

Did the NY Fed Confiscate \$1.3 Billion in Afghan Gold: Striking Revelations from Afghanistan's Central Bank Chief

By [Zero Hedge](#)

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Theme: [Global Economy](#)

In-depth Report: [AFGHANISTAN](#)

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Yesterday morning, shortly after the acting Afghan central banker chief, Ajmal Ahmady, fled the country (after he was “[somehow pushed on board](#)” of a military plane by his colleagues), and warning on twitter that the country has no dollars left domestically (i.e., any dollars and gold currently stored at the local central bank vault have been pillaged by the Taliban even though the country's new rulers vowed on Saturday that the treasury, public facilities and government offices were the property of the nation and “should be strictly guarded”), sparking domestic bank runs and a record rout in the local currency, the Afghani, some asked what that means for Afghan reserves stored offshore.

Conveniently, [overnight Reuters](#) provided a handy breakdown of the international reserves owned by the DAB (as the Afghani central bank is called). The most recent financial statement posted online shows DAB holds total assets of about \$10 billion, including \$1.3 billion-worth of gold reserves and \$362 million in foreign currency cash reserves, according to currency conversion rates on June 21, the date of the report. Notably, a big chunk of the reserves aren't held in the country as we observed yesterday.

Digging deeper, the DAB's [June statement](#) stated that the bank owned investments worth \$6.1 billion. While the latest report did not provide details of those investments, a breakdown in the year-end report showed that the majority of those investments were in the form of U.S. Treasury bonds and bills, most likely held by proxy at the Fed where they make up a [portion of the \\$3.5 trillion in securities](#) held in custody by the US central bank. As Reuters further notes, investments were made through the International Bank for Reconstruction and Development (IBRD), an arm of the World Bank, or through the FRBNY and held in New York. Among its smaller items are shares in an investment pool by the Bank for International Settlement, which is based in Switzerland, as well as the Economic Cooperation Organisation Trade and Development Bank in Turkey.

This is important because as we also learned yesterday, the [US Treasury imposed a freeze on all Afghan reserves](#), depriving the Taliban - who remain on US international sanctions lists - of much needed cash. An Bidn admin official confirmed as much telling Reuters: “Any

central bank assets the Afghan government have in the United States will not be made available to the Taliban.”

Additionally, DAB’s foreign currency cash holdings worth around \$362 million consist almost entirely of U.S. dollars and were held at the bank’s head offices and branches as well as the presidential palace, which is now in the hands of the Taliban and is likely lost for ever.

That’s not all that is gone: according to the DAB, some \$160 million worth of gold bars and silver coins held at the bank’s vault at the presidential palace. Also gone is a hoard of 2,000-year-old gold jewellery, ornaments and coins known as the Bactrian Treasure, which was held in the Afghan central bank’s vaults. The around 21,000 ancient artifacts were presumed lost until 2003, when they were found in a secret vault in the central bank’s basement, having survived the previous era of Taliban rule undiscovered. This time, they will be lost for good (Afghan lawmakers in January floated the idea of sending the treasures abroad for safe keeping, warning they were vulnerable to theft, according to local broadcaster Tolo News).

Afghan foreign reserves also consist of a pending \$650 billion allocation of Special Drawing Rights currency reserves to the Fund’s 190 member countries on Aug. 23, whose fate as of this moment remains unclear. The distribution of the SDRs, the Fund’s unit of exchange based on dollars, euros, yen, sterling and yuan, aims to shore up the reserves of developing countries strained by the COVID-19 pandemic. As an IMF member, Afghanistan is eligible for an allocation of about \$455 million, based on its 0.07% quota shareholding in the Fund.

It is unlikely that the IMF will proceed with making any disbursements to the Taliban as insurgents gaining access to those assets would be hard to digest in capitals around the globe. Indeed, in 2019, the IMF suspended Venezuela’s access to its SDRs after more than 50 member countries representing a majority of the Fund’s shareholding refused to recognize Nicolas Maduro’s government as Venezuela’s legitimate ruler following disputed 2018 elections. We doubt there will be an international scramble to legitimize the Taliban, even if the regime is now desperate to portray itself as the moderate, women-respecting Taliban 2.0 (for obvious reason: it knows it needs access to the cash).

But most notably, the central bank’s consolidated statement revealed that the [New York Fed’s gold vault](#) located hundreds of feet below street level, held gold bars worth 101,770,256,000 afghanis – or some \$1.32 billion – on behalf of the Afghan central bank at end-2020. And since this gold is effectively non-recourse to Afghanistan’s new Taliban government, we asked publicly if this means that the Afghan gold has now been effectively confiscated.

AFGHANISTAN CENTRAL BANK HAS \$10 BILLION IN ASSETS, BUT A MAJORITY OF THE FUNDS ARE HELD BY THE FEDERAL RESERVE IN NEW YORK -RTRS

And now the gold is gone. All gone

— zero hedge (@zerohedge) [August 17, 2021](#)

Using gold as leverage would hardly be a first: most recently the Bank of England refused to release some \$1 billion worth of Venezuela gold to the Maduro regime after he was found to be an illegitimate president, and instead the monetary authority said it would only deliver

the gold to Juan Guaidó, whom Britain had found as “constitutional interim president of Venezuela.” However now that Guaidó’s prospects have been snuffed, Venezuela’s gold located in the UK remains in limbo.

A similar fate will befall the Afghanistan, pardon Taliban, gold which is now effectively confiscated by the NY Fed, which will not disburse the precious metal to a regime which the Treasury has designated as illegitimate.

Curiously, after maintaining a radio silence for the past 48 hours, the acting head of the Afghanistan central bank, Ajmal Ahmady, who now functions out of an unknown location after his prompt departure, shared some much needed clarity on the local central bank’s holdings in a lengthy thread on twitter, amusingly using our tweet as a basis to argue that “most assets are held in safe, liquid assets such as Treasuries and gold.”

First, total DAB reserves were approximately \$9.0 billion as of last week.

But this does not mean that DAB held \$9.0 billion physically in our vault.

As per international standards, most assets are held in safe, liquid assets such as Treasuries and gold <https://t.co/onpttXyTv7>

— Ajmal Ahmady (@aahmady) [August 18, 2021](#)

While we republish Ahmady’s entire thread - which largely confirms what Reuters reported overnight - below, we wish to point out some of his notable disclosures, starting with his breakdown of major investment categories which include the following assets (all figures in billions)

- Federal Reserve = \$7.0
 - U.S. bills/bonds: \$3.1
 - WB RAMP assets: \$2.4
 - Gold: \$1.2
 - Cash accounts: \$0.3
- International accounts = 1.3
- BIS = \$0.7

Ahmady also revealed that “given Afghanistan’s large current account deficit, DAB was reliant on obtaining physical shipments of cash every few weeks.” Since it was the US that was providing said shipments of cash, we look forward to the Congressional hearings that will figure out just how much such cash was deployed to Afghanistan, and how much has now been lost.

In any case, as the acting central bank head notes, “The amount of such cash remaining is close to zero due a stoppage of shipments as the security situation deteriorated, especially during the last few days.”

And then a remarkable admission, suggesting that the Biden administration was fully aware that the Taliban were about to sweep control:

On Friday morning, I received a call notifying me that there would be no further USD

shipments (we were expecting one on Sunday, the day Kabul fell). On Saturday, banks placed very large USD bids as customer withdrawals accelerated.

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It is then that the currency collapse and the dollar run began in earnest because as Ahmady notes, “for the first time, I therefore had to limit USD access to both banks and dollar auctions to conserve remaining DAB dollars. We also put out a circular placing maximum withdrawal limits per customer. During the day, afghani depreciated from 81 to almost 100 and then back to 86.”

And then some more remarkable disclosures, which effectively confirm that the US “had good intelligence as to what was going to happen.”

On Saturday at noon, I met with President Ghani to explain that the expected Sunday dollar shipment would not arrive.

On Saturday evening, President Ghani spoke with Secretary Blinken to request dollar shipments to resume. In principle it was approved.

Again, seems ridiculous in retrospect, but did not expect Kabul to fall by Sunday evening.

In any case, the next shipment never arrived. Seems like our partners had good intelligence as to what was going to happen.

Notwithstanding what the US may or may not have known ahead of time when it decided to block the most recent scheduled shipment of cash to Afghanistan, Ahmady takes a step back to observe the strategic implications of what just happened.

First, “in no way were Afghanistan’s international reserves ever compromised. Assets are all held at Fed, BIS, RAMP, or other bank accounts. Easily audited. We had a program with both IMF and Treasury that monitored assets. No money was stolen from any reserve account.”

Repeating what we already knew, the acting central bank chief then says that “given that the Taliban are still on international sanction lists, it is expected (confirmed?) that such assets will be frozen and not accessible to Taliban. I can’t imagine a scenario where Treasury/OFAC would give Taliban access to such funds.”

If indeed the vast majority of Afghanistan reserves remain offshore, Ahmady says that “we can say the accessible funds to the Taliban are perhaps 0.1-0.2% of Afghanistan’s total international reserves. Not much. Without Treasury approval, it is also unlikely that any donors would support the Taliban Government.”

While this is bad news for the new Taliban government which will suddenly find itself with no

reserves to keep the country functioning, it is even worse news for local commerce as “local banks have told customers that they cannot return their dollars – because DAB has not supplied banks with dollars.” This is the case “not because funds have been stolen or being held in vault” although they very well may have been – after all we are dealing with the Taliban here – “but because all dollars are in international accounts that have been frozen.”

Somewhat defensively the central banker then tweets that “the Taliban should note this was in no way the decision of DAB or its professional staff. It is a direct result of US sanctions policy implemented by OFAC. Taliban and their backers should have foreseen this result.”

As a reminder, when detailing the coming monetary collapse of Afghanistan we said that “for all the focus on the humanitarian crisis unfolding at an unprecedented pace in Afghanistan, many are forgetting that an even worse economic disaster awaits the “Islamic Emirate” of Afghanistan now that the Taliban are in charge.”

Ahmady concludes as much saying that “Taliban won militarily – but now have to govern. It is not easy.”

It certainly won’t, so to help out his successor, the central banker has a 4-point plan of what to do next:

- Taliban have to implement capital controls and limit dollar access
- Currency will depreciate
- Inflation will rise as currency pass through is very high
- This will hurt the poor as food prices increase

In short, the Taliban won. But since they are now financially blacklisted and locked out of dollar commerce, the country faces hyperinflation, currency collapse, and economic ruin.

The only question is what happens to the Afghanistan gold located at the NY Fed, and which now appears to be confiscated. We will just remind readers of one notable fact: the NY Fed’s vault is [inexplicably connected to the vault next door](#) – the largest gold vault in the world – which is located at 1 Chase Manhattan Plaza, and which until 2013 was owned by JPMorgan at which point the building (and attached vault) now known as [28 Liberty Street](#), was sold to one of the largest privately-owned Chinese conglomerates, Fosun international.

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Below is the full thread from the acting head of the Afghanistan central bank ([link here](#)).

This thread is to clarify the location of DAB (Central Bank of Afghanistan) international reserves

I am writing this because I have been told Taliban are asking DAB staff about location of assets. If this is true – it is clear they urgently need to add an economist on their team.

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Interesting note was that the IMF had approved a SDR650 billion allocation recently. DAB was set to receive approximately \$340 million on August 23rd. Not sure if that allocation will now proceed with respect to Afghanistan

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NEW: The Biden administration last week canceled bulk shipments of dollars headed for Afghanistan as Taliban fighters were poised to take control of the capital city of Kabul [@KateDavidson](#) [@IanTalley](#) <https://t.co/Thewvrsqpb>

— Andrew Restuccia (@AndrewRestuccia) [August 17, 2021](#)

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Given that the Taliban are still on international sanction lists, it is expected (confirmed?) that such assets will be frozen and not accessible to Taliban.

I can't imagine a scenario where Treasury/OFAC would give Taliban access to such funds. Therefore, we can say the accessible funds to the Taliban are perhaps 0.1-0.2% of Afghanistan's total international reserves. Not much. Without Treasury approval, it is also unlikely that any donors would support the Taliban Government. See [this](#).

I believe local banks have told customers that they cannot return their dollars - because DAB has not supplied banks with dollars

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Taliban won militarily - but now have to govern. It is not easy.

Therefore, my base case would be the following:

- Treasury freezes assets
- Taliban have to implement capital controls and limit dollar access
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