

Comprehensive Fraud Audit Report

Case Number: FRA-2023-001

Date: March 15, 2023

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Department: Risk Management

Issue Category: Market Manipulation

Confidentiality Level: Internal Only

Risk Assessment Score: 57

Financial Impact USD: 517,766,431

Executive Summary:

This comprehensive audit report details the market manipulation scheme perpetrated by Veridian Bank's Investment Division, led by Marcus Thorne. The report provides an in-depth analysis of the forensic accounting findings, legal implications, and comprehensive recommendations for remediation and recovery efforts.

Background:

Veridian Bank's Investment Division managed the Meridian Opportunities Fund, which was compromised by a sophisticated market manipulation scheme. The scheme involved the creation of phantom assets, inflated valuations of illiquid assets, and fictitious returns on Shadow Creek investment vehicles.

Methodology:

The audit team employed a multi-disciplinary approach to investigate the market manipulation scheme. The methodology included:

1. **Forensic Accounting:** A comprehensive review of financial statements, trading records, and other relevant documents to identify suspicious transactions and patterns.
2. **Data Analysis:** The use of advanced data analytics tools to identify trends, anomalies, and correlations in the data.
3. **Legal Analysis:** A review of relevant laws, regulations, and industry standards to determine the legal implications of the market manipulation scheme.

4. **Interviews and Surveys:** Interviews with key personnel, including Marcus Thorne, Arthur Sterling, and other relevant individuals, to gather information and context.

Findings:

The audit team's findings include:

1. **Phantom Assets:** The creation of phantom assets, valued at \$250 million, which were used to inflate the Meridian Opportunities Fund's performance.
2. **Inflated Valuations:** The inflation of valuations of illiquid assets, valued at \$150 million, which were used to support the fund's performance.
3. **Fictitious Returns:** The creation of fictitious returns on Shadow Creek investment vehicles, valued at \$100 million, which were used to support the fund's performance.
4. **Market Manipulation:** The use of market manipulation techniques, including wash sales, matched orders, and other tactics, to artificially inflate the fund's performance.

Financial Impact:

The financial impact of the market manipulation scheme is estimated to be \$517,766,431.

Legal Implications:

The market manipulation scheme has significant legal implications, including:

1. **Securities Fraud:** The scheme constitutes securities fraud, in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5.
2. **Market Manipulation:** The scheme constitutes market manipulation, in violation of Section 9(a) of the Securities Exchange Act of 1934.
3. **Insider Trading:** The scheme may constitute insider trading, in violation of Section 16(b) of the Securities Exchange Act of 1934.

Recommendations:

The audit team recommends the following remediation and recovery efforts:

1. **Restitution:** The bank should provide restitution to affected investors, in the amount of \$517,766,431.
2. **Compliance Program:** The bank should establish a comprehensive compliance program to prevent future market manipulation schemes.
3. **Disciplinary Action:** The bank should take disciplinary action against individuals involved in the market manipulation scheme, including Marcus Thorne and Arthur Sterling.

4. **Regulatory Cooperation:** The bank should cooperate fully with regulatory agencies, including the Federal Banking Commission and the Securities and Exchange Commission.

Conclusion:

The market manipulation scheme perpetrated by Veridian Bank's Investment Division is a serious breach of fiduciary duty and a clear violation of regulatory requirements. The audit team's findings and recommendations provide a comprehensive analysis of the scheme and outline the necessary remediation and recovery efforts to restore investor confidence and prevent future incidents.

Appendix:

The appendix includes the following supporting documents:

1. **Forensic Accounting Report:** A detailed report of the forensic accounting findings, including a comprehensive review of financial statements, trading records, and other relevant documents.
2. **Data Analysis Report:** A detailed report of the data analysis findings, including the use of advanced data analytics tools to identify trends, anomalies, and correlations in the data.
3. **Legal Analysis Report:** A detailed report of the legal analysis findings, including a review of relevant laws, regulations, and industry standards.
4. **Interviews and Surveys:** A summary of the interviews and surveys conducted with key personnel, including Marcus Thorne, Arthur Sterling, and other relevant individuals.

Certification:

I, Evelyn Reed, hereby certify that the findings and recommendations contained in this report are accurate and reliable, and that the audit was conducted in accordance with generally accepted auditing standards.

Signature: Evelyn Reed

Date: March 15, 2023

Certification Number: FRA-2023-001

Audit Firm: Risk Management

Audit Date: March 1, 2023 - March 15, 2023

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