

## MEMORANDUM

**TO:** Arthur Sterling, CEO; Marcus Thorne, Investment Department; Evelyn Reed, Risk Management; Board of Directors

**FROM:** Internal Audit Team, Department of Legal

**SUBJECT:** Regulatory Non-Compliance: Suspicious Transaction Activity in Meridian Opportunities Fund

**DATE:** November 15, 2022

**CONFIDENTIALITY LEVEL:** Confidential

We have uncovered a critical instance of regulatory non-compliance, affecting the Meridian Opportunities Fund, under the purview of Marcus Thorne's Investment Department. Our investigation reveals an alarming pattern of suspicious transactions, which, in turn, compromise the bank's compliance with the Bank Secrecy Act (BSA) and related regulations.

### BACKGROUND:

A series of transactions, initiated through the Meridian Opportunities Fund, have been flagged for their unusual characteristics, including:

1. **High-value wire transfers** exceeding \$1 million to offshore entities with minimal documentation.
2. **Unusual payment patterns**, consistently occurring outside regular business hours and lacking clear business justifications.
3. **Inconsistencies in Know-Your-Customer (KYC) procedures**, despite clear evidence of material changes in customer profiles.

### ANALYSIS:

Our analysis of the transactions indicates a potential **Layering Scheme**, aimed at concealing the true nature of the transactions and evading regulatory oversight. This scheme may involve:

1. **Misclassifying transactions** as legitimate, when, in fact, they are part of a money laundering operation.
2. **Falsifying documentation** to justify the transactions and create a veneer of legitimacy.

## RECOMMENDATIONS:

1. **Immediately suspend all transactions** associated with the Meridian Opportunities Fund until further notice.
2. **Conduct a thorough KYC review** of all affected customers to identify potential irregularities.
3. **Implement enhanced Transaction Monitoring Systems** to prevent similar instances of suspicious activity.
4. **Collaborate with Regulatory Agencies**, including the Federal Banking Commission (FBC), to report this incident and ensure compliance with BSA requirements.

## ACTION ITEMS:

1. Marcus Thorne, Investment Department: Provide detailed justification for the transactions and address the concerns raised in this memo.
2. Arthur Sterling, CEO: Confirm the implementation of the recommended measures and ensure that the Board of Directors is informed of this situation.
3. Evelyn Reed, Risk Management: Conduct a risk assessment to identify potential vulnerabilities in the bank's compliance framework.

## NEXT STEPS:

The Internal Audit Team will continue to investigate this matter, in collaboration with the Department of Legal, to determine the full extent of the non-compliance and assess the potential damage to the bank's reputation and financial stability.

## CONTACT:

Please direct any questions or concerns to the Internal Audit Team or the Department of Legal.

## SUPPORTING DOCUMENTS:

The following documents are attached to this memo for reference:

- **Suspicious Transaction Report (STR):** Detailed analysis of the transactions in question.
- **KYC Review Document:** Review of customer profiles and transactions.
- **Regulatory Compliance Framework:** Overview of relevant regulations and the bank's compliance framework.

We appreciate your attention to this critical matter and look forward to your prompt response.

## Signature:

Internal Audit Team