

Preliminary Investigation Brief

Investigation Reference: FIN-2022-001

Date: October 15, 2022

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Department: Finance

Issue Category: Investment Fraud

Confidentiality Level: Internal Only

Risk Assessment Score: 55

Financial Impact USD: \$853,844,881

Summary:

This preliminary investigation brief outlines the scope of a suspected investment fraud scheme within Veridian Bank's Meridian Opportunities Fund. Initial findings and summaries of ongoing investigations into corporate espionage, employee misconduct, or specific suspicious transactions are presented. The purpose of this document is to provide an early assessment of the situation, outlining scope, initial evidence, and immediate concerns.

Preliminary Findings:

1. **Investment Fraud Scheme:** An extensive review of Meridian Opportunities Fund transactions has revealed a complex web of suspicious transactions, including phantom assets, inflated valuations, and fictitious returns.
2. **Internal Corroboration:** Interviews with multiple employees, including analysts and traders, have confirmed the existence of the scheme, with some participants citing pressure from senior management to conceal irregularities.
3. **Documentary Evidence:** Extensive documentation, including emails, memos, and financial reports, has been collected and reviewed, providing a detailed timeline of the scheme's development and implementation.
4. **Financial Impact:** Estimated losses from the scheme have reached \$853,844,881, with potential losses expected to rise as the investigation unfolds.

Investigative Challenges:

1. **Scope:** Determining the full extent of the scheme, including the number of participants and the scope of affected transactions.
2. **Evidence:** Identifying and collecting relevant documentation, including emails, memos, and financial reports, while ensuring the integrity of the evidence.

3. **Employee Cooperation:** Encouraging employees to come forward with information, while maintaining confidentiality and protecting their identities.
4. **Senior Management Involvement:** Investigating potential involvement or knowledge of senior management, including CEO Arthur Sterling and Investment Department Head Marcus Thorne.

Mysteries:

1. **Motivations:** Understanding the motivations behind the scheme, including potential financial gains and any external pressures.
2. **Scope of Involvement:** Determining the extent of involvement of various departments, including Investment, Risk Management, and Compliance.
3. **Regulatory Violations:** Identifying potential regulatory violations, including those related to suspicious activity reporting, anti-money laundering, and securities laws.

Solutions and Findings:

1. **Immediate Action:** Implementing immediate measures to prevent further losses and protect affected clients.
2. **Investigative Strategies:** Developing a comprehensive investigative plan, including interviews, document reviews, and data analysis.
3. **Regulatory Cooperation:** Collaborating with regulatory agencies, including the Federal Banking Commission and the Securities and Exchange Commission, to ensure compliance and potential penalties.

Recommendations:

1. **Continued Investigation:** Continuing the investigation to determine the full extent of the scheme and identify all participants.
2. **Regulatory Disclosure:** Disclosing the findings to regulatory agencies and affected clients, while maintaining confidentiality and protecting employee identities.
3. **Internal Reforms:** Implementing internal reforms to prevent similar schemes in the future, including enhanced risk management and compliance procedures.

Action Items:

1. **Investigation Team:** Assemble a team of experienced investigators to assist with the investigation.

2. **Document Collection:** Collect and review all relevant documentation, including emails, memos, and financial reports.
3. **Employee Interviews:** Conduct interviews with employees, including analysts, traders, and senior management.
4. **Regulatory Communication:** Communicate with regulatory agencies, including the Federal Banking Commission and the Securities and Exchange Commission.

Timeline:

- **Short-term (next 30 days):** Complete document collection, employee interviews, and initial investigation findings.
- **Medium-term (next 60 days):** Analyze evidence, identify potential regulatory violations, and develop a comprehensive investigative plan.
- **Long-term (next 90 days):** Finalize the investigation, prepare a comprehensive report, and implement internal reforms.

Conclusion:

This preliminary investigation brief outlines the scope and preliminary findings of a suspected investment fraud scheme within Veridian Bank's Meridian Opportunities Fund. The investigation is ongoing, and further findings will be documented in subsequent briefs. The recommendations outlined above aim to prevent further losses, protect affected clients, and ensure compliance with regulatory requirements.

Confidentiality Notice:

This document is confidential and intended for internal use only. Distribution is restricted to authorized personnel with a need-to-know basis.

Verification:

This document has been reviewed and verified by Evelyn Reed, Head of Risk Management, and is in compliance with Veridian Bank's policies and procedures.

Revision History:

- **Initial Draft:** October 15, 2022
- **Revision 1:** October 17, 2022 (minor updates and revisions)
- **Revision 2:** October 20, 2022 (additional findings and analysis)

Approval:

This document has been approved by Evelyn Reed, Head of Risk Management.

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