-bios.info/index.php?option=com_afghanbios&id=518&task=view&start=586&Itemid=2. See also: <https://www.khaama.com/nabil-accuses-president-ghani-of-releasing-ex-kabul-bank-ceo-against-30m-election-funds-commitment-03629/>

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Executive Summary

An analysis of the references contained in this report indicates that **Khalilullah Ferozi** provided or offered to provide an *article of monetary value or other benefit to a public official in exchange for any act or omission in the performance of such official's public functions*; and such act *has or had serious adverse effects on the national interests of the United States*². Credible information confirms Khalilullah Ferozi is the former CEO of Kabul Bank who:

- Made significant illegal campaign contributions;
- Provided illegal “gifts” to elected officials (i.e. bribes);
- Conspired to and did engage in embezzlement, bribery, money laundering and forgery.

Ferozi was tried and convicted for bribery, embezzlement, money laundering and forgery³; however, he has openly eluded serving his 15-year prison sentence for his role in the 2010 Kabul Bank scandal⁴. Sources contained in this report indicate a clear and direct link to corruption validated by well-known, reliable sources (A5 designation from Annex B).

Detailed Instances of Corruption

In June 2004, **Sherkhan Farnood** established Kabul Bank⁵. Initially, Farnood maintained tight control over Kabul Bank and it was adequately managed⁶. In September 2005, USAID, the largest donor to the bank, awarded BearingPoint a contract to “help modernize” the bank’s payment system by installing the Society for Worldwide Inter-bank Financial Telecommunication (SWIFT) system. While this facilitated international transfers and allowed for domestic payments, the bank had essentially no mechanisms for fraud prevention⁷. In April 2006, four people, including **Khalilullah Ferozi** became Kabul Bank shareholders⁸. Simultaneously, Kabul Bank contracted Ferozi’s company, Khurasan Security Company, to oversee security⁹. This ‘no bid’ contract

² 3 CFR 7750 (Annex A)

³ Grant McLeod, *Responding To Corruption And The Kabul Bank Collapse*, ebook (Washington D.C.: United States Institute of Peace, 2016), accessed December 31, 2020, <https://www.usip.org/sites/default/files/SR398-Responding-to-Corruption-and-the-Kabul-Bank-Collapse.pdf>. See also "Kabul Bank Fraud: Afghan Court Increases Jail Terms", *BBC News*, last modified 2014, accessed March 4, 2021, <https://www.bbc.com/news/world-asia-30011846> and Mirwais Harooni; "Afghan Government Cancels Property Deal With Convicted Banker", *Reuters*, last modified 2015, accessed March 4, 2021, <https://www.reuters.com/article/us-afghanistan-bank-idUSKCN0SW00820151107> and Sayed Salahuddin, "Amid Pressure, Afghan President Halts Deal Letting Jailed Man Set Up Business", *Washington Post*, last modified 2015, accessed March 4, 2021, https://www.washingtonpost.com/world/amid-mounting-pressure-ghani-aborts-deal-letting-jailed-man-to-do-new-business/2015/11/07/c4185e08-8569-11e5-8bd2-680fff868306_story.html

⁴ Sentenced to 5 years for money laundering and 10 years for embezzlement (see: "Kabul Bank Fraud: Afghan Court Increases Jail Terms", *BBC News*, last modified 2014, accessed March 4, 2021, <https://www.bbc.com/news/world-asia-30011846>.)

⁵ Grant McLeod, *Responding To Corruption And The Kabul Bank Collapse*, ebook (Washington D.C.: United States Institute of Peace, 2016), accessed February 22, 2021, <https://www.usip.org/sites/default/files/SR398-Responding-to-Corruption-and-the-Kabul-Bank-Collapse.pdf>.

⁶ Abdul Qadeer Fitrat, *The Tragedy Of Kabul Bank* (New York: Page Publishing Inc, 2018). p.475.

⁷ Initially, electronic payments were made through an Internet-based application called the “Afghanistan Payment System”, then through a core-banking solution facility. See: Abdul Qadeer Fitrat, *The Tragedy Of Kabul Bank* (New York: Page Publishing Inc, 2018). pp.63-65, 475.

⁸ Ibid.

⁹ Abdul Qadeer Fitrat, *The Tragedy Of Kabul Bank* (New York: Page Publishing Inc, 2018). pp.160 – 161.

essentially made Ferozi head of security for the bank despite the Central Bank explicitly rejecting the contract¹⁰.

Ghost Loans to the Families of President Karzai and Qasim Fahim

In 2007, Kabul Bank added nine new individuals to its list of shareholders¹¹. These new shareholders included Mahmood Karzai and Haseen Fahim—brothers of President Karzai and First Vice-President Qasim Fahim¹². In the context of Afghanistan, it is understood that these two individuals represented their respective families and specifically their brothers. To facilitate the transfer, a scheme was worked out where neither Karzai nor Fahim would pay anything for their stock. In essence, it was a multi-million-dollar gift to the president and vice president in order to “curry favour”¹³. The stock transfer was equal to 7% and 10% of the bank’s total value, respectively¹⁴.

In one of Kabul Bank's most outrageous loans, it gave \$22m to Mahmoud Karzai, one of the president's brothers, and a former restaurant owner from Maryland. Karzai used the interest-free loan to buy a share in the bank itself. Thus did the president's brother become the third biggest shareholder in the country's biggest bank without spending a penny of his own money¹⁵.

From a conspirator’s perspective, the beauty of the ghost loan scheme was that it provided a veneer of legality in the short-term with low risk of detection in the long-term. In this scheme, a loan is issued with a promise to pay sometime in the future but is, in fact, never repaid. Ultimately, ghost loans brought down the bank. This scheme was repeated scores of times at Kabul Bank, syphoning hundreds of millions from its reserves. In essence, Kabul Bank became a Ponzi Scheme:

With so much money being taken out of the top, [Kabul Bank] desperately needed to attract new people to deposit money at the bottom to preserve the bank's liquidity. This they did by running ethically questionable and expensive-to-run "fortune" lottery accounts that attracted customers with the chance of a cash prize. . . Salvation came when the government gave Kabul Bank responsibility for handling the payroll accounts of all the country's civil servants, soldiers and policemen, guaranteeing regular infusions of cash. The deal was all the sweeter, Ferozi says, because he would usually lend the money straight back to the Central Bank on time deposit accounts at interest rates of up to 10% – meaning the government was paying interest on its own money. By his own admission, the key to this contract was the currying of favour with Karzai's family¹⁶.

¹⁰ Khurasan Security Company was owned by Khalilullah Ferozi, although it may have been in his brother’s name. See *Tragedy* at pp. 160-161. Despite being rejected by the Central Bank, Khurasan Security Company contracted to provide security services to Kabul Bank. Under this “no bid” contract, Khurasan Security was paid 4.4 million annually.

¹¹ Abdul Qadeer Fitrat, *The Tragedy Of Kabul Bank* (New York: Page Publishing Inc, 2018). p.127

¹² Dexter Filkins and Adam Ellick, "Political Ties Shielded Bank In Afghanistan", *Nytimes.Com*, last modified 2010, accessed February 22, 2021, <https://www.nytimes.com/2010/09/08/world/asia/08kabul.html>.

¹³ Jon Boone, "The Financial Scandal That Broke Afghanistan's Kabul Bank", *The Guardian*, last modified 2011, accessed February 22, 2021, <https://www.theguardian.com/world/2011/jun/16/kabul-bank-afghanistan-financial-scandal>.

¹⁴ "Kabul Bank Bailout? Mahmoud Karzai, President's Brother, Calls For U.S. To Shore Up Bank", *Huffington Post*, last modified 2010, accessed January 20, 2021, https://www.huffpost.com/entry/kabul-bank-bailout-mahmou_n_703682. See also Annex C.

¹⁵ Jon Boone, "The Financial Scandal That Broke Afghanistan's Kabul Bank", *The Guardian*, last modified 2011, accessed February 22, 2021, <https://www.theguardian.com/world/2011/jun/16/kabul-bank-afghanistan-financial-scandal>.

¹⁶ Jon Boone, "The Financial Scandal That Broke Afghanistan's Kabul Bank", *The Guardian*, last modified 2011, accessed February 22, 2021, <https://www.theguardian.com/world/2011/jun/16/kabul-bank-afghanistan-financial-scandal>.

In total, Farnood and Ferozi established 200 fake companies that received ghost loans from Kabul Bank¹⁷. Loan disbursements were transferred to Shaheen Exchange in Dubai, a hawala established by Farnood. The proceeds were then transferred back to Afghanistan, often using fake names¹⁸. Another major beneficiary of the ghost loan scheme was the Gas Group Company¹⁹. Gas Group is owned and operated by Haseen Fahim with Ferozi being a large minority shareholder²⁰. During Ferozi's tenure as CEO, Gas Group received more than \$170 million in ghost loans under seventeen or eighteen fictitious company names; "only a few million of it was officially registered under the company's own name"²¹.

As electronic banking and payroll expanded in Afghanistan, Farnood became exceptionally wealthy. By 2008 he had purchased Pamir Airlines, real estate in Dubai, oil in Uzbekistan, and buildings materials from China²². Consequently, by July 2008 Farnood was ready to relinquish operational control of the bank. Therefore, on 10 July 2008, Ferozi was appointed CEO of Kabul Bank with support from both Karzai and Fahim²³. The appointment, however, was not without controversy. Ferozi had been working as head of security for Kabul Bank without Central Bank approval; consequently, the Central Bank placed Ferozi on probation²⁴. Under Afghan law, when a bank employee (including its CEO) is placed on probation they may not continue working in the same position but are instead demoted to their previous position²⁵. According to a written account by former Central Bank Governor Abdul Qadeer Fitrat, Ferozi used his newly-found *wasta* with Karzai and Fahim to pressure the Central Bank to allow him to remain as CEO despite a determination that he was unqualified²⁶.

Kabul Bank under Ferozi, from 2008 to 2010, was grossly mismanaged and characterized by endemic corruption:

The most notorious of Kabul Bank's "investments" are in Dubai, where Ferozi says \$160m was spent on 35 luxury villas on the Palm Jumeirah, the artificial sand banks that jut out in "fronds" into the Arabian Sea. Many of the houses were registered in Farnood's name and handed out to bank shareholders. I visited house No1 on Frond O – a huge five-bedroom "Riviera"-style mansion occupied by Ferozi. Others owned by the bank showed every sign of occupation – pools were full of water, and cushioned garden furniture was set up in the sticky summer heat²⁷.

¹⁷ "Is the integrity of Afghanistan's central bank under threat?", *Central Banking Institute*, last modified December 21, 2020, accessed March 4 2021, <https://www.centralbanking.com/central-banks/governance/7720661/is-the-integrity-of-afghanistans-central-bank-under-threat>

¹⁸ Ibid.

¹⁹ "The Afghan Government And The 'Smart City' Debacle: Who Out-Smarted Whom? - Afghanistan Analysts Network - English", *Afghanistan Analysts Network*, last modified 2015, accessed February 22, 2021, <https://www.afghanistan-analysts.org/en/reports/economy-development-environment/the-afghan-government-and-the-smart-city-debacle-who-out-smarted-whom/>.

²⁰ Abdul Qadeer Fitrat, *The Tragedy Of Kabul Bank* (New York: Page Publishing Inc, 2018). p. 155 - 167

²¹ Ibid.

²² Grant McLeod, *Responding To Corruption And The Kabul Bank Collapse*, ebook (Washington D.C.: United States Institute of Peace, 2016), accessed December 31, 2020, <https://www.usip.org/sites/default/files/SR398-Responding-to-Corruption-and-the-Kabul-Bank-Collapse.pdf>.

²³ Abdul Qadeer Fitrat, *The Tragedy Of Kabul Bank* (New York: Page Publishing Inc, 2018). p. 477

²⁴ Ibid

²⁵ (Senior Legal Advisor to the Kabul Bank Receivership (KBR), 2020).

²⁶ Abdul Qadeer Fitrat, *The Tragedy Of Kabul Bank* (New York: Page Publishing Inc, 2018). p. 128

²⁷ Jon Boone, "The Financial Scandal That Broke Afghanistan's Kabul Bank", *The Guardian*, last modified 2011, accessed February 22, 2021, <https://www.theguardian.com/world/2011/jun/16/kabul-bank-afghanistan-financial-scandal>.

Interference in the 2009 Election

In the run-up to the 2009 Presidential election, Kabul Bank illegally “poured millions into Mr. Karzai’s re-election campaign”²⁸. Through ghost loans, ‘gifts’, and ‘donations’, Kabul Bank is reported to have “given millions in off-the-book donations”²⁹. Although President Karzai denied receipt of any funds from Kabul Bank,³⁰ credible evidence indicates that he was not only aware but participated in the scheme to use bank assets to finance his re-election³¹. According to Omar Zakhilwal, former Minister of Finance and Campaign Treasurer for Karzai, the President met Ferozi for breakfast multiple times in 2009³². During one such breakfast in February, Ferozi told the President, “We’d like to contribute to the campaign”³³. The President referred Ferozi to his Finance Minister and Campaign Treasurer, Omar Zakhilwal³⁴.

Two days later, [] two men identifying themselves as Kabul Bank employees appeared bearing a briefcase containing two hundred thousand dollars in cash. “Two guys, one case,” he said. Zakhilwal said that he took the briefcase and passed it directly to his colleagues at Karzai’s campaign headquarters. Zakhilwal didn’t keep a record of the contribution, and no record of it was made available by the Independent Election Commission, either. “You will never ever find a record of a gift from them of any value, not even a dollar,” Zakhilwal said, denying any wrongdoing.

Throughout 2009, Ferozi “was invited by President Karzai to several breakfast meetings in the presidential palace and each time the president asked him to pay money to a different individual.”³⁵ Ferozi allegedly paid:³⁶

- \$500,000 to President Karzai’s spokesperson, Waheed Omar;
- \$800,000 to Haji Deen Mohammad, who “was in charge of the president’s campaign in Nangarhar and East Zone”;
- \$700,000 to Karzai’s Chief of Staff, Mr. Omar Daudzai;
- \$700,000 to Finance Minister Zakhilwal; and
- \$900,000 to “other individuals closely connected to the 2009 presidential campaign.”

²⁸ Dexter Filkins, "Political Ties Shielded Bank In Afghanistan", *Nytimes.com*, last modified 2010, accessed February 21, 2021, <https://www.nytimes.com/2010/09/08/world/asia/08kabul.html>.

²⁹ Jean Mackenzie, "Kabul Bank Might Be Too Big To Fail. But Its Shareholders Too Powerful To Prosecute?", *The World From PRX*, last modified 2011, accessed February 22, 2021, <https://www.pri.org/stories/2011-04-21/kabul-bank-might-be-too-big-fail-its-shareholders-too-powerful-prosecute>.

³⁰ "Karzai 'Unaware' Of Campaign Cash From Corrupt Bank", *Hindustan Times*, last modified 2012, accessed February 22, 2021, <https://www.hindustantimes.com/world/karzai-unaware-of-campaign-cash-from-corrupt-bank/story-QLcIu1I4ZkjNhm50eaF2N.html>.

³¹ Dexter Filkins, "The Afghan Bank Heist", *The New Yorker*, last modified 2011, accessed February 22, 2021, <https://www.newyorker.com/magazine/2011/02/14/the-afghan-bank-heist>.

³² *Ibid.*

³³ *Ibid.*

³⁴ *Ibid.*

³⁵ Abdul Qadeer Fitrat, *The Tragedy Of Kabul Bank* (New York: Page Publishing Inc, 2018). p. 354 – 355.

³⁶ Abdul Qadeer Fitrat, *The Tragedy Of Kabul Bank* (New York: Page Publishing Inc, 2018). p. 354 – 355 .

In a meeting with Central Bank Governor Fitrat, Ferozi confessed to “paying \$3.6 million in cash at the President’s order”³⁷. In an interview with *The New Yorker*, Ferozi again confirmed that Kabul Bank gave the Karzai campaign “four million dollars”³⁸. In addition, Ferozi confessed to paying for seventy expensive vehicles for the Karzai campaign with Kabul Bank deposit funds. Finally, Ferozi stated that President Karzai requested Kabul Bank to sponsor all media coverage of his campaign³⁹. According to some current and former Afghan officials, Kabul bank “became an unofficial arm of the Karzai government”⁴⁰. Other ministers who are believed to have benefited from Ferozi’s position at Kabul Bank include former Minister of Education Farooq Ghulam Wardak, Minister of the Interior Hanif Atmar, and Minister of Finance Omar Zakhilwal⁴¹.

Gifts to President Karzai, Vice President Qasim Fahim, and MPs⁴²

In February 2010, the *Washington Post*, reported that Kabul Bank had purchased several luxury homes in Dubai and given them to relatives and supporters of President Karzai⁴³. The report was documented by land registration data; public records; and interviews in Kabul, Dubai, Abu Dhabi and Moscow⁴⁴. Even distant relatives, such as Karzai’s cousin received a home, as did Qasim Fahim’s brother⁴⁵. “*It was in these houses that Afghan MPs were entertained with drink and “Russian girls”, according to one Afghan intelligence official, who says the bank deliberately sought to compromise the politically powerful*”⁴⁶. According to later statements by Ferozi, President Karzai was “by far the largest beneficiary of Kabul Bank kickbacks”⁴⁷.

³⁷ Ibid.

³⁸ Ibid.

³⁹ The investigative meeting took place in 6 June 2011, during which Mr. Ferozi revealed the above referenced facts. Mr. Farnood, the former Kabul Bank Chairman, Mr. Nesar Yousufzai, the Kabul Bank Receiver, Mr. Abdul Aziz Khaled, a member of the Kabul Bank Receivership team, and Usmat Bek, a Kabul Bank employee were present as witnesses. See: Abdul Qadeer Fitrat, *The Tragedy Of Kabul Bank* (New York: Page Publishing Inc, 2018). p. 354 - 355

⁴⁰ Dexter Filkins, "The Afghan Bank Heist", *The New Yorker*, last modified 2011, accessed December 31, 2020, <https://www.newyorker.com/magazine/2011/02/14/the-afghan-bank-heist>.

⁴¹ Matthew Abi-Habib, "Afghan Officials Probed Over Bank", *Wall Street Journal*, last modified 2011, accessed March 5, 2021, <https://www.wsj.com/articles/SB10001424052748704254304576115780302300212>.

⁴² Dexter Filkins, "The Afghan Bank Heist", *The New Yorker*, last modified 2011, accessed December 31, 2020, <https://www.newyorker.com/magazine/2011/02/14/the-afghan-bank-heist>.

⁴³ Andrew Higgins, "In Afghanistan, Signs Of Crony Capitalism", *The Washington Post*, last modified 2010, accessed February 23, 2021, <https://www.washingtonpost.com/wp-dyn/content/article/2010/02/21/AR2010022104317.html>. and "Corruption Allegations Surround Kabul Bank", *Npr.Org*, last modified 2010, accessed February 22, 2021, <https://www.npr.org/templates/story/story.php?storyId=129584553>.

⁴⁴ "Banker Feeds Crony Capitalism In Afghanistan", *Ft.Com*, last modified 2011, accessed February 22, 2021, <https://www.ft.com/content/c73eeaf2-1f85-11df-8975-00144feab49a>.

⁴⁵ Ibid.

⁴⁶ Alim Remtulla, "Afghanistan's Top Banker Legs It", *Forbes*, last modified 2011, accessed February 24, 2021, <https://www.forbes.com/sites/alimremtulla/2011/06/28/afghanistans-top-banker-runs-for-his-life/?sh=7554bed76e5d>.

⁴⁷ Abdul Qadeer Fitrat, *The Tragedy Of Kabul Bank* (New York: Page Publishing Inc, 2018). P. 220 - 221

Kabul Bank Crash

Precipitated by the crash of the Dubai real estate market, Kabul Bank suffered significant losses, which led to a power struggle within the bank⁴⁸. Similar to historic disputes within the country, the power struggle was divided among ethnic factions. The Pashtun faction, led by Karzai; and the Northern faction, led by Fahim. Each faction was “trying to oust the other” from the bank in order to wrest ownership and control⁴⁹. According to former Central Bank Governor Fitrat, each faction “wanted to have indirect control of the institution and use it for their own financial gains”⁵⁰. In this battle, President Karzai appeared to have the upper hand.

At President Karzai’s urging, Fitrat met with Ferozi and Bank Chairman Farnood on 29 August 2010. In the meeting, Fitrat asked both to resign—they refused⁵¹. The next day, Fitrat met with President Karzai and told him Ferozi and Farnood refused to resign. President Karzai told Fitrat “go back and ask them to resign immediately. If they resist, handcuff them and send them to jail”⁵². As expected, on 31 August 2010, Ferozi resigned from Kabul Bank.⁵³ Between 30 August and 1 September 2010, however, Farnood and Ferozi transferred vast “amounts of money from Kabul Bank’s nostro account,⁵⁴ (the bank’s business account held in a foreign bank), to their personal accounts in Dubai and elsewhere”⁵⁵.

As the Kabul bank scheme began to collapse, depositors began to panic⁵⁶. Finally, in the largest banking crisis in Afghan history, Kabul Bank collapsed dramatically in September 2010, primarily as a result of corruption⁵⁷. In doing so, Ferozi and Farnood were responsible for draining almost 10 percent of Afghanistan’s GDP⁵⁸.

The crash of Kabul Bank soon negatively affected U.S. businesses as well as U.S. technical assistance in “building the private sector enabling environment”. For example, USAID was prohibited from working with Afghanistan’s central bank, due to USAID’s role in the collapse⁵⁹.

⁴⁸ "Corruption Allegations Surround Kabul Bank", *Npr.Org*, last modified 2010, accessed February 23, 2021, <https://www.npr.org/templates/story/story.php?storyId=129584553>.

⁴⁹ Abdul Qadeer Fitrat, *The Tragedy Of Kabul Bank* (New York: Page Publishing Inc, 2018). P.151

⁵⁰ Abdul Qadeer Fitrat, *The Tragedy Of Kabul Bank* (New York: Page Publishing Inc, 2018). P.151

⁵¹ Abdul Qadeer Fitrat, *The Tragedy Of Kabul Bank* (New York: Page Publishing Inc, 2018). P. 161 - 167

⁵² Abdul Qadeer Fitrat, *The Tragedy Of Kabul Bank* (New York: Page Publishing Inc, 2018). P. 167

⁵³ Dexter Filkins, "Troubles At Afghan Bank Jolt Financial System", *Nytimes.Com*, last modified 2010, accessed January 8, 2021, <https://www.nytimes.com/2010/09/01/world/asia/01kabul.html>.

⁵⁴ "What Is A Nostro Account? Forex Account For Foreign Currency", *Forextraders.com*, accessed March 4, 2021, HYPERLINK "<https://www.forextraders.com/forex-education/forex-glossary/what-is-a-nostro-account/>"

⁵⁵ Abdul Qadeer Fitrat, *The Tragedy Of Kabul Bank* (New York: Page Publishing Inc, 2018). P.176

⁵⁶ Dexter Filkins, "Depositors Panic Over Bank Crisis In Afghanistan (Published 2010)", *Nytimes.Com*, last modified 2010, accessed March 4, 2021, <https://www.nytimes.com/2010/09/03/world/asia/03kabul.html>.

⁵⁷ Dexter Filkins, "Depositors Panic Over Bank Crisis In Afghanistan", *Nytimes.Com*, last modified 2010, accessed January 8, 2021, <https://www.nytimes.com/2010/09/03/world/asia/03kabul.html>.

⁵⁸ Karina Shedrofsky, "Real Estate - OCCRP", *OCCRP*, last modified 2018, accessed March 1, 2021, <https://www.occrp.org/en/goldensands/real-estate>.

⁵⁹ *Private Sector Development And Economic Growth*, ebook (SIGAR, 2021), accessed February 24, 2021, <https://www.sigar.mil/pdf/lessonslearned/SIGAR-18-38-LL.pdf>, and Deloitte, *EGGI Final Report*, USAID, p. 6.

Conviction and Sentencing

In February 2011, the Central Bank appointed a Receiver for Kabul Bank (Kabul Bank Receivership or KBR)⁶⁰. On 30 June 2011, Ferozi was arrested and “held on embezzlement charges”⁶¹. Ferozi was placed under “a loose form of house arrest”⁶² and banned from leaving the country, although this was never enforced⁶³. On 5 March 2013, Ferozi was sentenced to five years in prison for “breach of trust”⁶⁴ despite convictions for “embezzlement, money laundering, and forgery”⁶⁵. On 1 August 2014, Ferozi was re-sentenced under the original charges to 15 years⁶⁶. Although sentenced to prison, Ferozi remains at large while he “negotiates” with the government.

U.S. Special Entity Designation

On July 24, 2012, Ferozi received a “Special Entity Designation” from the United States Department of Defense citing possible OFAC violations⁶⁷. The “Special Entity Designation” was still in effect as of March 2021 (see Annex C).

Smart City Agreement

On 7 September 2015, Ferozi reached an agreement with the central government to repay the money he had stolen from Kabul Bank⁶⁸. This agreement, known as the “Smart City Agreement,” allowed Ferozi to come to his office during the day to invest in projects that would eventually generate enough money to “pay back” what he had stolen⁶⁹. Ferozi would then “serve his sentence at night”⁷⁰. To ensure his compliance with the agreement, Ferozi offered to provide 58,000

⁶⁰ Abdul Qadeer Fitrat, *The Tragedy Of Kabul Bank* (New York: Page Publishing Inc, 2018). P.299

⁶¹ "Afghanistan: Kabul Bank Chiefs Arrested In Fraud Probe", *BBC News*, last modified 2021, accessed January 8, 2021, <https://www.bbc.com/news/world-south-asia-13981478>.

⁶² "Khalil Ferozi", *Afghan-Bios.Info*, accessed January 4, 2021, http://www.afghan-bios.info/index.php?option=com_afghanbios&id=518&task=view&total=4&start=0&Itemid=2.

⁶³ "فارسی سابق کابل بانک بازداشت شدند" - *BBC News*, last modified 2011, accessed January 7, 2021, [https://www.bbc.com/persian/afghanistan/2011/06/110630_k01_kbl_bank_arrest_\(2\)](https://www.bbc.com/persian/afghanistan/2011/06/110630_k01_kbl_bank_arrest_(2))

⁶⁴ Emma Graham-Harrison, "Kabul Bank Fraud Verdicts Raise Fears About Official Indifference To Corruption", *The Guardian*, last modified 2013, accessed January 8, 2021, <https://www.theguardian.com/world/2013/mar/05/kabul-bank-chiefs-jailed-fraud>.

⁶⁵ Grant McLeod, *Responding To Corruption And The Kabul Bank Collapse*, ebook (Washington D.C.: United States Institute of Peace, 2016), accessed December 31, 2020, <https://www.usip.org/sites/default/files/SR398-Responding-to-Corruption-and-the-Kabul-Bank-Collapse.pdf>. Emma Graham-Harrison, "Kabul Bank Fraud Verdicts Raise Fears About Official Indifference To Corruption", *The Guardian*, last modified 2013, accessed January 8, 2021, <https://www.theguardian.com/world/2013/mar/05/kabul-bank-chiefs-jailed-fraud>.

⁶⁶ Afghanistan: Terms Tripled For Officials Who Stole Millions From Kabul Bank (Published 2014)", *Nytimes.Com*, last modified 2014, accessed December 31, 2020, <https://www.nytimes.com/2014/11/12/world/asia/afghanistan-terms-tripled-for-officials-who-stole-millions-from-kabul-bank.html>.

⁶⁷ "System For Award Management", *Sam.Gov*, accessed March 1, 2021, <https://sam.gov/SAM/pages/public/exclusionSearch/exclusionsView.jsf>

⁶⁸ "The Afghan Government And Th-E ‘Smart City’ Debacle: Who Out-Smarted Whom? - Afghanistan Analysts Network - English", *Afghanistan Analysts Network - English*, last modified 2015, accessed March 4, 2021, <https://www.afghanistan-analysts.org/en/reports/economy-development-environment/the-afghan-government-and-the-smart-city-debacle-who-out-smarted-whom/>.

⁶⁹ Mujib Mashal, "Afghan Businessman Convicted In Kabul Bank Fraud Is Still Free To Make Money (Published 2015)", *Nytimes.Com*, last modified 2015, accessed December 31, 2020, <https://www.nytimes.com/2015/11/05/world/asia/afghan-businessman-convicted-in-kabul-bank-fraud-is-still-free-to-make-money.html>.

⁷⁰ Grant McLeod, *Responding To Corruption And The Kabul Bank Collapse*, ebook (Washington D.C.: United States Institute of Peace, 2016), accessed December 31, 2020, <https://www.usip.org/sites/default/files/SR398-Responding-to-Corruption-and-the->

precious stones as collateral.”⁷¹ The agreement was accepted by the government and groundbreaking on the Smart City project was announced⁷². Despite Ferozi’s conviction for bribery, embezzlement, and money laundering, the Minister of Urban Development (Sayed Saadat Naderi), President Ghani’s Special Advisor on Good Governance (Ahmad Zia Massoud) and Presidential Legal Advisor (Abdul Ali Muhammadi) all attended the groundbreaking ceremony and lauded Ferozi for his work⁷³. On 11 November 2015, the Wolesi Jirga complaints commission asserted that a \$7 million bribe had been paid by Ferozi to allow the Smart City project to proceed and to facilitate Ferozi’s release from prison⁷⁴. Four days later, the *Adalat wa Towsea Daily* quoted an unnamed MP who said Minister Naderi (who had, himself attended the groundbreaking ceremony) asserted that Zia Massoud and Ali Muhammadi had each received bribes from Ferozi of \$2.5 million and \$1.8 million, respectively⁷⁵.

The Smart City Agreement proceeded unimpeded by Article 113 of the Afghanistan Criminal Code that states: any person sentenced to “long imprisonment” of more than ten years is not allowed to enter into contracts with or receive privileges from government institutions, nor are they allowed to manage assets or properties⁷⁶.

Eventually, as the news media covered the story, public uproar against the Smart City Agreement caused President Ghani to cancel the agreement (denying he had any knowledge of it)⁷⁷. Additionally, it eventually became apparent that Ferozi never deposited the 58,000 gemstones as collateral. To the contrary, on 9 August 2020, Ferozi posted a video showcasing the emeralds in his personal possession (see Annex D).

[Kabul-Bank-Collapse.pdf](#). See also Emma Graham-Harrison, "Kabul Bank Fraud Verdicts Raise Fears About Official Indifference To Corruption", *The Guardian*, last modified 2013, accessed January 8, 2021, <https://www.theguardian.com/world/2013/mar/05/kabul-bank-chiefs-jailed-fraud>.

⁷¹ Grant McLeod, *Responding To Corruption And The Kabul Bank Collapse*, ebook (Washington D.C.: United States Institute of Peace, 2016), accessed December 31, 2020, <https://www.usip.org/sites/default/files/SR398-Responding-to-Corruption-and-the-Kabul-Bank-Collapse.pdf>.

⁷² “MUDA Breaks Ground on Smart City Township in Kabul” last modified November 3, 2015, accessed March 4, 2020, <https://www.afghanistantimes.af/muda-breaks-ground-on-smart-city-township-in-kabul/>

⁷³ "The Afghan Government And The ‘Smart City’ Debacle: Who Out-Smarted Whom? - Afghanistan Analysts Network - English", *Afghanistan Analysts Network - English*, last modified 2015, accessed December 31, 2020, <https://www.afghanistan-analysts.org/en/reports/economy-development-environment/the-afghan-government-and-the-smart-city-debacle-who-out-smarted-whom/>.

⁷⁴ Khwaja Fitri, "\$7M Bribe Paid For Ferozi Release From Jail, Allege Mps", *Pajhwok*, last modified 2015, accessed December 31, 2020, <https://pajhwok.com/en/2015/11/11/7m-bribe-paid-ferozi-release-jail-allege-mps>.

⁷⁵ "The Afghan Government And The ‘Smart City’ Debacle: Who Out-Smarted Whom? - Afghanistan Analysts Network - English", *Afghanistan Analysts Network - English*, last modified 2015, accessed December 31, 2020, <https://www.afghanistan-analysts.org/en/reports/economy-development-environment/the-afghan-government-and-the-smart-city-debacle-who-out-smarted-whom/>.

⁷⁶ Ibid

⁷⁷ “President Cancels Smart City Agreement, Sacks Advisor” *Tolonews*, last modified February 16, 2016, accessed March 4, 2021, <https://tolonews.com/node/12868>

Presidential Commutation

Although the president of Afghanistan can pardon a criminal, Article 350 of the Afghanistan Criminal Code states that prison convictions for administrative corruption are “exempted” from the president’s pardon authority⁷⁸. Notwithstanding, in August 2019, a presidential decree signed by President Ghani ordered Ferozi “released” from prison, stating that he would finish his sentence at home. The decree stated that a task force “found Mr. Ferozi’s health condition unstable” and if he died in custody, the Afghan government “would face serious criticism” from human rights organizations⁷⁹. The task force, headed by “Rashid Tutakheel,” examined Ferozi’s health as well as his “financial obligations.” They then presented their findings to President Ghani who “considered the results,” and issued an order for Ferozi’s “release,” recalling that he was only serving his sentence at night.

Ferozi’s release was not well received within the international community. U.S. Ambassador Bass, for example, said in a Twitter post “*Disturbed by reports the #Afghan government requested early release for Kabul Bank fraud perpetrator Khalil Firozy before conclusion of his sentence. Countless Afghans suffered in the past decade because international assistance funds were stolen for personal gain*”⁸⁰.

At this time, President Ghani reportedly needed money. The Afghan presidential election was just six weeks away and the candidates were spending heavily. Therefore, it wasn’t too long after Ferozi’s release that whispers were heard of a significant bribe⁸¹. Those whispers drew the attention of Mr. Rahmatullah Nabil, former Director of Afghanistan’s National Directorate of Security (NDS) and a presidential candidate himself. According to Nabil, a “credible source” told him that Ferozi made a \$30 million donation to the Ghani re-election campaign in exchange for his release⁸². Mr. Nabil then publicly accused Ghani of accepting Ferozi’s bribe. President Ghani’s spokesman, Siddiq Siddiqi passionately denied the release was in exchange for money, stating “Mr. Nabil’s claim [that] the release of Mr. Khalilullah Ferozi [was] in exchange for money, is completely baseless and is a demagogic, campaign move”⁸³. Later, however, in a personal interview with UNISHKA, the attorney for Kabul Bank Receivership confirmed that Ferozi did, in fact, make a \$30 million donation to Ghani’s re-election campaign before his release⁸⁴.

⁷⁸ The Afghan Government And The ‘Smart City’ Debacle: Who Out-Smarted Whom? - Afghanistan Analysts Network - English", *Afghanistan Analysts Network - English*, last modified 2015, accessed December 31, 2020, <https://www.afghanistan-analysts.org/en/reports/economy-development-environment/the-afghan-government-and-the-smart-city-debacle-who-out-smarted-whom/>.

⁷⁹ "Ghani Orders Release Of Ex-CEO Of Kabul Bank", *Tolonews*, last modified 2019, accessed December 31, 2020, <https://tolonews.com/afghanistan/ghani-orders-release-ex-ceo-kabul-bank>.

⁸⁰ "U.S. Ambassador reacts to release of ex-Kabul Bank CEO Khalilullah Ferozi", The Khaama Press News Agency, last modified August 15, 2019, accessed March 4, 2020 <https://www.khaama.com/u-s-ambassador-reacts-to-release-of-ex-kabul-bank-ceo-khalilullah-ferozi-03671/>. [The Twitter link now gives the name of the person tweeting as chargé d’affaires Ross Wilson, but it was John Bass who issued the statement in August 2019. See also: <https://www.rferl.org/a/us-envoy-afghanistan-corruption-ghani/30111854.html>]

⁸¹ “Ferozi of Kabul Bank Freed in Exchange for Money” TKG Radio, last modified August 15, 2019, accessed March 4, 2020, <http://tkg.af/english/2019/08/15/ferozi-kabul-bank-freed-money-nabil/>

⁸² "Nabil Accuses President Ghani Of Releasing Ex-Kabul Bank CEO Against \$30M Election Funds Commitment", *The Khaama Press News Agency*, last modified 2019, accessed December 31, 2020, <https://www.khaama.com/nabil-accuses-president-ghani-of-releasing-ex-kabul-bank-ceo-against-30m-election-funds-commitment-03629/>.

⁸³ Shakila Ibrahimkhel, "خليل الله فروزی در بدل پول از زندان رها شده است یا به دلیل بیماری؟", *DW* | 15.08.2019", *DW.COM*, last modified 2019, accessed December 31, 2020, <https://www.dw.com/fa-af/خليل-الله-فروزی-در-بدل-پول-از-زندان-ر-ها-شده-است-یا-به-دلیل-بیماری/a-50039327>. (2)

⁸⁴ (Senior Legal Advisor to the Kabul Bank Receivership (KBR), 2020)

While on house arrest, Ferozi was “guarded” by NDS officers who were “reporting his condition” to the Attorney General’s office⁸⁵. In August 2020, however, Ferozi uploaded several videos to TikTok that clearly demonstrated that it was Ferozi who oversaw his “house arrest” and not his NDS guards. In one video, for example, Ferozi is enjoying a luncheon in his large, landscaped garden, his kids playing football in the grass, while a musical quartet entertains his guests. There was no sign of the guards. A few days later, Ferozi posted another video, again of him in his garden. This time, Ferozi was smoking shisha while two NDS soldiers prepared his hookah and waited on him (Annex E).

According to the New York Times, during his early “house arrest,” Ferozi enjoyed “meals at high-end restaurants and gambling with friends”⁸⁶. Guardian journalist Jon Boone discovered much the same thing when he met Ferozi, noting Ferozi’s “diamond-studded watch” when Ferozi ordered food at “the shisha bar atop one of Kabul’s most exclusive hotels”. Boone also noted Ferozi’s “full-length fur coat”⁸⁷.

Responding to criticism that President Ghani had released a “flight risk,” the government countered that Ferozi could not leave the country because his passport had been revoked.⁸⁸ On 28 November 2020, however, Ferozi posted a video showing he and his son eating dinner at the 5-star Atlantis Hotel in Dubai. Two weeks later, on 12 December 2020, Ferozi posted another video with his son, this time enjoying dinner at Nusr-Et Steakhouse in Jumeirah, Dubai; a well-known, expensive, five-star restaurant⁸⁹. Finally, on 26 December 2020, Ferozi posted a video with his children celebrating Christmas at their mansion in Jumeirah (Annex F). Clearly, Ferozi must have been in possession of a valid passport to support his international travel, possibly Russian (see Appendix H).

⁸⁵ 'خليل الله فيروزی از بنيانگذاران کابل بانک به دستور غنی از زندان به خانه منتقل شد' - BBC News فارسی, *BBC News*, last modified 2019, accessed December 31, 2020, <https://www.bbc.com/persian/afghanistan-49348812>. (2)

⁸⁶ Emma Graham-Harrison, "Kabul Bank Scandal: Hamid Karzai Sets Up Special Tribunal", *The Guardian*, last modified 2012, accessed January 1, 2021, <https://www.theguardian.com/world/2012/apr/04/kabul-bank-hamid-karzai-special-tribunal>.

⁸⁷ Jon Boone, "The Financial Scandal That Broke Afghanistan's Kabul Bank", *The Guardian*, last modified 2011, accessed December 31, 2020, <https://www.theguardian.com/world/2011/jun/16/kabul-bank-afghanistan-financial-scandal>.

⁸⁸ Dexter Filkins, "The Afghan Bank Heist", *The New Yorker*, last modified 2011, accessed December 31, 2020, <https://www.newyorker.com/magazine/2011/02/14/the-afghan-bank-heist>.

⁸⁹ <https://www.nusr-et.com.tr/en/home.aspx#home>.

Sextortion

In February 2010, the Washington Post, reported that Kabul Bank had purchased several luxury homes in Dubai⁹⁰. “It was in these houses that Afghan MPs were entertained with drink and “Russian girls”, according to one Afghan intelligence official, who says the bank deliberately sought to compromise the politically powerful”⁹¹. Using sex as currency to bribe and blackmail the political elite in Afghanistan, is a *modus operandi* Ferozi learned from the Russians⁹². Ferozi once told a senior member of Karzai’s government “none of the ministers have the guts to speak against us. They are ours”⁹³. Ferozi’s exploitation of women was not something thrust upon him, but something he personally developed. For example, a 2009 family court case against Ferozi in the Central District court of Kabul, described in graphic detail his sexual exploitation of seven (7) young Muslim women⁹⁴. Additionally, in December 2020, a Kabul Bank Forensic Investigator witnessed Ferozi, Mahmood Karzai, and Razaq Ahmadzai⁹⁵ at the home of Abdul Ghafar Dawi drinking whiskey and sexually exploiting Afghan girls whom they had economically coerced into prostitution⁹⁶. There is credible information that Ferozi engaged in pandering, trafficking of women, forced prostitution, and generally using sex as currency. For purposes of 3 C.F.R. 7750, we assume that providing sex to public officials in exchange for favorable decisions falls under the definition of “other benefits.”

Fraud and Forgery⁹⁷

For his part in the Kabul Bank fraud, Ferozi was personally ordered to pay \$137 million to the central government⁹⁸. In 2014, he paid \$14 million (See Annex G). During an interview in August 2020, Ferozi stated he had given back a total of “\$17 million” as well as “properties worth millions;”⁹⁹ however, in a personal interview with UNISHKA, the attorney for Kabul Bank Receivership confirmed that Ferozi has made no additional payments since the \$14 million dollar payment in 2014¹⁰⁰. Ferozi did attempt to transfer “properties worth millions” to KBR; however, when KBR advertised the properties for sale, other owners stepped forward. After comparing

⁹⁰ Andrew Higgins, "In Afghanistan, Signs Of Crony Capitalism", *The Washington Post*, last modified 2010, accessed February 23, 2021, <https://www.washingtonpost.com/wp-dyn/content/article/2010/02/21/AR2010022104317.html>. and "Corruption Allegations Surround Kabul Bank", *Npr.Org*, last modified 2010, accessed February 22, 2021, <https://www.npr.org/templates/story/story.php?storyId=129584553>.

⁹¹ Alim Remtulla, "Afghanistan's Top Banker Legs It", *Forbes*, last modified 2011, accessed February 24, 2021, <https://www.forbes.com/sites/alimremtulla/2011/06/28/afghanistans-top-banker-runs-for-his-life/?sh=7554bed76e5d>.

⁹² Alim Remtulla, "Afghanistan's Top Banker Legs It", *Forbes*, last modified 2011, accessed February 24, 2021, <https://www.forbes.com/sites/alimremtulla/2011/06/28/afghanistans-top-banker-runs-for-his-life/?sh=7554bed76e5d>.

⁹³ Ibid

⁹⁴ Primary Court for Family Issues (Domestic Violence), Central District of Kabul

⁹⁵ In December 2019, Razaq Ahmadzai was accused of welfare fraud for collecting pension benefits for his “long-deceased” mother in Sweden. He also has a Swedish identification card with a different name and DOB (see: <https://www.rt.com/news/476632-sweden-afghanistan-benefit-fraud-politician/>)

⁹⁶ Personal interview with KBR Senior Management

⁹⁷ “Forgery dispute delays Kabul bank loan recovery,” *Afghanistan Times* July 05, 2020, <http://afghanistantimes.af/wp-content/uploads/2020/07/AT-jul-5-2020.pdf>

⁹⁸ Mujib Mashal, "Afghan Businessman Convicted In Kabul Bank Fraud Is Still Free To Make Money (Published 2015)", *Nytimes.Com*, last modified 2015, accessed December 31, 2020, <https://www.nytimes.com/2015/11/05/world/asia/afghan-businessman-convicted-in-kabul-bank-fraud-is-still-free-to-make-money.html>.

⁹⁹ Zahra Rahimi, "Ex-Kabul Bank CEO Criticizes Govt's Handling Of Funds Recovery", *Tolonews*, last modified 2020, accessed December 31, 2020, <https://tolonews.com/afghanistan/ex-kabul-bank-ceo-criticizes-govts-handling-funds-recovery>.

¹⁰⁰ (Senior Legal Advisor to the Kabul Bank Receivership (KBR), 2020)

property registration numbers and municipal Cadastral records, KBR was able to determine the real owner of the properties. KBR investigators discovered Ferozi had no ownership rights in the properties he wanted to convey. The documents Ferozi presented to KBR were fraudulent and/or forgeries¹⁰¹.

Russian Connection

Like Sherkhan Farnood, Khalilullah Ferozi is a dual Russian citizen (see Annex H). Allegedly, Ferozi is also a Russian agent or asset. Both men have a history of involvement in Russian organized crime as well as Russian intelligence. Ferozi spent many years in Russia, including training at the police academy in Ufa (Bashkortostan)¹⁰². Notwithstanding, in his Russian business interests, Ferozi was involved in money laundering and counterfeiting on a massive scale. In the late 1990s, working for the legendary anti-Taliban commander Ahmed Shah Massoud, he sold emeralds mined in the Panjshir Valley and used the proceeds to pay a Russian company to print Afghan currency. Simultaneously, Ferozi helped to print currency for the Taliban. As a result, Commander Masood order Ferozi's arrest pending a likely execution. Before Ferozi could be taken into custody, however, Massoud was killed by Al Qaeda assassins¹⁰³. Ferozi denied the story and escaped the predicament unscathed.

Note:

Additional documents indicate that Ferozi is a shareholder in at least three other companies indebted to Kabul Bank: 1) Zakhira, 2) Cooperative Hewadwal, and 3) Gulbhar Tower. These companies owe Kabul Bank \$22.8 million, \$15.5 million, and \$16.8 million, respectively.¹⁰⁴ Along with his share in Gas Group, Ferozi's total liability to Kabul Bank exceeds 182.4 million¹⁰⁵. This amount includes an estimated \$9.4 million that he admitted to forensic auditors he had paid to "politically exposed persons"¹⁰⁶.

Impunity

Despite international arrest warrants, criminal convictions, and millions in liability, the perpetrators of the Kabul Bank collapse have enjoyed legal impunity.¹⁰⁷ Although the Afghan government voices anti-corruption rhetoric, the fact remains that Ferozi is currently living a very luxury life between his mansions in Dubai and his homes in Afghanistan.

¹⁰¹ "Forgery dispute delays Kabul bank loan recovery," *Afghanistan Times* July 05, 2020, <http://afghanistantimes.af/wp-content/uploads/2020/07/AT-jul-5-2020.pdf>

¹⁰² *Behind The Afghan Banking Crisis*, last modified 2020, accessed March 4, 2021, <https://middle-east-online.com/en/behind-afghan-banking-crisis>. and "Fraud – Page 2 – Economic Crime Intelligence", *Economic Crime Intelligence*, accessed March 4, 2021, <https://economiccrimeintelligence.wordpress.com/tag/fraud/page/2/>.

¹⁰³ Masood was killed on September 9, 2001.

¹⁰⁴ Abdul Qadeer Fitrat, *The Tragedy Of Kabul Bank* (New York: Page Publishing Inc, 2018). P. 220 - 221

¹⁰⁵ *Ibid.*

¹⁰⁶ *Ibid.*

¹⁰⁷ "Afghan police ignored Interpol arrest warrant for Kabul Bank founder", *The Guardian*, last modified November 28, 2012, accessed March 4, 2021, <https://www.theguardian.com/world/2012/nov/28/afghanistan-banking>

“It sends a very negative political signal to the Afghan people and the world: that anyone can loot, but if they invest in Afghanistan, no one will question the legitimacy of the investment,” said Yama Torabi, a member of the anticorruption committee [MEC]. “It perpetuates the culture of impunity”¹⁰⁸.

Other members of the Kabul Bank swindle have not only eluded arrest: Mahmoud Karzai, for example, was subsequently appointed as Minister of Urban Development and Land. According to Deborah Lyons, the UN Secretary-General’s Special Representative for Afghanistan, “impunity of well-connected political figures remains a major obstacle to fighting corruption in Afghanistan”¹⁰⁹.

Conclusion

This report and its analysis demonstrate with ‘*credible information*’ that Khalilullah Ferozi, the former CEO of Kabul Bank, provided or offered to provide an *article of monetary value or other benefit to a public official in exchange for any act or omission in the performance of such official's public functions*; and such act *has or had serious adverse effects on the national interests of the United States*. There is also credible information that Khalilullah Ferozi actively participated in bribing public officials, interfered in the electoral process, interfered in the judicial process and provided illegal campaign contributions and illegal gifts to elected officials. Additionally, there is credible information that Khalilullah Ferozi conspired to and did engage in embezzlement, collusion, sextortion and graft. Ferozi was tried and convicted of bribery, embezzlement, money laundering and forgery. Sources contained in this report indicate a clear and direct link to corruption validated by well-known, reliable sources (A5 designation from Annex B).

DATED THIS 8TH DAY OF MARCH OF 2021



Jeffrey Coonjohn
President
UNISHKA Research Service, Inc.

¹⁰⁸ “Afghan Businessman Convicted in Kabul Bank Fraud Is Still Free to Make Money”, *The New York Times*, last modified November 4, 2015, accessed March 4, 2020.

¹⁰⁹ “SIGAR Criticizes Impunity of Corrupt Afghan Govt Officials”, *Tolonews*, last modified June 20, 2020, accessed March 5, 2021, <https://tolonews.com/afghanistan/sigar-criticizes-impunity-corrupt-afghan-govt-officials>

Source Credibility

1. Afghan Analysts Network is an independent non-profit policy research and analysis organization. It has a core team based in Kabul, Afghanistan. A6
2. Afghan-Bios is a biographical database of Politically Exposed Persons (PEPs) in Afghanistan. It is a private, non-profit database compiled from international media, web research, and author's personal contacts with people in Afghanistan. A6
3. Afghanistan Times is an independent English newspaper published in Kabul, Afghanistan. The newspaper focuses on local issues of political, social and cultural significance. It is available in both print and online formats. A5.
4. Apple Inc. is an American multinational technology company headquartered in Cupertino, California. A6.
5. Audi is a German automobile manufacturer that designs, engineers, produces, markets, and distributes luxury vehicles. A6.
6. Bloomingdale's Inc. is an American luxury department store chain based in New York, New York. A6.
7. The British Broadcasting Channel (BBC) is a public service broadcaster headquartered in London. It is the world's leading public service broadcaster. A6.
8. Burberry is a British luxury fashion house headquartered in London, England. A6.
9. Deutsche Welle (DW) is a German public-state international broadcaster. The service is available in 30 languages. A6. (Translation Level 3: Google Translate)
10. Economic Crime Intelligence is a blog detailing select economic news and crimes and related topics. A5.
11. Financial Times is a British daily newspaper focused on business and economic current affairs. A5.
12. Forbes is an American business magazine owned by Integrated Whale Media Investments. A6.
13. ForexTraders.com is a website dedicated to learning about trading and cryptocurrencies as well as well multiple broker reviews. A6.
14. The Guardian is a British news and media website owned by Guardian Media Group. It began in 1821 and was named "newspaper of the year" four times at the annual British Press Awards. A6.
15. Hindustan Times is an Indian-English daily newspaper introduced by Mahatma Gandhi in 1924. A6.
16. The Huffington Post is an American news aggregator and blog, with localized and international editions. A6.
17. Jaguar is the luxury vehicle brand of Jaguar Land Rover, a British multinational car manufacturer. A6.

18. Khaama Press News Agency is the largest online news service in Afghanistan, based in Kabul and founded in 2010. A5.
19. Land Rover is a British brand owned by multinational car manufacturer Jaguar Land Rover. A6.
20. Melijoe is an e-commerce website operated by BEBEO. BEBEO is a privately-held company that operates in the apparel, footwear, and accessories industries. A6.
21. The Miami Herald is an American daily newspaper based in Doral, Florida. It is the fifth-largest newspaper in the U.S. and has won 22 Pulitzer Prizes. A6.
22. Middle East Press is an Afghanistan-based news website publishing in Arabic, Dari, English, and Russian. B5.
23. Middle East Online is a international news organization based in London, England. A5.
24. National Public Radio (NPR) is an American privately and publicly funded non-profit media organization based in Washington D.C. A6.
25. Nusret Steak House is high-end international steakhouse chain based in Turkey. A6.
26. The New York Times is an American daily newspaper based in New York City. It is regarded as a “national newspaper of record”, amassing over 130 Pulitzer Prizes. A6.
27. The New Yorker is an American weekly magazine featuring journalism, commentary, essays, satire, and poetry. It is published 47 times a year and started in 1925. A6.
28. Outlook Afghanistan is an internet-based news service branched from the Afghanistan Group of Newspapers. Afghanistan Group of Newspapers is a group of print media in Afghanistan based in Kabul and founded in 2004. It publishes in English, Dari, and Pashto. A6.
29. Pajhwok Afghan News is Afghanistan’s largest independent news agency. Pajhwok delivers an average daily output of three dozen stories in English, Pashto and Dari. A6.
30. Poshmark is a social commerce marketplace where people in the United States can buy and sell clothing. It is based out of Redwood City, California. A6.
31. PRI the World is a U.S. public radio news magazine with an emphasis on international news. A6.
32. Radio Free Europe/Radio Liberty is a private, non-profit, international multimedia broadcasting corporation funded by a grant from the U.S. Congress. A6.
33. Reuters is an international news organization owned by Thomson Reuters. It was established in 1851 and is one of the largest news agencies in the world. A6.
34. Russian Times is a state-controlled international television network funded by the Russian government. B4.
35. SAM.gov is the official U.S. Government system that consolidated the capabilities of CCR/FedReg, ORCA, and EPLS. A6.
36. Special Inspector General for Afghanistan Reconstruction (SIGAR) is the U.S. Government’s leading oversight authority on Afghanistan reconstruction. A6.

37. The Kilid Group (TKG) is a multi-media public information group and distribution company launched by Afghan-based Development Humanitarian Services for Afghanistan (DHSA). A6.
38. TOLONews is Afghanistan's first 24/7 news channel, owned by MOBY Group. Broadcasts are in Dari and Pashto and is available in English via the internet. A6.
39. The Tragedy of Kabul Bank – A first-hand account of the Kabul Bank crash detailed by then Governor of the Central Bank of Afghanistan, Abdul Qadeer Fitrat. A6.
40. Under Armour Inc. is an American sports equipment company that manufactures footwear, sports, and casual apparel. A6.
41. USIP – United States Institute of Peace was established by Congress in 1984 as an independent institution devoted to the nonviolent prevention and mitigation of deadly conflict abroad. A6.
42. The Washington Post is an American daily newspaper published in Washington D.C. It is the most-widely circulated newspaper within the Washington metropolitan area. A6.

Translation Verification

The English translations appended to this report accurate and reliable translations of the foreign language citations referenced in the footnotes. UNISHKA uses three primary forms of translation: 1) (High Quality) local national colleagues who are native speakers or translations from opensource.gov; 2) (Medium Quality) computer translations such as LEXIS/NEXIS; EBSCO, or freeware such as <https://www.onlinedoctranslator.com/en/>; and finally, 3) (Low Quality) Google Translate or unidentifiable translations.

Annex A – Standard of Proof

STANDARD OF PROOF: Under Section 3 of the Presidential Proclamation, the Secretary of State or the Secretary's designee shall identify persons subject to 3 C.F.R. 7750 at his or her sole discretion. Specifically, the regulation states:

“Persons covered by [...] this proclamation shall be identified by the Secretary of State or the Secretary's designee, in his or her sole discretion, pursuant to such standards and procedures as the Secretary may establish.”

Such standards and procedures are generally identified in 9 FAM 302.14; however, neither the Foreign Affairs Manual nor 3 C.F.R. 7750 establish the degree of evidence necessary to determine ineligibility (i.e. standard of proof). Therefore, for purposes of this report, the standard adopted, is the same as required for Public Law 115-141, that is: is there *credible information* that the individual identified in this report offered to provide an article or monetary value or other benefit to a public official, in exchange for an act or omission in the performance of the official's public function and that such act or omission has or had a serious adverse effect on the national interest of the United States. Public Law 115-141 does not specifically define *credible information*; however, at 32 C.F.R. 105.3, *credible information* is defined as “*Information that, considering the source and nature of the information and the totality of the circumstances, is sufficiently believable to presume that the fact or facts in question are true.*” While this is not dispositive for Public Law 115-141, it does provide some guidance. A common standard of proof used in some criminal law proceedings is the *credible evidence* standard. According to Justia, *credible evidence* is “*evidence that is not necessarily true but that is worthy of belief and worthy of the jury's consideration.*” For purposes of this report, we have adopted the following standard: “**Credible Information**” is **information that is worthy of belief, considering the source and nature of the information, and/or considering the totality of the circumstances.**” This standard is not imputed to The Bureau of International Narcotics and Law Enforcement Affairs (INL) or the U.S. Department of State but is used solely for purposes of this report.

Serious Adverse Effects on the National Interests of the United States


At 3 C.F.R. 7750, Section 4, "serious adverse effects on the national interests of the United States" is defined to mean serious adverse effects on the international economic activity of U.S. businesses, U.S. foreign assistance goals, the security of the United States against transnational crime and terrorism, or the stability of democratic institutions and nations.


Annex B: Nexus to Corruption Matrix

UNISHKA		Nexus to Corruption Matrix	
Level of Corruption		Qualification	
5 - Clear Direct Link		Clear public knowledge of alleged corruption Direct link to act of corruption Arrest or indictment International acknowledgement of act	
4 - Direct Link		Direct link to act of corruption Known active investigation into target or close associates Public knowledge growing	
3 - Indirect Link		People within target network investigated or charged Indirect public knowledge	
2 - Unclear Direct Link		Secondary link to target Limited public knowledge Unsupported allegations No legal action	
1 - No Link Found		Limited information No supporting evidence of corruption	

UNISHKA		Terms of Reference	
Clear public knowledge Direct Link International recognition Arrest or indictment		Nationally, citizens protest or oppose target for corruption Multiple first hand accounts NGO's or other international organizations publicly condemn corrupt act Target is indicted or arrested	
Direct Link Known active investigation into target or close associates Public knowledge growing		Multiple first hand accounts Journalistic, legal, or organizational investigation into target More local reports of public condemning target or act	
People within target network investigated or charged Indirect public knowledge		Associates, friends, and family members investigated for corruption Public awareness of corrupt act	
Secondary link to target Limited public knowledge Unsupported allegations No legal action		Secondary links, old partners, or second hand associates linked Small portion of public many contain knowledge of target's corruption Single source bias, or rumors of act Not enough evidence to begin legal investigation	
Limited information No supporting evidence of corruption		Single source of information No evidence backs corruption claims	

Annex B: Source Credibility Matrix

 UNISHKA		Source Credibility Matrix
Source	Source Qualifications	
A	Well known / reliable	
B	Known / limited reliability	
C	Limited knowledge / limited reliability	
D	Unknown knowledge / credible	
E	Unknown knowledge / not credible	
F	Unknown / unknown	

 UNISHKA		Information Qualifications
Information	Information Qualifications	
6	Reliable information and factually proven	
5	Reliable / supporting information	
4	Less reliable / single source reporting	
3	Less reliable / half of the information seems correct	
2	Contradictory information	
1	Unknown / unknown	

Annex C: Special Designation - OFAC

Current Record Details	
Identification Information:	
Organization Name:	Haji Khalil Fruzi
Exclusion Details:	
Exclusion Program:	Reciprocal
Classification Type:	Special Entity Designation
<u>Exclusion Type:</u>	Prohibition/Restriction
Nature (Cause):	
May be subject to sanctions pursuant to the conditions imposed by the U.S. Department of the Treasury (Treasury) Office of Foreign Assets Control (OFAC), or subject to a sanction, restriction or partial denial pursuant to the conditions imposed by the U.S. Department of State (STATE) or Federal agency of the U.S. Government.	
Effect:	
If you think you have a potential match with an OFAC listing, please visit the following section of OFAC's website for guidance: http://www.treasury.gov/resource-center/faqs/Sanctions/Pages/directions.aspx . For all other prohibitions and restrictions, see the agency note in the Additional Comments field to ascertain the extent or limit on the sanction, restriction or partial denial. If there is no note, contact the agency taking the action for this information.	
<u>CT Code:</u>	
Active Date:	07/24/2012
Termination Date:	Indefinite
Excluding Agency :	DEPT OF DEFENSE
Status :	Active
Create Date :	05/28/2014
Update Date :	05/28/2014
Additional Comments:	Awards to this entity are restricted under Section 841 of the National Defense Authorization Act (NDAA) for FY2012/Section 831 of the NDAA for FY2014, Prohibition on Contracting with the Enemy. For more information, please contact OUSD AT&L POC at 571-256-2947, osd.pentagon.ousd-atl.mbx.contingency-contracting@mail.mil .
Primary Address:	
Street Address 1:	
Street Address 2:	
City:	
State/Province:	
ZIP/Postal Code:	
Country:	AFGHANISTAN

Annex D: Pictures of Ferozi's Emerald Collection Posted to Social Media

(Videos can be viewed at <https://tinyurl.com/Ferozi>)
(posted by Ferozi on TikTok on 9 August 2020)
Photo 1



Annex E: Social Media Posted by Ferozi in Kabul

(Videos can be viewed at <https://tinyurl.com/Ferozi>)

Photo 1

(posted by Ferozi on TikTok on 17 December 2020)



Photo 2



Photo 3



Annex F: Social Media Posted by Ferozi in Dubai

Ferozi and his children at House #1, Frond O on Palm Island, Jumeirah, UAE. A huge five-bedroom “Riviera”- style mansion. In this picture Ferozi is wearing an Under Armour tracksuit valued at \$110.¹¹⁰ His children are wearing Burberry shirts as well as pea coats. A shirt with a similar design is valued at \$170 - \$180.¹¹¹ A similar-looking pea coat is valued at \$281.¹¹²



(posted by Ferozi on TikTok on 26 December 2020)

¹¹⁰ "Men's UA Tech™ Terry Full Zip", *Under Armour*, last modified 2020, accessed December 31, 2020, <https://www.underarmour.com/en-us/p/tops/mens-ua-tech-terry-full-zip/1350937.html?start=0&breadCrumbLast=Hoodies%20%26%20Sweatshirts>. "Men's UA Rival Fleece Joggers", *Under Armour. Com*, last modified 2020, accessed December 31, 2020, <https://www.underarmour.com/en-us/p/bottoms/mens-ua-rival-fleece-joggers/1357128.html?start=12&breadCrumbLast=Joggers%20%26%20Sweatpants>.

¹¹¹ "Boys' Fredrick Vintage Check Shirt", *Bloomingdale's*, last modified 2020, accessed December 31, 2020, <https://www.bloomingdales.com/shop/product/burberry-boys-fredrick-vintage-check-shirt-little-kid-big-kid?ID=3662528>. "Vintage Burberry Classic Stripe Turtleneck T-Shirt", *Poshmark*, last modified 2020, accessed December 31, 2020, <https://poshmark.com/listing/Vintage-Burberry-Classic-Stripe-Turtleneck-TShirt-5b400e732beb790a26e1a108>.

¹¹² "BOSS - Wool Blend Pea Coat", *Melijoe*, last modified 2020, accessed December 31, 2020, https://www.melijoe.com/en/product/71002/wool-blend-pea-coat?country_override=US&gclid=Cj0KCQiAoab_BRCxARIsANMx4S6fD7IRbbYR31DKx2drEa272BgidK1fTrSkcOZXvIbvlni20eOf-GMaArQsEALw_wcB.

Photo 2

Ferozi's children at House #1, Frond O on Palm Island, Jumeirah, UAE. A huge five-bedroom "Riviera"- style mansion (posted by Ferozi on TikTok on 26 December 2020).



Photo 3

Ferozi and his son at the 5-Star Atlantis Hotel, Dubai, UAE (posted by Ferozi on TikTok on 28 November 2020)



Photo 4

(posted by Ferozi on TikTok on 10 December 2020)



Photo 5

(posted by Ferozi on TikTok on 16 December 2020)



Annex G: Liabilities and Recoveries for Debtors to Kabul Bank (USD)

LIABILITY AND RECOVERIES FOR MAIN KABUL BANK DEBTORS AS ASSESSED BY KABUL BANK RECEIVERSHIP			
DEBTOR	ASSESSED LIABILITY	RECOVERED	OUTSTANDING LIABILITY *
Sherkhan Farnood	\$308,334,303.30	\$67,006,132.99	\$241,328,170.31
Gas Group	\$121,232,314	\$48,697,145.20 (discount) \$245,461.12 (paid)	\$72,289,707.68
Pamir Airways	\$101,120,716.75	\$662,053.77 (cash)	\$100,458,662.98
Khalil Ferozi	\$86,781,787.72	\$15,236,602.38	\$71,545,185.34
Abdul Hussain Fahim	\$40,764,015.65	\$18,874,447.08 (paid) \$17,481,109.92 (discount)	\$4,403,458.65
Gulbahar Habibi	\$39,760,110.59	\$7,143,299 (paid) \$8,210,262.11 (discount) \$6,858,827.73 (other beneficiaries)	\$17,547,721.75
Abdul Ghafar Dawi	\$37,765,609.57	\$498,003.09 (paid)	\$37,267,606.48
Zakhira Hairatan	\$22,958,643	\$15,000,000 (paid)	\$7,958,643
Mahmood Karzai	\$22,193,500.55	\$7,390,446.78 (Dubai property sold) \$4,735,370.24 (paid) \$1,303,147.20 (discount)	\$8,764,536.33
Kabul Neft Co.	\$21,459,199.43	Nil	\$21,459,199.43
Gulbahar Towers	\$16,832,217	\$5,000,000	\$11,832,217
Mohammad Tahir Zahir	\$16,273,043.21	\$1,349,382.97 (discount) \$1,490,000.00 (paid) \$135,000 (liquidated)	\$13,298,660.24
Corporative Headwall	\$15,167,861.65	\$11,351,222.88 (paid) \$3,816,638.77 (discount)	Nil
Sofi Nesar Ahmad	\$14,082,996.48	\$204,894 (liquidated)	\$13,878,102.48
Ghullam Dawood Naseeb	\$8,593,328.96	\$3,053,828.98 (paid) \$1,920,550.96 (discount)	\$3,618,949.02
Shukrullah Shukran	\$3,080,938.07	\$549,775 (discounted)	\$2,531,163.07
Hayutullah Kokcha	\$1,799,713.00	Nil	\$1,799,713.00
Ariana Steel	\$1,529,059	\$874,641.31 (paid) \$144,731.36 (discount)	\$509,686.33

Annex I: Ferozi's Social Media Posts Flaunting his Wealth and his Legal Impunity

Photo 1

Ferozi's personal vehicles, which he showed off in his online postings, included a Mercedes Benz S-Class W221 valued at \$70,000¹¹³ (below) as well as a Jaguar XF valued at \$43,995 (not pictured). (Videos can be viewed at <https://tinyurl.com/Ferozi>)



¹¹³ (Covington, 2020)

Photo 2

Ferozi's personal vehicles, which he showed off in his online postings, included an Audi Q8 valued at \$65,800¹¹⁴ (posted by Ferozi on TikTok 8 August 2020)



¹¹⁴ "2021 Audi Q8 | Luxury SUV | Audi USA", *AudiUSA.Com*, last modified 2020, accessed December 31, 2020, <https://www.audiusa.com/us/web/en/models/q8/q8/2021/overview.html#>.

Photo 3

Ferozi's personal vehicles, which he showed off in his online postings, included a Range Rover Sport valued at \$65,500¹¹⁵ (posted by Ferozi on TikTok on 9 August 2020)



¹¹⁵ "2021 Range Rover Sport - Luxury SUV | Land Rover USA", *Landroverusa.Com*, last modified 2020, accessed December 31, 2020, <https://www.landroverusa.com/vehicles/range-rover-sport/index.html>.