

INVESTIGATION BRIEF

Internal Case Number: VB-2023-0001

Case Title: Preliminary Investigation into Investment Fraud and Suspicious Transactions

Department: Internal Audit

Author: Veridian Legal Department

Issue Category: Investment Fraud

Confidentiality Level: Confidential

Risk Assessment Score: 35

Financial Impact USD: \$438,579,058

Date: March 15, 2023

Summary:

This Preliminary Investigation Brief provides an overview of the ongoing investigation into the investment fraud scheme at Veridian Bank. The current findings suggest a complex web of transactions involving multiple entities, including the Meridian Opportunities Fund, managed by Marcus Thorne's Investment division. Our analysis identifies several key areas of concern, including:

- 1. Suspicious Transactions:** The investigation has revealed a series of transactions involving the Meridian Opportunities Fund, which appear to be fraudulent in nature. These transactions include fabricated real estate holdings, inflated valuations of the Cascade Technology Portfolio, and fictitious returns on Shadow Creek vehicles.
- 2. Investment Fund Mismanagement:** Our analysis suggests that the Meridian Opportunities Fund was operated in a highly irregular manner, with funds being misallocated and improperly utilized.
- 3. Lack of Internal Controls:** The investigation has identified significant weaknesses in Veridian Bank's internal controls, which allowed the investment fraud scheme to occur and persist for an extended period.
- 4. Insider Involvement:** There is evidence to suggest that certain employees, including those in the Investment division, were aware of the fraudulent activities and failed to report them.

Comparison to Similar Cases:

While the investment fraud scheme at Veridian Bank shares some similarities with other cases, there are several unique features that set it apart. For example:

- **Scope:** The scope of the investment fraud scheme at Veridian Bank is significantly larger than that of other cases, with total losses estimated at \$438,579,058.
- **Complexity:** The scheme involves a complex web of transactions and entities, making it more challenging to investigate and prosecute.
- **Insider Involvement:** The involvement of insiders in the investment fraud scheme at Veridian Bank is a key distinguishing feature, as it suggests a level of complicity and corruption that is rare in similar cases.

Differences:

While the investment fraud scheme at Veridian Bank shares some similarities with other cases, there are several key differences. For example:

- **Investment Products:** The investment products involved in the scheme at Veridian Bank are more exotic and complex than those involved in other cases, making it more challenging to understand and quantify the losses.
- **Investment Strategy:** The investment strategy employed by the Meridian Opportunities Fund is significantly different from that of other cases, involving a combination of traditional and alternative investments.
- **Investment Management:** The investment management practices employed by the Meridian Opportunities Fund are also different from those of other cases, involving a more aggressive and risk-taking approach.

Conclusion:

The preliminary investigation into the investment fraud scheme at Veridian Bank has revealed a complex and significant issue that requires immediate attention and action. Our analysis suggests that the scheme involves multiple entities and individuals, including employees, investors, and external parties. The findings of this investigation will be used to inform the development of a comprehensive plan to address the issue, including the implementation of additional internal controls, the review of investment products and strategies, and the development of a new investment management framework.

Recommendations:

Based on the findings of this investigation, we recommend the following:

1. **Immediate Action:** Veridian Bank should take immediate action to rectify the investment fraud scheme, including the cessation of all suspicious transactions and the freezing of all assets involved.
2. **Comprehensive Review:** A comprehensive review of the investment products and strategies employed by the Meridian Opportunities Fund should be conducted to identify any weaknesses or irregularities.
3. **New Investment Management Framework:** A new investment management framework should be developed to ensure that the investment products and strategies employed by Veridian Bank are aligned with the bank's risk tolerance and investment objectives.
4. **Employee Training:** All employees involved in the investment management process should receive training on the new investment management framework and the importance of maintaining the highest standards of ethics and integrity.

Next Steps:

The next steps in this investigation will include:

1. **Continued Review:** A continued review of the investment products and strategies employed by the Meridian Opportunities Fund to identify any weaknesses or irregularities.
2. **Interviews:** Interviews with employees, investors, and external parties to gather more information and evidence.
3. **Analysis:** Further analysis of the data and evidence collected to date to identify any patterns or anomalies.
4. **Recommendations:** The development of recommendations for the implementation of additional internal controls, the review of investment products and strategies, and the development of a new investment management framework.

Timeline:

The timeline for this investigation is as follows:

1. **Immediate Action:** Immediate action should be taken to rectify the investment fraud scheme, including the cessation of all suspicious transactions and the freezing of all assets involved.
2. **Comprehensive Review:** A comprehensive review of the investment products and strategies employed by the Meridian Opportunities Fund should be conducted within the next 30 days.
3. **New Investment Management Framework:** A new investment management framework should be developed within the next 60 days.

4. **Employee Training:** Employee training should be conducted within the next 90 days.

Confidentiality:

This investigation brief is confidential and should not be disclosed to any external parties without the express written consent of the Veridian Bank management.