

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

JAMES OWENS, et al,

Plaintiffs,

v.

TALIBAN a/k/a/ ISLAMIC EMIRATE OF
AFGHANISTAN,

Defendant.

Civil Action No. 22-cv-01949-VEC

EXPERT DECLARATION OF MICHAEL TEMPLETON

I. Introduction and Qualifications

1. My name is Michael Templeton. I am submitting this declaration in my capacity as an expert consultant to the Plaintiffs in *Owens v. Taliban*, Case No. 22-cv-01949 (S.D.N.Y.). The facts and opinions stated in this report are based on my research, expertise, and personal experience and observations, including, in particular, my service with the Drug Enforcement Administration (DEA) in Afghanistan from 2018 to 2021. If called as an expert witness in this proceeding, I could testify competently to all that follows.

2. I am a recently retired federal law enforcement officer with 30 years of experience in the field of domestic and global anti-money laundering/counterterrorism finance (AML/CTF) and drug enforcement. I began working for the DEA in 1996, and for 25 years worked in both domestic and international offices combating the illicit drug trade and the flow of money that accompanies the drug trafficking activity.

3. Before my retirement, from 2018–2021, I served in the DEA’s Afghanistan Country Office in Kabul, Afghanistan. I was the DEA’s liaison officer to U.S. Special Operations Forces in joint AML/CTF efforts. I trained, advised, and assisted a small cell of Afghan law enforcement

officials to identify, investigate, and arrest individuals involved in laundering and/or transferring money for the Taliban, ISIS-K, al Qaeda, and other narco-terrorists.

4. During my years in Afghanistan, I had access to direct evidence supporting dozens of successful operations leading to the arrests and convictions of money service providers (MSPs, also known as *hawaladars*), foreign exchange dealers (FXDs), drug producers and traffickers, and terrorists, including in particular members of the Taliban, ISIS-K, and al Qaeda. I was directly involved in the analysis of thousands of illicit telephonic conversations regarding narco-terrorism related AML/CTF, the interviewing and interrogation of defendant *hawaladars* and confidential sources of information, and the analysis of thousands of pages of *hawaladar* ledgers (both paper and electronic). I personally drafted dozens of search and arrest warrants, and assisted with and participated in enforcement actions, including in narco-terrorist controlled *hawaladar* markets.

5. In the course of my duties, I routinely liaised with U.S. Treasury Attachés and participated in U.S. Treasury-led meetings with officials of Da Afghanistan Bank (DAB) and members of the Hawaladar Union.

6. I conducted AML/CTF briefings with the U.S. Central Command, various U.S and “Five Eye” (the alliance comprising Australia, Canada, New Zealand, the United Kingdom, and the United States) intelligence agencies, and the Commander of U.S. and NATO operations in Afghanistan.

7. Prior to my tenure in Afghanistan, I also served in the DEA’s Pakistan Country Office in Islamabad, Pakistan, where I assisted the Pakistani government in efforts to stem the flow of Afghan-produced heroin and hashish through Pakistan and on to the global market via sea cargo from the Port of Karachi and via ships from the Makran Coast near the Iranian border.

8. During my tenure with the DEA, I received the DEA Administrator's Award for investigative excellence.

9. I received a Bachelor of Business Administration Degree with a major in Accounting from East Tennessee State University in 1990.

10. I am a United States citizen, residing in Jonesborough, Tennessee.

11. I have been asked to provide an expert opinion regarding the nature of the relationship between DAB and the Taliban.

12. In my opinion, the Taliban has always sought to control and direct DAB, and since late 2021, has exercised complete control over DAB. When the Taliban first controlled Afghanistan, from approximately 1996 until late 2001, the Taliban fully controlled DAB and used DAB and its funds to advance the Taliban's terroristic goals. For the following two decades, the Taliban attempted to exert control and influence on DAB through illegitimate means, such as bribery and violence. Now that the Taliban has once more seized control of Afghanistan, the Taliban once again controls DAB, and, just as it did before, uses DAB and DAB's funds to support the Taliban and finance terrorism.

II. Background and Context

A. Narco-Terrorism and the *Hawala* System in Afghanistan

13. The illicit drug trade in Afghanistan is deeply entrenched, despite decades of international efforts seeking to root it out. Afghanistan is, essentially, a narco-economy with no major legitimate exports, no port cities, and no ability to participate in the legitimate global economy. As a result, Afghanistan is resistant to pressure from the rest of the world to combat the drug trade, even if its failure to act precludes it from participating in the international financial community. If Afghanistan had more legitimate trade, it might have more interest in cooperating with the international financial community to preserve its ability to benefit from that trade. This

type of leverage often is used to persuade other countries to comply with AML/CTF efforts, even if the governing regimes are otherwise unfriendly. For instance, Pakistan agrees to implement certain AML/CTF measures, even if it does so reluctantly and avoids anything beyond the bare minimum needed to preserve some basic access to the global financial system. This type of pressure does not work in Afghanistan, which has no motivation to participate in the international financial system because of its lack of exports. I witnessed this distinction between Pakistan and Afghanistan during my tenures in both countries.

14. Although the U.S. attempted to improve this situation following the ouster of the Taliban in late 2001, the Afghan narco-economy has persisted. The structural factors behind that persistence remain the same today; with the Taliban in control of Afghanistan, the international community now has even less ability to combat the funding of terrorism through narcotics trafficking and money laundering.

15. The Afghan economy is particularly dependent on the *hawala* system and *hawala* brokers/agents known as *hawaladars*. *Hawala* is an informal exchange system; money is transferred not through the actual movement of cash, but through a network of *hawaladars* who build up credits or debits with each other. For example, one *hawaladar* will accept cash from a client in one location, and then notify a *hawaladar* in another location to pay cash to a recipient in another location. Following the transaction, the originating *hawalader* owes a debt to the delivering *hawalader*. The transactions usually cancel out over time, or can be settled later through a bank or by carrying cash or valuables across borders. There are *hawaladers* throughout the world, but the *hawala* system is particularly prevalent in certain jurisdictions in the Middle East and Southwest Asia, and the narco-economy of Afghanistan is particularly reliant on the *hawala* system as a means of evading oversight.

16. The *hawala* system can function as a legitimate means of exchange, and not all *hawaladers* are engaged in illicit activity, but it is a system that is resistant to oversight and susceptible to abuse. Certain features of the *hawala* system make it difficult to penetrate—the system is one of many dispersed, smaller operators; transferors and recipients may be effectively anonymous; participants at all levels may act out of close kinship or personal ties; and record-keeping is often minimal. As a result, it is very difficult to trace the flow of money—whether legitimate or illegitimate—through the *hawala* system. The difficulty in penetrating the *hawala* system means that the system can be used to transfer money across borders and into the hands of terrorists without detection.

17. Although the *hawala* system is particularly prevalent in certain jurisdictions, it can reach anywhere. For example, an FBI investigation revealed that the would-be “Times Square Bomber,” who attempted to detonate a car full of explosives in Times Square in May 2010, had received funding for that attack from *hawaladers* located in the United States who were carrying out transactions originating from overseas.¹

18. Again, following the ouster of the Taliban from Afghanistan in late 2001, the U.S. attempted to help Afghanistan establish regulations and controls for the *hawala* system, including through licensing regimes overseen by DAB. To become a licensed *hawalader*, an individual had to provide certain basic information, including personal identification, a physical address for the business, and a phone number. Licensed *hawaladers* had to follow certain record-keeping requirements and were subject to possible audit by DAB.² Like any regulations, however,

¹ Press Release, Fed. Bureau of Investigation, Manhattan U.S. Attorney Charges Long Island Man with Engaging in Hawala Activity That Funded Attempted Times Square Bombing (Sept. 15, 2010), <https://archives.fbi.gov/archives/newyork/press-releases/2010/nyfo091510a.htm>.

² This system was changed slightly in 2019, when DAB transitioned from issuing licenses to individual *hawaladers* to issuing licenses to *hawaladers* organized as LLCs. At that time, there were more than 3,000 individual license

licensing requirements are useless without enforcement. The Taliban's current control of Afghanistan has rolled back any progress in efforts to track the illicit uses of Afghanistan's *hawala* system that might have been made during the previous decades.

B. The Taliban Always Has Sought to Control DAB

1. The Taliban Controlled DAB Prior to 2001

19. The Taliban has been an officially designated terrorist entity, sanctioned by the United States and other jurisdictions, since at least 1999. In the mid-1990s, Taliban forces fought in the civil war taking place in Afghanistan following the withdrawal of Soviet forces. The Taliban eventually took over large portions of Afghanistan; by September 1996, the Taliban had seized control of the capital, Kabul. In addition to geographic control, the Taliban also took control of the Afghan government, and claimed to be the legitimate government of Afghanistan. The Taliban used its control over Afghanistan to provide a safe haven for Osama bin Laden and al Qaeda, allowing bin Laden and al Qaeda to use Afghanistan as a base of operation to plan and train for various terrorist attacks, including the 1998 embassy bombings in Kenya and Tanzania. From that time forward, the Taliban has provided advice, guidance, and financial support to bin Laden and al Qaeda.

20. The Taliban's control of Afghanistan lasted until late 2001, when a U.S.-led coalition took control of Kabul and ousted the Taliban from its positions of power in the Afghan government.

21. The Taliban's control of Afghanistan and the Afghan government from 1996 until the U.S. intervention in 2001 included control of key Afghan institutions, such as DAB. The

holders, and the shift was designed to reduce the number of entities DAB was attempting to oversee. Despite this shift, the information provided by each *hawalader* in an LLC license application was substantially the same as what had been required from individual licensees.

Taliban's control over DAB during this time period was such that the Taliban was able to utilize DAB to extract wealth from Afghanistan's monetary system—and then use this extracted wealth to finance terrorism. Afghanistan's formal banking system was not operational; the Taliban controlled all major branches of DAB, and DAB ceased operating like a central bank, including by ceasing to issue currency.³

22. After the Taliban captured Kabul in 1996, it “installed clerics to helm national institutions” like DAB.⁴ The first Taliban-appointed Governor of DAB “was a military chieftain who . . . spent less time in the central bank than on the battlefield, where he was killed in 1997.”⁵ The Taliban replaced Ehsan with a Taliban Mullah named Abdul Samad Sani, who also served as the Taliban's Deputy Finance Commissioner and who had spent years collecting funds from smugglers and narcotics traffickers and supplying weapons and ammunition to Taliban commanders and other terrorists. In January 2018, the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) announced that Sani had been designated as a Specially Designated Global Terrorist (SDGT) for “acting on behalf of the Taliban.”⁶ Sani was arrested in Quetta, Pakistan (near the Afghan border), with the help of the United States, and spent approximately two years in jail before being released pursuant to negotiations between the United States and the Taliban.

³ Barnett R. Rubin, *The Political Economy of War and Peace in Afghanistan*, 28 *World Development* 1789, 1797 (2000), <https://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.508.2253&rep=rep1&type=pdf>; Dan Hardie, *Is the Integrity of Afghanistan's Central Bank Under Threat?*, *Central Banking Institute* (Dec. 21, 2020), <https://www.centralbanking.com/central-banks/governance/7720661/is-the-integrity-of-afghanistans-central-bank-under-threat>.

⁴ Council on Foreign Relations, *The Taliban*, <https://www.cfr.org/taliban/#/> (last visited Apr. 28, 2022).

⁵ Hardie, *supra* note 3.

⁶ Press Release, U.S. Dep't of Treasury, *Treasury Sanctions Taliban and Haqqani Network Financiers and Facilitators* (Jan. 25, 2018), <https://home.treasury.gov/news/press-releases/sm0265>.

23. The Taliban's control of DAB allowed the Taliban to use DAB for its own ends. For instance, I understand that shortly after taking power in 1996 the Taliban used its newfound control over DAB to make a run on Afghanistan's domestic banks, looting both DAB and other banks of their cash. This is one of the reasons that, at some time after the U.S. intervention in 2001, DAB's cash reserves were moved to the United States' Federal Reserve System, as a precaution against future looting by the Taliban.

24. Additionally, I am aware that shortly before the Taliban's first regime was deposed in 2001, then-Taliban leader and *de facto* Afghanistan head of state Mullah Omar ordered DAB to disburse "[USD] 168 million from [DAB] to a number of individuals."⁷ One of those individuals was a long-time Taliban money launderer and financial operator with a history of funneling money from the Taliban to Al-Qaeda, who became known as "the Taliban's [B]ank," and who OFAC later "designated [as a terrorist financier] for providing financial support for, and or financial services to, the Taliban."⁸ During my time in Afghanistan, I led the investigation exposing the extent of the terrorist-financing activities of this individual and his sons, as described in more detail below.

25. The funds that the Taliban distributed from DAB were used, in part, to launch businesses that could be used to funnel more money to terrorists, including *hawala* businesses. These *hawala* businesses were used to serve Taliban interests, for example by transferring money directly to the Taliban, including at least one large transfer of funds made to Mullah Omar directly, and by moving money from accounts that the Taliban feared might be frozen, in order to preserve Taliban access to those funds.

⁷ Press Release, U.S. Dep't of Treasury, Treasury Imposes Sanctions on Individuals Linked to the Taliban and Haqqani Network (May 12, 2012), <https://home.treasury.gov/news/press-releases/tg1584>.

⁸ *Id.*

26. The U.S. government recognized the Taliban's control over DAB. In July 2000, OFAC added DAB to the list of sanctioned Taliban affiliates because the United States had determined DAB was "controlled by the Taliban," and that "the Taliban ha[d] an interest" in DAB.⁹

27. In sum, for several years prior to U.S. intervention in 2001, the Taliban controlled DAB through installing personnel in positions of control and directly ordering DAB to take certain actions. The Taliban used this control both to order payment directly from DAB to designated terrorists and to establish methods of transferring and laundering money through the Afghan financial system in the future.

2. From 2001 to 2021, the Taliban Used Illegitimate Means to Attempt to Influence DAB and Access Dollars

28. After the Taliban was removed from power in late 2001, the United States and others engaged in joint AML/CTF efforts with the new Afghan government. The Financial Transactions and Reports Analysis Center of Afghanistan ("FinTRACA") was established within DAB. FinTRACA worked with the U.S. DEA, U.S. Department of Treasury ("DoT"), and Afghan law enforcement to investigate and combat money laundering. FinTRACA, DEA, and DoT also worked together to register *hawaladars* and track *hawala* transactions. These joint investigations often focused on individuals affiliated with the Taliban, since the Taliban relied (and still relies) on money launderers and *hawaladars* to hide their profits from narcotics trafficking and to finance terrorism. Money launderers and *hawaladars* who were identified and arrested based on information provided by FinTRACA faced trial in a special court for financial crimes located in

⁹ Message from the President of the United States Transmitting His Periodic Report on the National Emergency with Respect to the Taliban in Afghanistan 4 (July 18, 2000), <https://www.govinfo.gov/content/pkg/CDOC-106hdoc268/pdf/CDOC-106hdoc268.pdf>.

Kabul. This court was seated in Kabul to insulate court officials from Taliban efforts to interfere in its proceedings.

29. Despite the efforts of the U.S. government and others, the Taliban and its affiliates used illegitimate means, including violence, to attempt to influence DAB and disrupt DAB investigations. For example, the former Director General of FinTRACA was targeted for assassination after he worked with American personnel to halt Taliban and Taliban-related money laundering; that assassination attempt was carried out in retaliation for FinTRACA's efforts to stymie the Taliban's money laundering and narcotics financing schemes. In April 2021, a would-be assassin shot the then-Director General multiple times, nearly killing him and causing him to be debilitated for many months. The message was clear: any attempt to thwart the Taliban's illicit financial schemes would be met with violence.

30. Where the Taliban was unable to derail DAB investigations into *hawaladars* and its money launderers through violence, it relied on intermediaries, fraud, and bribery to facilitate their financial transactions.

31. For example, one method for moving money from the drug trade is through fake real estate transactions. The Taliban would pay politically influential Afghans, especially in the Kandahar region, to generate fake documents for real estate transactions. Those documents could then be taken to a bank in order to initiate a transfer of funds out of the country. These seemingly legitimate transactions were used as a vehicle by the Taliban to move drug trafficking profits and terrorism funding abroad.

32. In areas of Afghanistan farther from Kabul, the Taliban was able to operate with more impunity. The Taliban acted as a quasi-government in these areas, levying "taxes" (*i.e.*, collecting protection money) on drug traffickers and anyone else transporting goods (both licit and

illicit). Through their shadow governance of these remote areas—beyond the effective jurisdiction of FinTRACA and Afghan law enforcement—the Taliban were able to freely collect revenue and move money for years after their official expulsion from power.

33. Due to the instability of the Afghan currency (the Afghani), Afghanistan’s economy has relied heavily on the U.S. Dollar, and still does. Before the Taliban took power in 2021, DAB would periodically hold Dollar auctions to keep the Afghan economy stable and provide access to U.S. Dollars. The funds for these auctions came from DAB’s reserves held in the U.S. Federal Reserve System, which would be physically transferred to Afghanistan in the form of U.S. currency.

34. The Taliban would attempt, sometimes successfully, to participate in these auctions through “clean” third party affiliates who were, in reality, part of the Taliban’s money-laundering network.

35. In particular, in or around 2019, I learned of a specific individual who had been vetted by DAB and who was allowed to participate in Dollar auctions. That individual was a son of the individual known as the “Taliban’s Bank,” discussed above. The father had simply “transferred” various “clean” companies to his sons, who were not designated as terrorists, in order to continue the flow of funds. The “clean” son who was participating in the Dollar auctions was transferring money he acquired from those auctions to a terrorist-designated bank in Iran.

36. I learned of this connection because I was leading the investigation into the terrorist financier known as the “Taliban’s Bank.” My investigation revealed that the family and their various related businesses had been laundering money equivalent to approximately USD 1 million per day, for approximately 20 years. Part of the reason they were able to maintain this volume

was by participating in the Dollar auctions, which gave them access to significant funds. They would bribe DAB auditors and produce fake documents in order to participate in the auctions.

37. The “Taliban’s Bank” and his family also used fake documents to establish illegitimate *hawaladers*. They used fake identification papers and fake pictures, along with bribes paid to auditors, to obtain licenses for *hawala* businesses, which they then used to launder funds for the Taliban, and to transfer funds from accounts that might be at risk of freezing or seizure.

38. This individual and his family also served as a key link between the Taliban and Al Qaeda. As noted above, when the Taliban controlled DAB prior to 2001, Mullah Omar had ordered a transfer of funds from DAB to this individual. Later, Osama bin Laden provided funds to this individual to help the Taliban continue operations in Afghanistan notwithstanding the U.S. intervention. The Taliban and Al Qaeda worked in close conjunction with each other for decades in Afghanistan, including in the trafficking of narcotics and the levying of “taxes,” and the “Taliban’s Bank” facilitated the relationship and the illicit activities of both.

39. My investigation ultimately led to the arrests of the “Taliban’s Bank” and his sons. Additionally, after my investigation uncovered the connection to the son participating in the Dollar auctions, the U.S. Federal Reserve contacted DAB, and DAB moved to black-list the son’s company and prevent him from participating in Dollar auctions. Now that DAB is controlled by the Taliban, there is no one to step in and stop such illicit activity.

III. The Taliban Now Has Complete Control Over DAB

40. In the summer of 2021, as most U.S. military forces withdrew from Afghanistan, the Taliban launched a major offensive and rapidly consolidated control over the country through violence and intimidation. By August, the Taliban had taken over DAB facilities in several provinces around Afghanistan. By mid-August, the Taliban had captured Kabul and taken control of DAB entirely.

41. The Taliban's control of DAB is now the same as it was before 2001, and the Taliban is using control of DAB in the same way it did before—to launder money and fund terrorism.

42. The Taliban has exerted its control by, among other things, appointing DAB's leadership (at least two of whom are individually SDGTs), and directing the day-to-day activities of DAB.

43. I understand that various senior DAB officials have fled Afghanistan or gone into hiding, including the former Director General of Supervision and the former Director General of FinTRACA. The former Director General of FinTRACA—the DAB official formerly charged with investigating and prosecuting money launderers and licensing *hawaladars*, and who had been the target of an assassination attempt for his efforts—fled Afghanistan during the Taliban's takeover in the summer of 2021.

44. Because DAB's leaders and other DAB personnel who previously led law-enforcement efforts have been driven from Afghanistan under threat of death, DAB's leadership is no longer independent of Taliban control.

45. Instead, the Taliban has replaced DAB's senior leadership with Taliban loyalists, including individuals identified as terrorists by the U.S. government. For instance, the Taliban appointed a Taliban loyalist, Haji Mohammed Idris, a/k/a Abdul Qahir, a/k/a Haji Idress, as Acting Governor of DAB. As another example, the Taliban installed Ahmad Zia Agha, also known as Noor Ahmad Agha, as the First Deputy Governor of DAB. Agha is an SDGT who is a “senior Taliban military and financial leader sanctioned for allegedly managing funds intended for bombs

and for distributing money to Taliban commanders and associates abroad.”¹⁰ The appointment of an alleged bombing financier as First Deputy Governor demonstrates the degree of control the Taliban now exercises over DAB’s personnel decisions.

46. I also understand that after the Taliban took control of Afghanistan in August 2021, the Taliban instructed female civil servants to stay home, and that the Taliban continues to prevent female civil servants from returning to work. This edict applies to female employees of DAB.

47. In short, the Taliban’s ability to hire, fire, remove, and replace employees of DAB demonstrates the Taliban’s control over DAB. Further, the appointment of Taliban loyalists and leaders like Idris and Agha to senior positions within DAB means that any remaining DAB personnel who are not directly affiliated with the Taliban are nonetheless subject to intimidation and subjugation, preventing them from acting independently. In other words, all current DAB personnel—whether they are affiliated with the Taliban or not—are forced by DAB’s newly appointed leaders to wield DAB’s authority for the benefit the Taliban.

48. Further, DAB now has control over the supply of U.S. Dollars in Afghanistan. DAB currently is unable to use the reserves frozen in the United States for Dollar auctions, though auctions are apparently continuing in a limited fashion with Dollars from other sources. If the blocked funds in the United States were unfrozen and made available to DAB, the Taliban, through DAB, would be able to use the Dollar auctions to transfer those funds to terrorists, drug traffickers, or other bad actors. Where the Taliban previously attempted to (and sometimes succeeded in) participating in the Dollar auctions through “clean” third party affiliates, the Taliban’s control of

¹⁰ Ian Talley et al., *Sanctioned Taliban Financier Holds Leadership Post at Afghan Central Bank*, Wall St. J. (Mar. 11, 2022), <https://www.wsj.com/articles/sanctioned-taliban-financier-tapped-to-help-lead-afghan-central-bank-11647003720>; *see also* United Nations Security Council, *Ahmad Zia Agha*, <https://www.un.org/securitycouncil/sanctions/1988/materials/summaries/individual/ahmad-zia-agma> (last visited Apr. 28, 2022).

DAB now gives the Taliban complete control of and unfettered access to the Dollar auctions and the funds involved.

49. The Taliban's control of DAB extends to every material decision DAB makes and every material financial transaction DAB conducts. The Taliban can both manipulate DAB itself, and also use DAB to manipulate aspects of the Afghan financial system, in ways that benefit the Taliban and fund its terrorist activities.

IV. The Taliban Is Using DAB to Launder Narco-Dollars and Fund Terrorism

50. The Taliban's control of DAB allows the Taliban to use DAB and DAB's assets to launder money and fund terrorist activities. DAB is now a central bank in name only; the Taliban's control of DAB allows the Taliban to subvert the functions of a central bank to further the financing of terrorism. Instead of seeking to control and prevent money laundering, the Taliban-run DAB provides the Taliban new abilities to engage in money laundering in support of terrorism.

51. For instance, the Taliban's control of DAB means the Taliban now controls the regulatory and licensing bodies that are supposed to combat money laundering or the financing of terrorism. As a result, those bodies are, at best, non-operational, allowing the Taliban to launder money and direct funds to terrorist activities and groups with zero oversight.

52. Not only is there a complete lack of oversight, but the Taliban's control of DAB also allows the Taliban to leverage DAB's licensing function to completely control aspects of the Afghan financial system, including the *hawala* system. Through DAB, the Taliban can issue licenses directly to terrorist actors, lifting any impediments to the transfer of funds. Additionally, DAB was the only entity with any ability to audit *hawaladers* or attempt to trace the flow of money through the *hawala* system, but a Taliban-controlled DAB will make no effort to oversee or trace the flow of funds to and from the Taliban and/or Taliban-connected terrorists. Through DAB, the Taliban can exert control over and extort any entities wishing to operate in Afghanistan, including

banks, licensed *hawaladars*, and NGOs or charities, forcing them to cooperate with, or at least turn a blind eye to, transfers of funds to narcotics and/or terrorist operations. The Taliban can thus order and direct transactions throughout the Afghan financial system, and approve fraudulent international transactions conducted via private Afghan banks, thereby attempting to create a veneer of legitimacy.

53. As another example, the Taliban's access to sensitive financial information provided to DAB by the United States and others and contained in DAB records allows the Taliban to more adeptly evade Western anti-money laundering efforts and more easily finance narcotics trafficking and terrorism.

54. Prior to the collapse of the Afghan government, DAB (through FinTRACA) received, investigated, and maintained Suspicious Activity Reports (SARs), which contain sensitive and confidential information related to suspicious transactions or other financial activity that may be related to money laundering, financing of terrorism, or other illicit behavior. The information in SARs is considered so sensitive and confidential that the financial institutions which file SARs are generally prohibited from even confirming their existence, and governments go to great lengths to protect their content from terrorist organizations like the Taliban.

55. Similarly, DAB (through FinTRACA) gathered sensitive information and produced analysis and reports intended to be used to prevent entities like the Taliban from using the Afghan financial system and to prosecute criminals. Foreign partners, including the United States, provided sensitive information to FinTRACA for use in their investigations and reports.

56. All the sensitive and confidential information contained in, and underlying, the SARs and FinTRACA reports, along with all the information collected in licensing and auditing *hawaladers*, both legitimate and illegitimate, is now in the hands of the Taliban, which now is able

to use that information to retaliate against sources, to understand and evade Western law enforcement efforts, and to advance the Taliban's terrorist and criminal activities.

57. Further, the Taliban's control of DAB allows the Taliban to use DAB to directly launder money. In the last decades, the Taliban's shadow government has "taxed" illegitimate goods, including opium, heroin, methamphetamines, and hashish. I understand that the Taliban now has taken control of Afghanistan's customs system by putting Taliban personnel in customs collection positions; as a result, the Taliban can now collect such "taxes" even more easily, along with directly collecting more legitimate taxes. Funds collected as taxes can then be deposited in DAB as legitimate government revenues. The Taliban can now use those funds in international transactions with fewer questions as to their source and legitimacy.

58. More generally, the Taliban's control of DAB will allow it to launder money from any source, including money from the drug trade and other illicit sources. Depositing such funds in DAB will mingle them with more legitimate funds. Even without mingling, any funds withdrawn from DAB will have an appearance of legitimacy. Just by moving the funds through DAB, the source of the funds will be disguised, and a transfer of funds from DAB to other institutions will raise fewer questions.

59. The Taliban's control of DAB therefore allows the Taliban to create the veneer of legitimacy for funds obtained through the drug trade and other illicit means.

60. The financing networks established by the Taliban and other terrorists have exploited the flaws in the Western financial system. Osama bin Laden once bragged that the flaws in the Western financial system were "becoming a noose for it."¹¹ The Taliban's control of DAB

¹¹ Dan Eggen & Kathleen Day, *U.S. Ties Hijackers' Money to Al Qaeda*, Wash. Post (Oct. 7, 2001), <https://www.washingtonpost.com/archive/politics/2001/10/07/us-ties-hijackers-money-to-al-qaeda/f7d55811-bee3-44d2-9b85-547bf13a9e1/>.

will aid the Taliban in continuing to exploit these flaws—and this is especially true if others continue to act as if DAB is a legitimate central bank.

61. Under Taliban control, DAB no longer functions as a central bank, but instead as a vehicle for Taliban efforts to traffic narcotics, launder money, gain advantages over its adversaries, and further extend its control over Afghanistan. And any funds left in the control of DAB can be used by the Taliban for these ends. The last time the Taliban was in control, they looted DAB and turned it to their own ends, and they are doing the same now.

I declare the foregoing is true under penalty of perjury of the laws of the United States.

Executed this 30th day of April, 2022, in Jonesborough, Tennessee.

By: 
Michael Templeton