

Vanguard & Discover Bank | Assessment of Health Preceding Federal Seizure

Public Report

May 28, 2025



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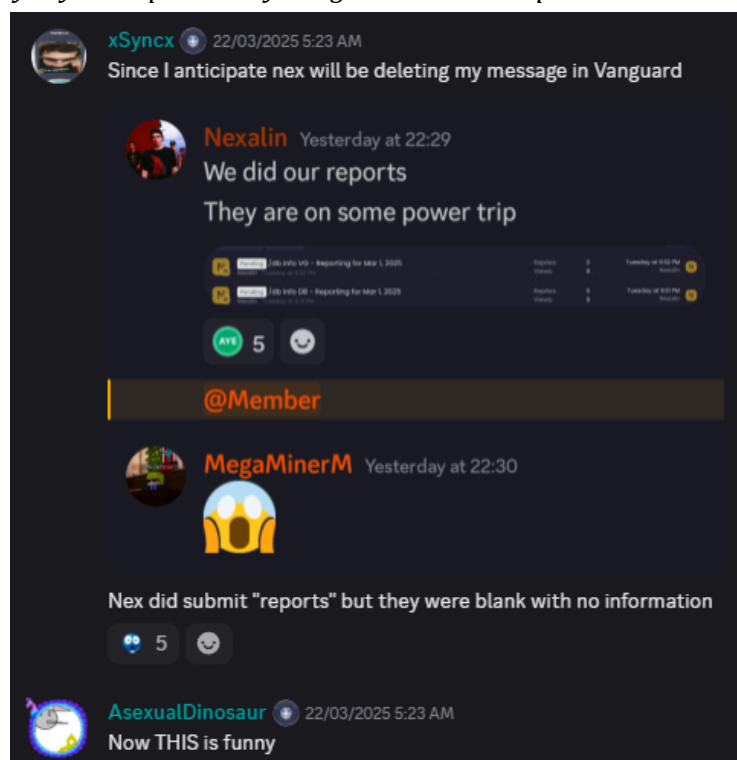
1. Tax Exemption Removal

1.a. Response

On 22/03/25, Nexalin (“Nex”) failed to submit financial reports to the DOC, leading to their tax exemption being removed. Nex initially tried to claim to his clients that he had submitted these reports when he had not filled out the fields.

Figure 1

Commerce Secretary xSyncx explains why Vanguard’s tax exemption was removed.



After further prompting, he submitted all he was required and was returned his tax exemption on a few conditions:

1. An audit of the banks by the DoC,
2. Separation of Financial of Vanguard Group companies and proof that this has been done,
3. Creation of separate LLC and / or corporations for each Vanguard Group Company as required including but not limited to Vanguard and Discover Banks,
4. Any other proof needed to show that [the banks] are legally compliant with all regulations of a commercial bank registered in Redmont by law.

The images below show this conversation, and Nex agreeing to the conditions. **Nex acknowledges that non-cooperation will have the tax exemption removed and the bank potentially commandeered.**

Figure 2

Deputy Secretary of Commerce Avaneesh2008 outlines the terms to reinstate Vanguard's tax exemption.

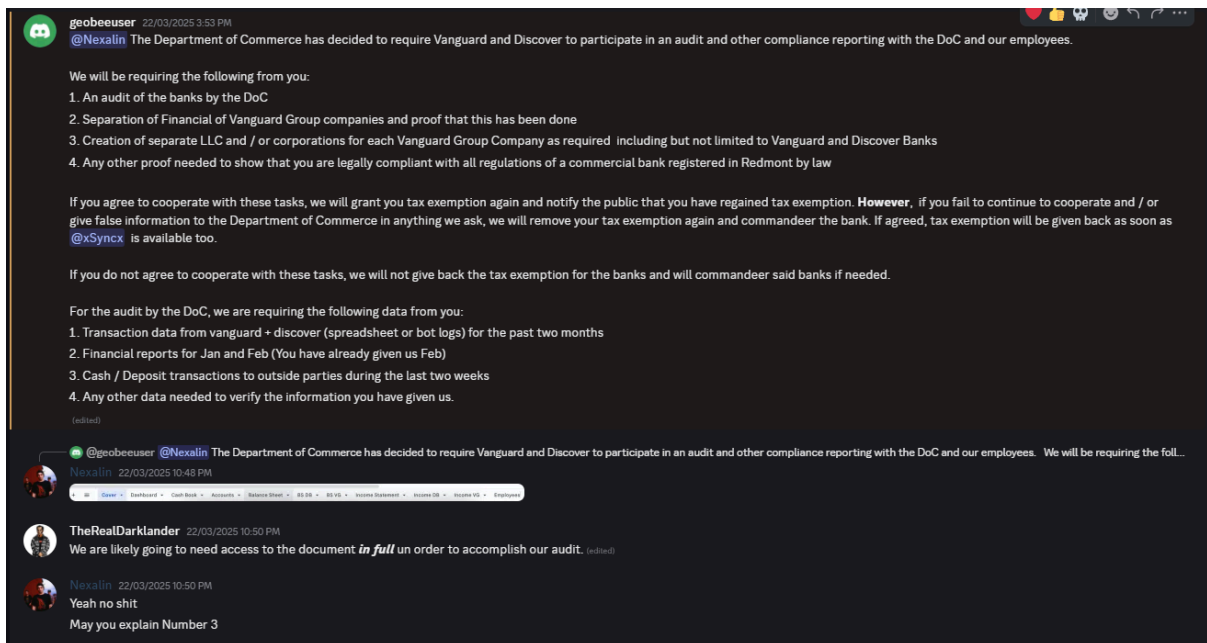
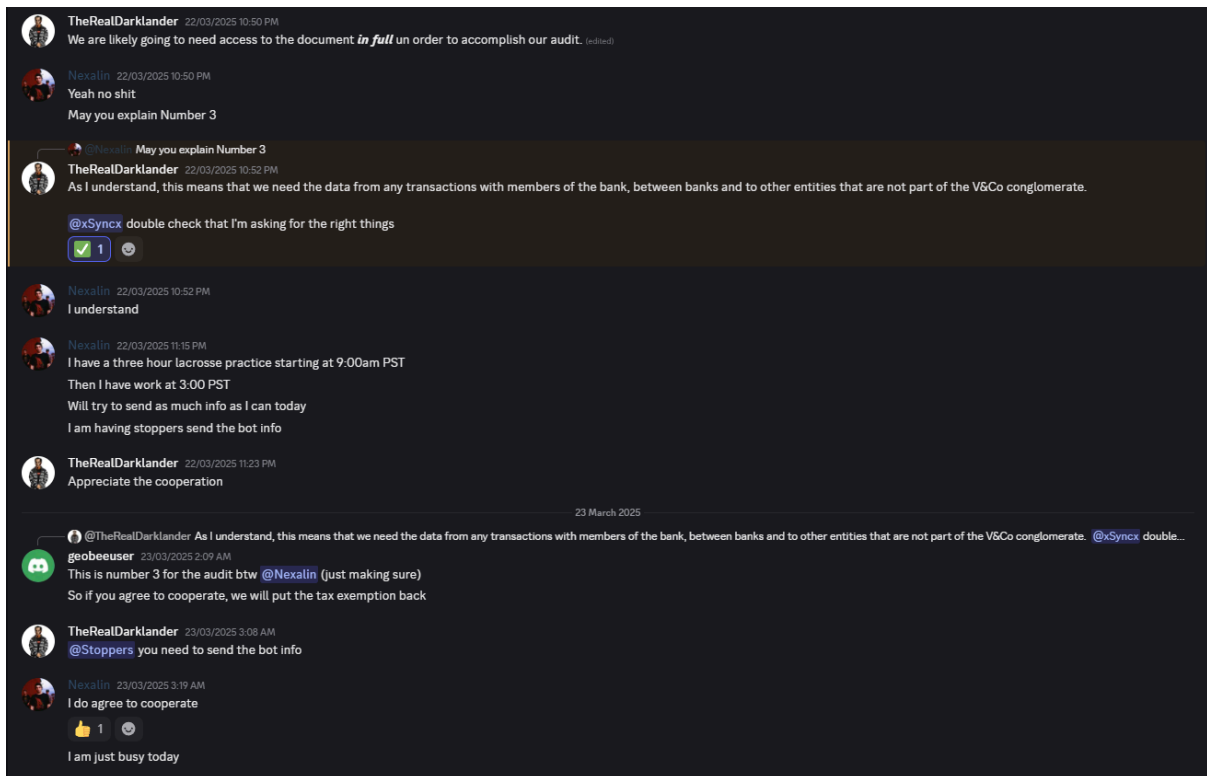


Figure 3

Nexalin agrees to cooperate with the terms required to reinstate Vanguard's tax exemption.



1.b. The Audit

1.b.i. Equity Loss

Upon reviewing Nex's financials, a loss of \$14 Million in equity was clear. This was brought up on 28/03/2025 and Nex tries to blame an administrative error before later backtracking. Note that Nex deletes his "overstatement" message between the first and second screenshot.

Figure 3

Nexalin dances around a direct question from Commerce Secretary xSyncx and then states a 14 million dollar discrepancy was due to him overstating assets and liabilities.

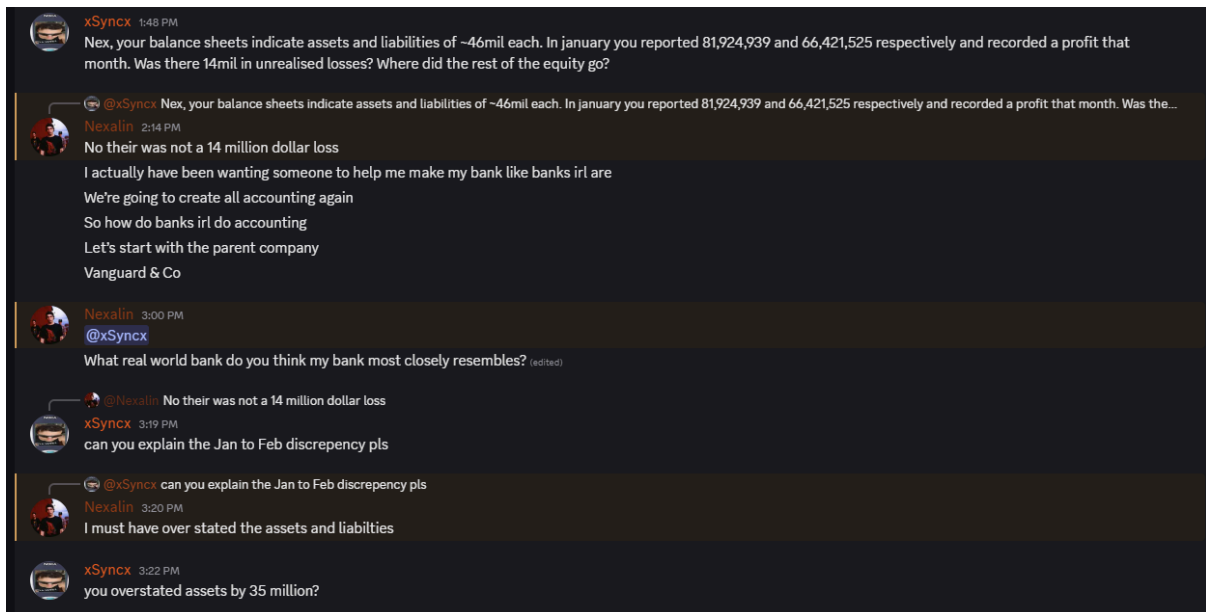
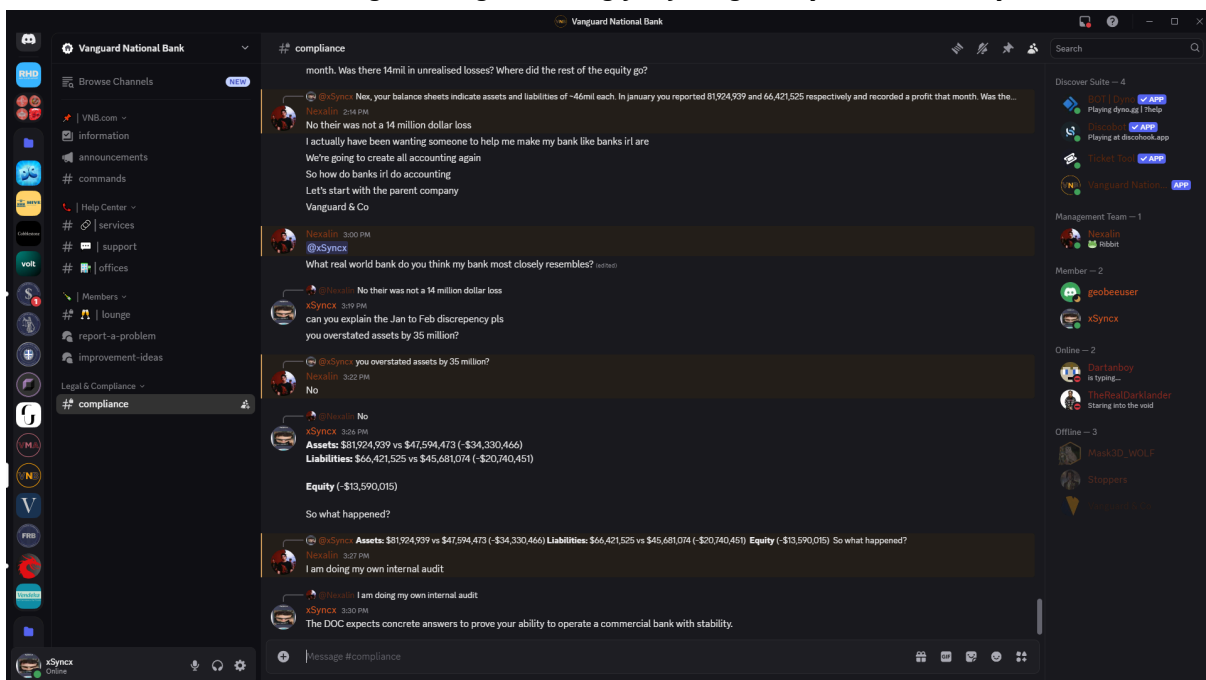


Figure 4

Nexalin deletes the "overstating" message, seemingly refusing to explain the discrepancies.



Nex then **tried to explain away the loss in equity as a change in deposits** (presumably withdrawals). We cannot understate enough that this is not how equity works, and indicates either a poorly made-up excuse or a fundamental misunderstanding of recordkeeping. As an example, saying “we had lower deposits, so less cash, so less equity” is wrong because deposits are liabilities, not equity.

Explanation: If someone deposits money to a bank, the bank now has more cash, yes—but they also owe that money back to the person, so their client obligations (deposits) equally increase. Conversely, if someone withdraws money, the bank has less cash as they pay out the client, and since it no longer owes this amount, their client obligations equally decrease. Equity is the excess value of what you own (assets) *after* subtracting all you owe (liabilities). Hence people depositing/withdrawing in exchange for cash has no immediate effect on equity. Blaming equity loss on “lower deposits” shows a misunderstanding of basic accounting.

Figure 5

Nexalin explains away the equity loss.



2.b.ii. Liquidity Concerns

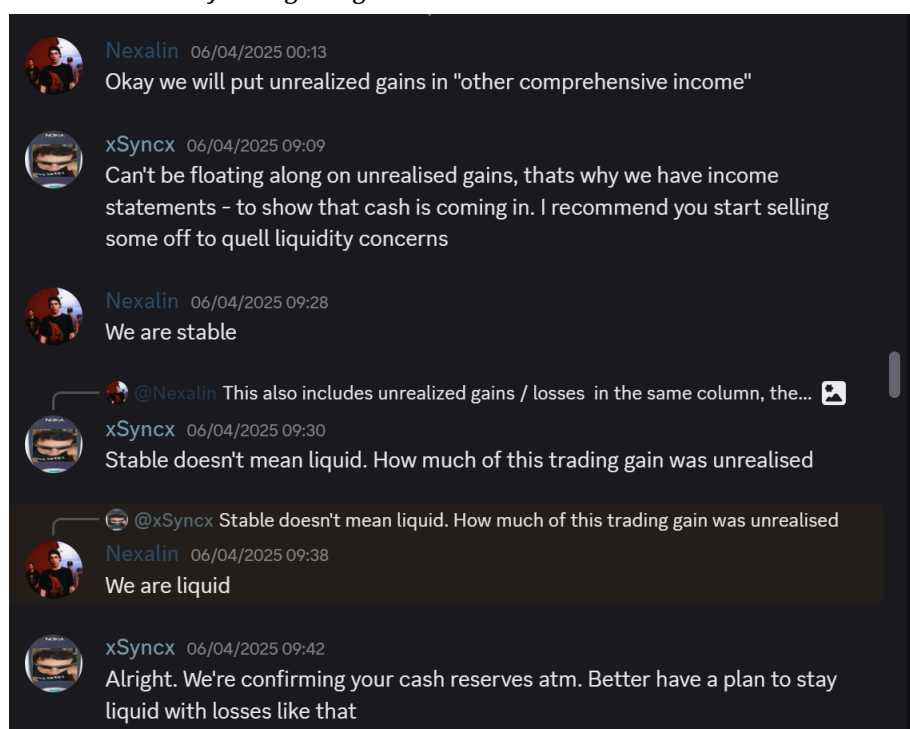
Furthermore, concerns about liquidity were outright dismissed by Nex. His **enthusiasm to cooperate waned quickly** once he had his tax exemption back. Pushing for further answers was delayed as we waited for the Warrant Fix Act.

Liquidity is a key concern for the DOC when monitoring the health of banks on DC. As many non-cash assets have volatile values (e.g Reveille property over the last six months) or not be easily tradable (e.g large sums of DC securities), it is incredibly important to hold enough cash to meet medium-term obligations to depositors. In other words, you need enough money to pay withdrawals without relying heavily on the sale of assets which may be difficult to sell quickly at a “fair” price, or even their listed book value (the recorded value on the financial statements). This effect becomes pronounced due to the concentration of wealth among DC players.

After these conversations with Nex, the DOC marked Vanguard as a risk to the financial system due to poor asset management and recordkeeping, particularly given the bank's size and industry-wide influence. **We do not suspect malicious behaviour, rather managerial ineptitude.**

Figure 6

Commerce Secretary xSyncx and Nexalin discuss concerns about Vanguard's liquidity. Nexalin is informed that the DOC is confirming Vanguard's cash reserves.




2.b.iii. Unrealised Gains as Income


It is also worth noting that Nex was, until prompted not to in April, **listing unrealised security gains as income on his statements** (from VMA and the Exchange). Removing this income revealed that Vanguard was in fact haemorrhaging money, particularly cash.


Abuses of VMA and its FX system seem to be at fault, which may have **been avoided with better internal risk management**. For example, VMA launched with many bugs, some of which remain unpatched, without a ToS that prohibited exploits. Many exploited the system, one of the most notable being an individual who traded outside of trading hours and generated over \$3 Million. Their lawyers managed to settle the case and were able to **withdraw the balance for cash**. Repeat for other VMA cases and inefficient FX rates and the story of how the two banks haemorrhage money becomes clear. In-game cash holdings that were \$10-15 Million a few months ago show barely \$2 Million today.



Figure 7

Nexalin includes unrealized security gains as income on his statements.

 Nexalin 05/04/2025 14:11
The only line you need to take out is the net gains / loss on trading securities

 geobeeuser 05/04/2025 14:12
What about Feb?

 Nexalin 05/04/2025 14:12
Finding that now

 1 

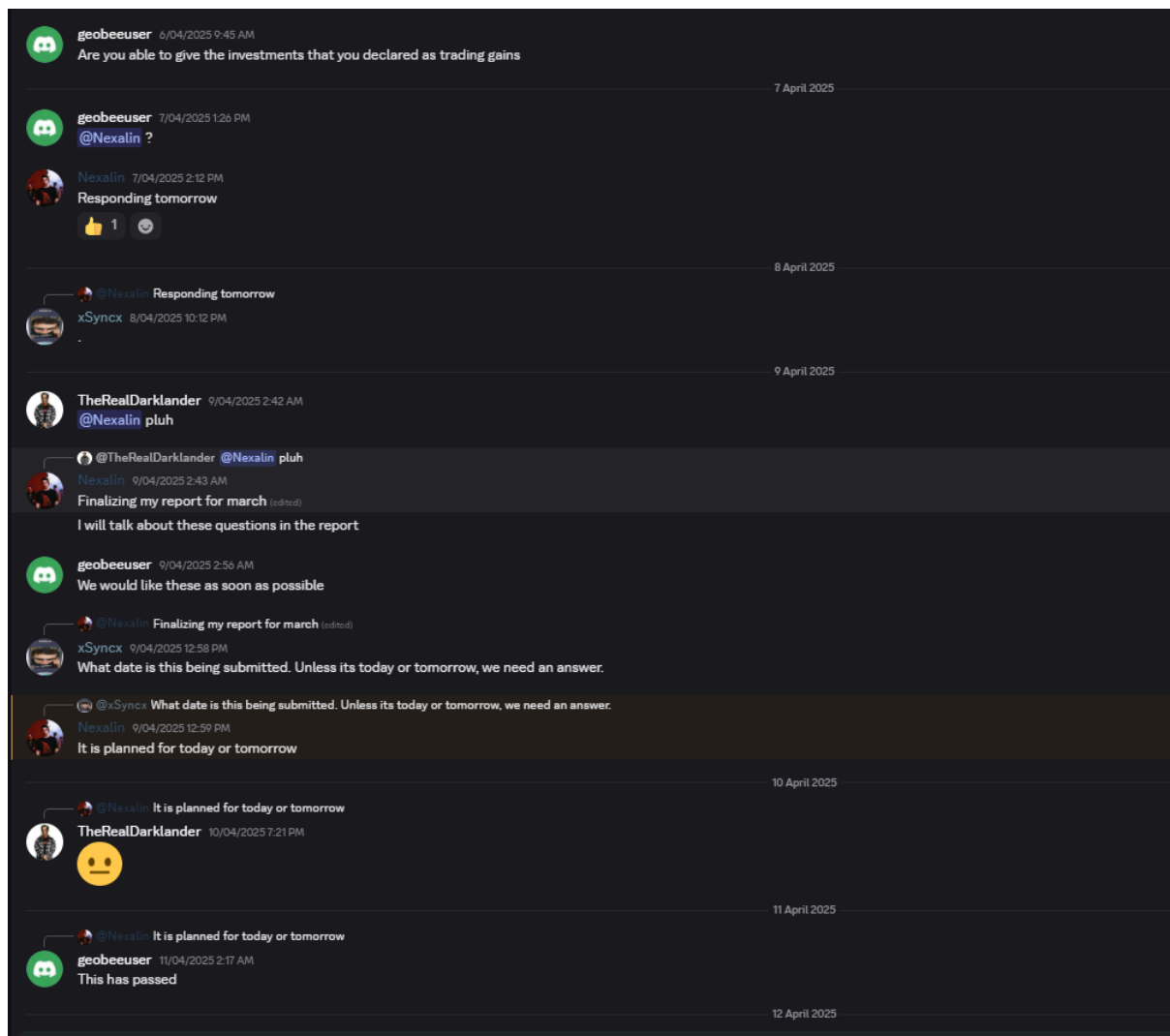
This also includes unrealized gains / losses in the same column, the unrealized gains included the exchange and vma

Vanguard & Co Consolidated Income	
Date: 1 March 2025	
Income Statement	
	February
Revenue	
Interest Income	\$400,293
Net Gains/Losses on Trading Securities	\$4,984,868
Non-Interest Income	
Fees & Commissions	
Trading Income	\$122,632
FX Revenue	\$65,093
Other Income	
Total Revenue & Gains	\$5,572,886
Expenses	
Interest Expense	\$1,247,167
Credit losses	\$3,500,000
Compensation expense	-
Dividends	-
Borrowing	-
Provision for Loan Losses	-
Administrative Expenses	\$96,000
Depreciation & Amortization	-
Real Estate expense	-
Legal Expenses	\$2,000
	-
Total Expenses	\$4,845,167.00
Income before tax	\$727,719.31
Income tax expense	
Net Profit (Gain)	\$727,719

I am saying we wont be doing that anymore
we will make a note of unrealized gains / losses
but it wont be counted towards net income
Now if you want to fine me for this poor accounting I will accept that
But from here on out we have Vendeka helping us

Figure 8

Nexalin fails to elaborate, or remain communicative, on where the unrealised gains lie.



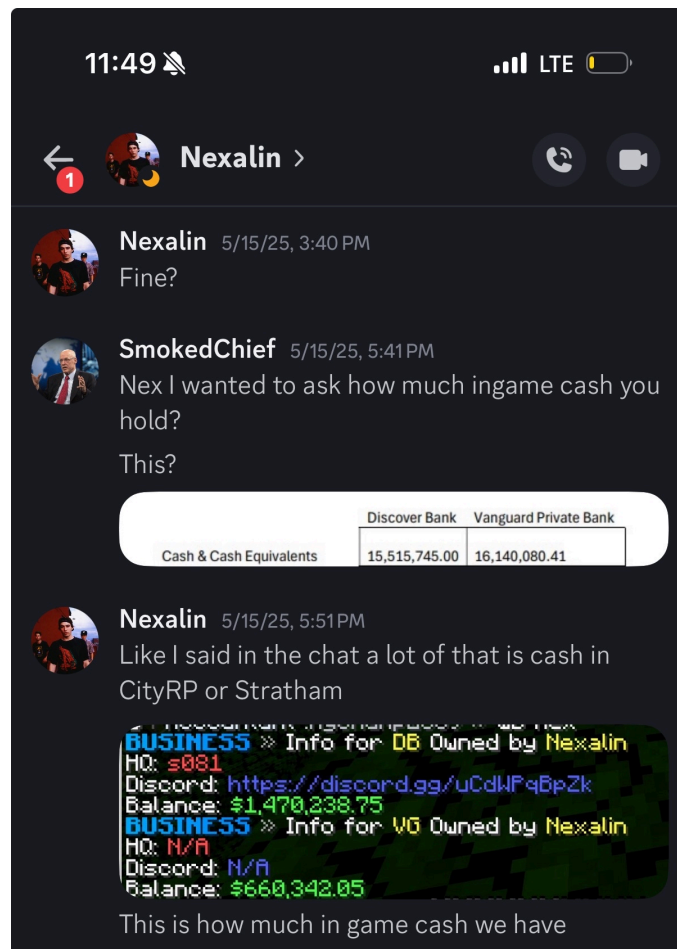
2. Foreign Cash Supporting DC Deposits

2.a. Cash & Cash Equivalents

Nex separates “Cash due from Bank” as a line item, leaving cash as the main asset under “Cash and Cash Equivalents” (No gov t-bills or commercial paper present in DC markets at the time of report). This account has incorporated foreign cash holdings held by Nexalin, despite being incapable of supporting client obligations in the event of withdrawal, nor is it recognized as an asset within Redmont.

Figure 9

Nexalin shows FRB Governor DonTrillions \$2,130,580.80 of in-game cash after claiming a total of \$31,655,825.41 of “Cash and Cash Equivalents”.



Nexalin only holds \$2,210,280.80 at time of seizure, more than an order of magnitude below his claim of \$32,549,263 just a few weeks ago. Nexalin listed these foreign currencies in \$R (\$DC) at an **exchange rate of his choosing** despite;

- a lack of frequent price discovery in inter-server FX
- any large conversions would likely shove the FX rate out of Vanguard's favor.
- minecraft economies not being stable and major events could severely devalue these 'foreign' holdings

It appears the rate chosen for recordkeeping was the rate Vanguard facilitates client exchanges at (which for context, valued CRP's *starting balance* as R\$20,000. This was a popular exchange to make).

What was a ~60% reserve ratio, is closer to 3.6% when restricted to Redmont assets, which is where the vast majority of where the banks' deposits are (\$52M of \$66M, the latter incl. Nex/Vanguard accounts). To have **78.8% of your deposits in Redmont** but **93% of your cash on other servers** is unbelievably dangerous for depositors. There is no guarantee that this cash could be easily converted at the listed FX rate, leading to many deposit obligations being impossible to meet in the long-term. This concern is ultimately why the bank was seized, alongside non-cooperation from Nexalin in regards to the conditions of the initial tax exemption return.

3. Records

Entry Name: April Balance Sheets of Vanguard Private Bank & Discover Bank, Record
Starts 07/05/2025

Discover Bank Balance Sheet

Assets	Previous Month	Current Month
Cash and Cash Equivalents	\$ -	\$ 15,515,745
Due from Banks / (Due to Banks)	\$ -	\$ 784,172.66
Investment Securities		
-Short-Term Securities	\$ -	\$ 7,357,016.53
-Long-Term Securities	\$ -	\$ -
Loans and Advances to Clients	\$ -	\$ 362,500.00
Intercompany Receivable	\$ -	\$ -
Property, Equipment, and Software	\$ -	\$ 676,404.00
Intangible Assets	\$ -	\$ 1,000,000.00
Accounts Receivable	\$ -	\$ -
Other Assets	\$ -	\$ -
Total Assets	\$ -	\$ 25,695,838.12

Liabilities and Shareholders' Equity

Liabilities		
Client Deposits	\$ -	\$ 23,196,954.60
Short-Term Borrowings	\$ -	\$ -
Long-Term Borrowings	\$ -	\$ -
Intercompany Payables	\$ -	\$ -
Accounts Payable	\$ -	\$ -
Accrued Expenses & Other Liabilities	\$ -	\$ -
Total Liabilities	\$ -	\$ 23,196,954.60
Common Stock / Share Capital	\$ -	\$ 2,498,883.52
Additional Paid-in Capital	\$ -	\$ -
Reserves	\$ -	\$ -
Accumulated Other Income	\$ -	\$ -
Total Equity	\$ -	\$ 2,498,883.52
Total Liabilities & Equity	\$ -	\$ 25,695,838.12

Vanguard Private Bank Balance Sheet

Assets	Previous Month	Current Month
Cash and Cash Equivalents	\$ -	\$ 17,033,518
Due from Banks / (Due to Banks)	\$ -	\$ 636,482
Investment Securities		
- Short-Term Securities	\$ -	\$ 6,334,817
- Long-Term Securities	\$ -	\$ -
Loans and Advances to Clients	\$ -	\$ 10,819,988
Intercompany Receivables	\$ -	\$ -
Property, Equipment, and Software	\$ -	\$ 12,820
Intangible Assets	\$ -	\$ 1,000,000
Accounts Receivable	\$ -	\$ 432,800
Other Assets	\$ -	\$ -
Total Assets	\$ -	\$ 36,270,424

Liabilities and Shareholders' Equity

Liabilities		
Client Deposits	\$ -	\$ 32,708,765
Short-Term Borrowings	\$ -	\$ -
Long-Term Borrowings	\$ -	\$ -
Intercompany Payables	\$ -	\$ -
Accounts Payable	\$ -	\$ -
Accrued Expenses & Other Liabilities	\$ -	\$ -
Total Liabilities	\$ -	\$ 32,708,765
Common Stock / Share Capital	\$ -	\$ 3,561,659
Additional Paid-in Capital	\$ -	\$ -
Reserves	\$ -	\$ -
Accumulated Other Income	\$ -	\$ -
Total Equity	\$ -	\$ 3,561,659
Total Liabilities & Equity	\$ -	\$ 36,270,424

Entry Name: April Income Statements of Vanguard Private Bank & Discover Bank,
Record Starts 07/05/2025

Discover Bank Income Statement

Interest Income	Previous Month	Current Month
Interest on Loans	\$ -	\$ 121,000.00
Interest on Investment Securities	\$ -	\$ -
Total Interest Income	\$ -	\$ 121,000.00
Interest Expense		
Interest on Deposits	\$ -	\$ 736,567.88
Interest on Borrowings & Other Funding	\$ -	\$ -
Total Interest Expense	\$ -	\$ 736,567.88
Non-Interest Income		
Fee & Commission Income	\$ -	\$ 16,535.42
Trading / Investment Banking Revenue	\$ -	\$ 2,850,000
Asset Management & Advisory Fees	\$ -	\$ 14,000.00
Other Income	\$ -	\$ -
Total Non-Interest Income	\$ -	\$ 2,880,535.42
Non-Interest Expense		
Employee Compensation & Benefits	\$ -	\$ 450,000.00
General & Administrative Expenses	\$ -	\$ 1,018,000.00
Depreciation & Amortization	\$ -	\$ -
Marketing & Advertising	\$ -	\$ -
Other Operating Expenses	\$ -	\$ -
Total Non-Interest Expense	\$ -	\$ 1,468,000.00
Income Before Income Tax	\$ -	\$ 796,968
Unrealised Gain	\$ -	\$ -
Income Tax Expense	\$ -	\$ -
Net Income	\$ -	\$ 796,968

Vanguard Private Bank Income Statement

Interest Income	Previous Month	Current Month
Interest on Loans	\$ -	\$ -
Interest on Investment Securities	\$ -	\$ -
Total Interest Income	\$ -	\$ -
Interest Expense		
Interest on Deposits	\$ -	\$ 736,567.88
Interest on Borrowings & Other Funding	\$ -	\$ -
Total Interest Expense	\$ -	\$ 736,567.88
Non-Interest Income		
Fee & Commission Income	\$ -	\$ 141,287.40
Trading / Investment Banking Revenue	\$ -	\$ 2,850,000
Asset Management & Advisory Fees	\$ -	\$ -
Other Income	\$ -	\$ -
Total Non-Interest Income	\$ -	\$ 2,991,287.40
Non-Interest Expense		
Employee Compensation & Benefits	\$ -	\$ 350,000.00
General & Administrative Expenses	\$ -	\$ 1,000,000.00
Depreciation & Amortization	\$ -	\$ -
Marketing & Advertising	\$ -	\$ -
Other Operating Expenses	\$ -	\$ -
Total Non-Interest Expense	\$ -	\$ 1,350,000.00
Income Before Income Tax	\$ -	\$ 904,719.52
Unrealised Gain	\$ -	\$ -
Income Tax Expense	\$ -	\$ -
Net Income	\$ -	\$ 904,719.52



Furthermore, this power is not unlimited, and must be tempered by the rights of the Constitution. Similarly, the Departments of Justice cannot simply look through the voting records or check animal kill logs without a warrant, even though they're tasked with "Investigating ... on behalf of the Federal Government." To suggest that a seizure of two entire businesses, and millions of dollars of assets is reasonable without any warrant or court order is reasonable is, frankly, absurd. Not to mention that on top of that, **they didn't seem to even have any evidence except for a single, inaccurate spreadsheet**, so even *if* a warrant wasn't required (which it is), this would certainly have been an unreasonable seizure as there was no evidence that it was a necessary action.



"(3) The Department of Commerce must treat the data of Financial Institutions as commercial-in-confidence, **with the sole exception to this being the usage of strictly necessary data in a public report, and only to the extent required to describe and justify the reasoning behind any regulatory or enforcement action performed by the Department, including those listed in §8 of this Act.**