

Freedom Holdings- Imagine if FTX violated Russian Sanctions

\$FRHC auditors recently fined and banned from PCAOB for not doing proper diligence on this obvious scheme.

Forbes 30 under 30 curse goes International.



Freedom Holdings has faced criticism for their questionable business practices, including their IPO model, Potemkin board of directors, and lack of oversight. Despite this, the stock of Freedom Holdings remains at an elevated level due to CEO Timur Turlov's concentration of ownership and ability to manipulate the price through multiple related party trading arms and hedge funds, similar to what was seen with FTX/Alameda Research.

While there are concerns about Freedom Holding's declining KPI and valuation compared to established Kazakh-based financial institutions, the most pressing issue is the potential violation of sanctions and related party transactions resembling FTX/Alameda.

We will not rehash old Bloomberg investigative pieces that question the business practices of FRHC

Source: <https://www.bloomberg.com/news/articles/2021-02-25/retail-brokerage-tells-ipo-hungry-clients-buy-our-stock-first?sref=U4oscr91>

Source: <https://www.bloomberg.com/news/articles/2021-08-13/how-a-mystery-hedge-fund-is-driving-a-500-return-on-a-curious-nasdaq-stock?sref=U4oscr91>

Let's start six months ago. On October 19, 2022, Mr. Turlov, along with the senior management of Freedom Finance, was put on the war sanctions list by Ukraine for financial support of the Russian Federation. And this is where the web of lies begins.

WAR SANCTIONS | Sanctions lists | How to avoid being sanctioned? | Foreign directors in Russian companies | International War Sponsors


UA EN RU | Sanctions Tracker | Documents | API

ALONG THE SANCTIONED PERSONS

TURLOV Timur Ruslanovich

Call on world governments to sanction this person for their support of Russia's war against Ukraine. Share your message on social media.

Personal Data | Assets | Connections



Name in sanctions lists	ТУРЛОВ Тимур Русланович TURLOV Timur Ruslanovich TURLOV Timur Ruslanovich
* Date and place of birth	13/11/1967 Moscow
Credentials	Beneficiary, Chairman of the Supervisory Board of LLC Bank "Freedom Finance"
* TIN	50204621205
Reason for imposing sanctions	The owner, a member of the governing body of a company of any form of ownership that operates in the financial sector (bank, which materially, financially or in any other way supports the actions of the Russian Federation that undermine or threaten the territorial integrity, sovereignty and independence of Ukraine

Source: <https://sanctions.nazk.gov.ua/en/sanction-person/18528/>

Without releasing an 8k, the company put out a press release instead, mischaracterizing the situation.

"We were stunned to learn today that FREEDOM FINANCE UKRAINE LLC was included on the National Security and Defense Council of Ukraine sanctions list, which included more than 2,500 companies and individuals, and was released on October 19, 2022. We believe that the inclusion of the company on this list is erroneous."

Source: <https://ir.freedomholdingcorp.com/press-releases/detail/40/statement-from-freedom-finance-ukraine-on-unanticipated>

Turlov was quick to declare to the media that his sanction entry was just a "technical error" or imposed "mechanically". However, given the potential seriousness of the situation, there may be a need for an SEC investigation. Turlov is not to be trusted.

Timur Turlov: Ukrainian sanctions were imposed mechanically

Founder of Freedom Holding Corp. spoke about the sanctions list

...

Source: <https://interfax.com/newsroom/top-stories/85809/>

Source: <https://kapital.kz/finance/111235/timur-turlov-ukrainskiye-sanktsii-byli-nalozheny-mekhanicheski.html>

As we found out within weeks, this was neither erroneous, technical, or mechanical. As reported.

"The list of restrictions imposed by Ukraine for both individuals and legal entities includes 15 items, including the blocking of assets, restrictions on trade operations, a ban on the withdrawal of capital from Ukraine, a suspension of the fulfillment of economic and financial obligations, etc."

15 types of restrictive measures were provided for by the decision of the National Security Service of Ukraine, including:

- asset blocking;
- restriction of trade operations (complete suspension);
- prevention of withdrawal of capital outside Ukraine;
- suspension of economic and financial obligations;
- prohibition of issuing permits and licenses of the National Bank of Ukraine for investment in a foreign country, placement of currency values in accounts and deposits in the territory of a foreign country.

The National Commission on Securities and the Stock Market (NKTSBFR), which regulates the Ukrainian stock market, suspended the licenses of Freedom Finance Ukraine on November 9, 2022, following the decisions of the National Security and Defense Council. Not only was the firm and its directors sanctioned, but their brokerage license was also suspended for a period of five years, and its assets were frozen by the Ukrainian authorities. Bloomberg immediately contacted the Ukrainian Central Bank regarding Freedom's future in doing business in Ukraine.

"That's bound to prove challenging given that the nation has sanctioned him and his local Freedom branch because of his ties to Russia. The Ukrainian Central Bank is willing to do business with foreigners, but only with those with an "impeccable" reputation - not sanctioned entities," its press office said in a text message.

Source: <https://www.bloomberg.com/news/articles/2022-12-23/a-35-year-old-tycoon-targets-the-country-where-he-s-sanctioned?sref=U4oscr91>

What does Ukraine know about Freedom that has not yet been absorbed in the markets in the United States? What are his "Ties to Russia"

Answer – FFIN is the Belize/Russian version of Alameda Research.

While Freedom Holdings appears to have sold their Russian operation, Freedom Finance, their version of Alameda continues to operate under the sole ownership of Timur Turlov.

Investors are introduced to this shadowy party with the following entry:

"In July 2014, prior to our acquisition from him of FFIN Securities, Freedom EU, and Freedom RU and Freedom KZ, Timur Turlov established FFIN Brokerage Services, Inc., a corporation registered in and licensed as a broker-dealer in Belize ("FFIN Brokerage") to service the investment needs of customers desiring broader investment options in international securities markets. FFIN Brokerage is owned personally by Timur Turlov and is not part of our group of companies."

The purpose of FFIN is as described in SEC filings, "... FFIN Brokerage has been able to provide easier access to the U.S. securities markets to investors in Russia."

"We expect FFIN Brokerage will continue to process brokerage transactions for its customers through us, so long as such business is not prohibited by U.S., UK, or EU sanctions or prohibited by Russian countersanctions. To date, the government of Belize has not issued any economic sanctions against Russia or any other jurisdiction."

Turlov Continues to Circumvent Sanctions...Back to Lack of Trust

As Freedom divested their Russian unit, Turlov stated, "After Russia's full-scale invasion of Ukraine, we decided that it was better for our company to leave the Russian market. I also renounced my Russian citizenship," said Timur Turlov, CEO of Freedom Holding Corp."

"Today we do not see the possibility of keeping the Russian business inside the U.S. holding due to the ban on any investment in Russia for U.S. residents, as well as due to a large number of restrictions for deals with non-friendly non-residents."

YET, he continues to be the sole owner and operator of FFIN Brokerage Firm, which derives most of its trading from Russia.

FFIN BROKERAGE SERVICES INC.
 BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors: Timur Turlov

Company Secretary: Timur Turlov
 301 st. Nazarbayeva 301, Apt. 120
 Almaty
 Kazakhstan

Independent Auditors: P.C. Growth Partners Ltd
 Certified Accountants/Auditors
 4 Deynys Expressway Avenue
 2075 Linwood
 Canada


Registered office: New Horizon Building, Suite 303
 2172 Hilltop Dr. W. Golden Highway
 Boise City
 Idaho

Make no mistake, FFIN is clearly set up for Russia as its homepage only has two languages: English and Russian. The first example of Brokerage Services is "Support in Russian."

Brokerage services

We offer access to the American, Kazakh and other securities markets using trading systems or by placing voice orders over the phone.

- Support in Russian at any time of the day
- Trading on the NYSE and NASDAQ
- NetInvestor and FTrader platforms



THIS IS THE KEY TO THE WHOLE FREEDOM INVESTIGATION THESIS

Freedom Holdings generates 85% of its revenues and 95% of their margin lending from FFIN. FFIN generates the majority of its revenue from Russia. FFIN is a controlled entity by Freedom's CEO, who owns 75% of Freedom's stock and therefore has an overwhelming incentive to use FFIN as an illegal piggy bank to funnel funds from Russia into FRHC to manipulate its earnings or stock.

Auditors Barred For this Exact Issue

Freedom's auditors were recently fined and barred by the PCAOB for their oversight of the relationship between FRHC and FFIN. The unsavory relationship between these two entities has come to light, and in December of 2022, the PCAOB fined and barred the auditors of FRHC for not questioning the relationship between these entities.

Below is a sampling of some of the comments of the oversight board.



1666 K Street NW
Washington, DC 20006
Office: 202-207-9100
Fax: 202-852-8430
www.pcaobus.org

**Order Instituting Disciplinary Proceedings,
Making Findings, and Imposing Sanctions**

*In the Matter of Scott J. Reams, CPA, Brandon R.
Keyes, CPA, and James C. Budge, CPA,*

Respondents.

PCAOB Release No. 105-2022-038

December 20, 2022

PCAOB Release No. 105-2022-038 December 20, 2022

Source: https://pcaob-assets.azureedge.net/pcaob-dev/docs/default-source/enforcement/decisions/documents/105-2022-038-rkb.pdf?sfvrsn=65412c23_2&utm_source=PCAOB+Email+Subscriptions&utm_campaign=033f83623d-EMAIL_CAMPAIGN_2019--forums2019_COPY_02&utm_medium=email&utm_term=0_c97e2ba223-033f83623d-

“During the Audits, the Engagement Partners failed to inquire about the business purpose of these related party transactions. For example, they failed to inquire why the Belize Affiliate’s retail customers could not have gone directly to Freedom with their trade orders, as opposed to placing their orders with the Belize Affiliate then passing those orders to Freedom.”

“Likewise, neither of the Engagement Partners learned why Freedom’s CEO set up two separate entities—the Belize Affiliate and Freedom—and then funneled retail trade orders through the non-public, non-audited entity (the Belize Affiliate) on their way to processing by Freedom.”

“Neither Reams nor Keyes took sufficient steps to understand the transactions between the Belize Affiliate and its retail customers.” x

“Reams and Keyes identified and knew there were risks of material misstatement with respect to revenues and margin loans receivable related to transactions with the Belize Affiliate.” the Belize Affiliate and Freedom were related parties, both of which were under control of the Freedom CEO; and (c) Reams and Keyes did not have access to the records and personnel of the Belize Affiliate needed to evaluate material portions of Freedom’s financial statements.

“Evaluate whether a related party was a variable interest entity that, potentially, may have needed to be consolidated with Freedom.”

If FFIN is treated as a subsidiary and consolidated and not a related party, then FRHC would have to restate all financials. More importantly, it would immediately be in violation of the Russian War Sanctions and should be delisted immediately.

FFIN Blacklisted in Kazakhstan

The confusion between Freedom Holdings and FFIN was even realized in Kazakhstan, where Freedom Financial was put on the blacklist for operating illegally. On October 7, 2021, the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market (ARDFM) published a list of entities with signs of illegal activity in the territory of Kazakhstan.

In response, FFIN had to explain that they are a Belize company and not regulated by Kazakhstan, comparing themselves to other Freedom subsidiaries. However, if FFIN is treated as a subsidiary and not a related party, FRHC would have to restate all financials and would immediately be in violation of the Russian War Sanctions, resulting in delisting.

Money Laundering Allegations

As recently reported in Karabasmia, Turlov has used Freedom Holdings to launder money through Russia and Kazakhstan.

According to economic expert Alexey Kushch, "Freedom Finance LLC is an ordinary 'laundry' for money that officials have stolen from the budgets of Russia, Kazakhstan, Ukraine, Kyrgyzstan and those countries of the former USSR where Turlov works. Over the past year and a half, Freedom Finance Bank LLC has legalized several hundred million dollars for such odious persons as Bulat Utemuratov, Sergey Katsuba, Pavel Fuks, Margulan Seisembayev, Sauat Mynbayev, Andrey Birzhin, Askar Mamin, and a number of others."

While we have not been able to validate this story, we hope that the SEC and NASDAQ will investigate it before allowing Freedom to operate in the United States.

Freedom Holdings has FTX written all over it.

We all look back at FTX and question how it happened. While we will not go into detail on all of these points in this report, they are a good starting point:

1. A wunderkind CEO who embraces the press, regardless of the controversy.
2. Use of a related party solely controlled by the CEO to obscure financials.
3. The CEO justifies actions by being a proponent of effective altruism.
4. No oversight by any real board of directors.
5. The attempt to buy a US-based brokerage firm.
6. Investors rely on the assumption that "somebody else did the work."
7. Keeps money domiciled in tax haven countries.

Conclusion:

This story only scratches the surface of the numerous concerns surrounding the accuracy of Freedom Holdings' financial reports and future projections. There are still many unanswered questions about the divestiture of their Russian arm and whether the transaction is legitimate.

FRHC currently has no analyst coverage and does not host conference calls or provide an investor presentation on their website. While the issue of violating war sanctions is discussed in this report, the flaws and misrepresentation of their business are not adequately addressed.

Ultimately, if FFIN is treated as a subsidiary rather than a related party, FRHC would be required to restate all financials and would be in violation of Russian War Sanctions, which could result

in delisting. These are critical issues that require further investigation and attention from regulators and investors.

Cautious Investing to All

These reports have been prepared by either Citron Research (“Citron Research”) or Citron Capital, LLC (“Citron Capital”). Citron Research and Citron Capital are referred to collectively as “Citron” and each individually as a “Citron Entity.” Each report specifies the publisher and owner of that report. All reports are for informational purposes only and presented “as is” with no warranty of any kind, express or implied. Under no circumstances should any of these reports or any information herein be construed as investment advice, or as an offer to sell or the solicitation of an offer to buy any securities or other financial instruments.

Citron Research produces research reports on publicly traded securities, and Citron Capital is an exempt reporting adviser filed with the California Department of Business Oversight. The reports are the property of the applicable Citron Entity that published that report. The opinions, information and reports set forth herein are solely attributable to the applicable Citron Entity and are not attributable to any Citron Related Person (defined below) (other than the Citron Entity that published the report).

By downloading, accessing, or viewing any research report, you agree to the following Terms of Use. You agree that use of the research presented in any report is at your own risk. You (or any person you are acting as agent for) agree to hold harmless Citron Research, Citron Capital and each of their affiliates and related parties, including, but not limited to any principals, officers, directors, employees, members, clients, investors, consultants and agents (collectively, the “Citron Related Persons”) for any direct or indirect losses (including trading losses) attributable to any information in a research report. You further agree to do your own research and due diligence before making any investment decision with respect to securities of the issuers covered herein (each, a “Covered Issuer”) or any other financial instruments that reference the Covered Issuer or any securities issued by the Covered Issuer. You represent that you have sufficient investment sophistication to critically assess the information, analysis and opinion presented in any Citron report. You further agree that you will not communicate the contents of reports and other materials made available by Citron to any other person unless that person has agreed to be bound by these Terms of Use. If you access, download or receive the contents of Citron reports or other materials on your own behalf, you agree to and shall be bound by these Terms of Use. If you access, download or receive the contents of Citron reports or other materials as an agent for any other person, you are binding your principal to these same Terms of Use.

As of the publication date of a Citron report, Citron Related Persons (possibly along with or through its members, partners, affiliates, employees, and/or consultants), Citron Related Persons clients and/or investors and/or their clients and/or investors have a position (long or short) in one or more of the securities of a Covered Issuer (and/or options, swaps, and other derivatives related to one or more of these securities), and therefore may realize significant gains in the event that the prices of a Covered Issuer’s securities decline or appreciate. Citron Research, Citron Capital and/or the Citron Related Persons may continue to transact in Covered Issuers’ securities for an indefinite period after an initial report on a Covered Issuer, and such position(s) may be long, short, or neutral at any time hereafter regardless of their initial position(s) and views as stated in the Citron research. Neither Citron Research nor Citron Capital will update any report or information to reflect changes in positions that may be held by a Citron Related Person.

This is not an offer to sell or a solicitation of an offer to buy any security. Neither Citron Research nor any Citron Related Person (including Citron Capital) are offering, selling or buying any security to or from any person through any Citron research reports. Citron Research is affiliated with Citron Capital. Citron Capital is an exempt reporting adviser filed with the California Department of Business Oversight and is not registered as investment adviser in any other jurisdiction. Citron Capital does not render investment advice to anyone unless it has an investment adviser-client relationship with that person evidenced in writing. You understand and agree that Citron Capital does not

have any investment advisory relationship with you or does not owe fiduciary duties to you. Giving investment advice requires knowledge of your financial situation, investment objectives, and risk tolerance, and Citron Capital has no such knowledge about you.

The research and reports made available by Citron reflect express the opinion of the applicable Citron Entity as of the time of the report only. Reports are based on generally available information, field research, inferences and deductions through the applicable Citron Entity's due diligence and analytical process. To the best of the applicable Citron Entity's ability and belief, all information contained herein is accurate and reliable, is not material non-public information, and has been obtained from public sources that the applicable Citron Entity believe to be accurate and reliable, and who are not insiders or connected persons of the Covered Issuers or who may otherwise owe a fiduciary duty, duty of confidentiality or any other duty to the Covered Issuer (directly or indirectly). However, such information is presented "as is," without warranty of any kind, whether express or implied. With respect to their respective research reports, Citron Research and Citron Capital makes no representation, express or implied, as to the accuracy, timeliness, or completeness of any such information or with regard to the results to be obtained from its use. Further, any research report contains a very large measure of analysis and opinion. All expressions of opinion are subject to change without notice, and Citron does not undertake to update or supplement any reports or any of the information, analysis and opinion contained in them.

In no event shall Citron Research, Citron Capital or any Citron Related Persons be liable for any claims, losses, costs or damages of any kind, including direct, indirect, punitive, exemplary, incidental, special or, consequential damages, arising out of or in any way connected with any information presented in any Citron report. This limitation of liability applies regardless of any negligence or gross negligence of Citron Research, Citron Capital or any Citron Related Persons. You accept all risks in relying on the information presented in any report.

You agree that the information in any Citron research report is copyrighted, and you therefore agree not to distribute this information in any manner without the express prior written consent of the applicable Citron Entity. If you have obtained Citron research reports in any manner other than as provided by Citron, you may not read such research without agreeing to these Terms of Use. You further agree that any dispute between you and Citron and their affiliates arising from or related to this report or viewing the material presented herein shall be governed by the laws of the State of California, without regard to any conflict of law provisions. The failure of Citron Research or Citron Capital to exercise or enforce any right or provision of these Terms of Use shall not constitute a waiver of this right or provision. You agree that each Citron Related Person is a third-party beneficiary to these Terms of Use. If any provision of these Terms of Use is found by a court of competent jurisdiction to be invalid, the parties nevertheless agree that the court should endeavor to give effect to the parties' intentions as reflected in the provision and rule that the other provisions of these Terms of Use remain in full force and effect, in particular as to this governing law and jurisdiction provision. You agree that regardless of any statute or law to the contrary, any claim or cause of action arising out of or related to Citron report or related material must be filed within one (1) year after the occurrence of the alleged harm that gave rise to such claim or cause of action, or such claim or cause of action be forever barred.