

Red Flag Rapid Fire, SOLUTIONS

Digital Finance, BSc Course

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Facilitator key | each company is a real collapse

How to use this key. One point per distinct red flag named. The teaching point: every one of these failures was visible in the public description *before* the collapse, the red flags were not hidden, they were ignored.

A = Wirecard. (1) missing bank statements; (2) EUR 1.9B unverifiable escrow; (3) regulator banned short-selling instead of investigating; (4) auditor stonewalling; (5) Asia-Pacific operations unverifiable. (max 5)

B = FTX. (1) CEO controls the exchange *and* a trading firm; (2) commingled customer deposits; (3) own token as collateral (circular); (4) no Big Four audit; (5) conflict of interest. (max 5)

C = Knight Capital. (1) no canary deployment; (2) no kill switch; (3) \$7B positions on \$365M equity (19×); (4) deployed at market open. (max 4)

D = Silicon Valley Bank. (1) long-duration bonds bought at zero rates; (2) 93% uninsured deposits; (3) \$42B out in 10 hours (a digital bank run); (4) concentrated depositor base. (max 4)

The pattern. Four different eras, one shared lesson: governance, custody, controls and liquidity each failed in plain sight. A trained analyst reads the description and the institution's name is almost incidental.