

## Preliminary Investigation Brief: Regulatory Non-Compliance and Suspicious Transactions

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**Issue Category:** Regulatory Non-Compliance

**Confidentiality Level:** Legal Privilege

**Risk Assessment Score:** 56

**Financial Impact USD:** 312,350,482

On February 22, 2022, our internal investigation revealed a complex web of suspicious transactions and regulatory non-compliance within Veridian Bank's Investment Division. This Preliminary Investigation Brief provides an initial assessment of the situation, outlining scope, initial evidence, and immediate concerns.

### Background

As we continue to unravel the layers of our bank's investment fraud scheme, it has become increasingly evident that our institution's internal controls and regulatory compliance mechanisms have been grossly inadequate. A pattern of suspicious transactions, dating back to Q1 2021, has been identified in the Meridian Opportunities Fund, managed by Marcus Thorne's Investment Division.

### Initial Findings

Our investigation has uncovered a series of transactions that raise significant red flags. Specifically, we have identified:

1. **Inadequate KYC Procedures:** Veridian Bank failed to conduct adequate Know Your Customer (KYC) procedures on several high-risk clients, including entities with suspected ties to organized crime.
2. **Suspicious Activity Reports (SARs):** Our analysis of SARs filed by Veridian Bank reveals a pattern of delayed or incomplete reporting, allowing suspicious transactions to go undetected for extended periods.
3. **Inadequate Transaction Monitoring:** Our internal controls failed to detect and flag suspicious transactions, including those involving the Meridian Fund.
4. **Volcker Rule Violations:** Our investigation has uncovered evidence of proprietary trading activities by Veridian Bank's Investment Division, in direct contravention of the Volcker Rule.

### Regulatory Non-Compliance

Our internal analysis has identified significant regulatory non-compliance issues, including:

- 1. Failure to File Suspicious Activity Reports (SARs) in a Timely Manner:** Veridian Bank failed to file SARs in a timely manner, allowing suspicious transactions to go undetected.
- 2. Inadequate Anti-Money Laundering (AML) Procedures:** Our investigation has revealed inadequate AML procedures, including insufficient customer due diligence and inadequate reporting of suspicious transactions.
- 3. Inadequate Compliance with the Bank Secrecy Act (BSA):** Our analysis has identified significant BSA non-compliance issues, including failure to maintain adequate records and failure to report suspicious transactions.

## **Financial Impact**

The total financial impact of this regulatory non-compliance and suspicious transactions is estimated to be \$312,350,482.

## **Recommendations**

Based on our initial findings, we recommend that:

- 1. Immediate action be taken to address regulatory non-compliance issues,** including the filing of SARs and the implementation of adequate AML procedures.
- 2. A comprehensive review of our internal controls and risk management processes be conducted,** to identify and address any weaknesses that may have contributed to this situation.
- 3. A thorough investigation be conducted into the activities of Marcus Thorne and the Investment Division,** to determine the extent of their involvement in this regulatory non-compliance and suspicious transactions.

This Preliminary Investigation Brief provides a preliminary assessment of the situation, outlining scope, initial evidence, and immediate concerns. Further investigation and analysis are required to fully understand the extent of the regulatory non-compliance and suspicious transactions at Veridian Bank.

## **Action Items**

- 1. Conduct a comprehensive review of our internal controls and risk management processes.**
- 2. Implement adequate AML procedures and ensure timely filing of SARs.**

**3. Initiate a thorough investigation into the activities of Marcus Thorne and the Investment Division.**

**Timeline**

- **Immediate:** Begin implementation of adequate AML procedures and ensure timely filing of SARs.
- **Short-Term** (within 30 days): Conduct a comprehensive review of our internal controls and risk management processes.
- **Long-Term** (within 60 days): Initiate a thorough investigation into the activities of Marcus Thorne and the Investment Division.

This Preliminary Investigation Brief will be updated as new information becomes available and as our investigation continues.

**Confidentiality Level:** Legal Privilege

This Preliminary Investigation Brief is confidential and should only be shared with authorized personnel.

**Risk Assessment Score:** 56

The risk assessment score for this situation is 56, indicating a moderate level of risk.

**Financial Impact USD:** 312,350,482

The total financial impact of this regulatory non-compliance and suspicious transactions is estimated to be \$312,350,482.