February 21, 2017

Brent Fields
Secretary
US Securities and Exchange commission
100 F Street, NE
Washington, DC 20549

Re: SEC file No. SR-CHX-2016-20, and SEC Release No. 34-79474
Order to Disapprove Acquisition of CHX Holdings, Inc. and China Casin Holdings, Inc.
Anti-money Laundering Concerns Doom CHX Sale to Opaque Chinese Casin Empty Shells

Dear Mr. Fields,

I appreciate the opportunity to comment on the Chicago Stock Exchange's ("CHX") demand that the SEC approve its sale to opaque Chinese shell companies assembled by a China Casin Group ("proposal"). This misguided proposal is the epitome of misrepresentation to a federal regulator. The SEC is respectfully requested to carefully study and oppose the CHX China Casin deal.

Other comment letters have touched upon a variety of reasons why the CHX proposal is a catastrophe for America's national security and a win for brazen speculators unwilling and incapable of following U.S. securities laws. In addition to the 40% ownership ceiling and 20% voting limit, anti-money laundering problems surfaced just recently amidst media reports over Chinese overseas acquisitions in general, prohibited under Chinese government foreign currency control measures, discouraging the exact type of buyout involving the Chicago Stock Exchange by China Caixin.

The regulatory hurdles faced by CHX and Casin exist both in the United States and in China. Recently, these issues have mushroomed into a "dual-threat" scenario that the well-regarded SEC regulators may rarely contend with: who should the SEC trust, without the baseline knowledge of the Chinese players' backgrounds?

In a *Wall Street Journal* article published February 21, 2017 titled "Lawmakers Push for Tighter Scrutiny of Chinese Investment In U.S,"[1] political leaders and journalists urge extreme caution in dealing with Chinese companies and approving Chinese deals:

"A year ago Congressman Robert Pittenger sent a sent a letter cosigned by 45 other members of Congress calling for CFIUS to rigorously vet a planned $22 million deal for investors led by China's Chongqing Casin Enterprise Group to buy the Chicago Stock Exchange, which handles less than 1% of U.S. equities trading. The lawmakers said they feared the deal could enable the Chinese government to manipulate U.S. equity markets," The Wall Street Journal reports.

" Some Republicans concerned about Chinese investment might find common ground with Democrats like Mr. Schumer, who says the government should "use all tools at its disposal to

[1] The Wall Street Journal. Lawmakers Push for Tighter Scrutiny of Chinese Investment in U.S. (February 21, 2017). https://www.wsj.com/articles/lawmakers-push-for-tighter-scrutiny-of-chinese-investment-in-u-s

protect the U.S. economy and American jobs, and that includes expanding the authority of CFIUS to review, investigate and block deals where the U.S. gets the short end of the stick."

Now the same question confronts our SEC regulators: Will the SEC approve the CHX China Casin proposal at the likely expense of America's capital markets "catching a fallen Chinese knife, getting the short end of the Chinese stick."

Is the CHX buyout money clean? No one knows

Chinese entities flying under the stealth cover of "upstream" shell companies are a "hotbed" for money laundering. Neither CHX nor Casin has furnished the SEC with any authenticated documentation that shows the identities of Chinese nationals behind the half-dozen shell outfits assembled in the CHX acquisition. Without any background knowledge, the SEC regulators were told by CHX to just "walk in the dark," blindly accepting CHX's various misrepresentations as true. Such arrogant mindset besets the fundamental principle of transparency and accountability embedded in our securities laws.

The Chinese plot to misguide the SEC must be revealed and these basic questions shall be asked and answered: Who are these Chinese buyers? Is their buyout money clean under U.S. and Chinese laws? The trouble is no one knows the right answer.

Was the Chinese money used to buy out CHX legitimately obtained?

Recent media reports and comment letters have raised similar concerns over the legitimacy of the Chinese funds for the CHX proposal. These issues gleaned from the CHX-Casin transaction are echoed by recent failures of other similar U.S. deals played by Chinese entities.

For example, just today, the largest deal involving a Hollywood asset by China's Wanda Group has fallen apart over problems getting currency out of China and regulatory approval from the Chinese government.[2] The deal has been stalled for months amid Beijing's clampdown on capital leaving the country. Under the existing Chinese currency control laws, China's capital controls limit individuals to buying no more than $50,000 each year in foreign currency.[3] Chinese corporate entities don't even enjoy the $50k privilege since each commercial deal is reviewed on a case by case basis by China's State Administration of Foreign Exchange, which is the Middle Kingdom's relentless currency watchdog hording its foreign reserve.

Here are the questions facing SEC regulators: Where and how did the Chinese nationals get the large sums of legitimate USD, if there is any at all, to complete the CHX acquisition? CHX went radio silent on this subject. CHX nor Casin hasn't shared with the SEC or the public why those Casin shell companies are registered to empty home addresses tied to Queens, New York's

---

[2] MarketWatch, China clampdown puts the brakes on Dalian Wanda's deal for Dick Clark Productions. (February 21, 2017) http://www.marketwatch.com/story/china-clampdown-puts-the-brakes-on-dalian-wandas-1-billion-dick-clark-deal-2017-02-21

[3] Financial Times. *China Tightens Control of Personal Forex Purchases.* (December 31, 2016): https://www.ft.com/content/87d8a7e8-cfe8-11e6-b06b-680c49b4b4c0

Chinatown? Has CHX certified to the SEC (along with supporting evidence) the Chinese funds are from legitimate sources? No.

Here is another frustrating point in the CHX deal: The smallest, proposed CHX owner is a "Xian Tong Enterprise," which is linked to a small apartment overlooking an empty lot in Flushing Queens (I did Google searches). Xian Tong would buy 6.94% of CHX with $1.6 million in cash given the Wall Street Journal's report of a $22 million price for the entire CHX. Since China's State Administration of Foreign Exchange (SAFE)[4] publishes the names of entities that have applied and received approvals for foreign currencies, Xian Tong's name is not on the list. China Casin's name is not on the list either. Similarly, none of the various China Casin's so-called "unaffiliated" shells is present on the SAFE list. This puzzling yet troubling fact leads to a more serious question: Is the Casin money legitimately obtained following the strict SAFE regulations in China? CHX has provided no answers. The SEC should care a great deal about it.

If the funds come from Chinese individuals, then the $50,000 annual currency exchange limit would apply. It would take a Chinese national at least 32 years ($1.6 million / $50,000) to wire $1.6 million out of China. Xian Tong probably needs a new address to hide its obviously laughable story. CHX and Casin's stories of purportedly legitimate Chinese "investment companies" just don't hold water.

Money laundering is a serious concern for the SEC in other Chinese deals

The failed Dick Clark takeover by Wanda has raised concerns among some U.S. lawmakers about China's influence in Hollywood and the impact it might have on U.S. media, although Wanda has said the closing had been tied up for months by the Chinese government's scrutiny of money leaving the country. If Wanda, the largest Chinese company has difficulties moving money out of China, no one has heard of China Casin. Should one reasonably suspect Casin may have empty pockets unable to legitimately fund the CHX deal?

China's government is trying to stem capital from leaving the country, which dealmakers have said is creating a hold-up for some deals because Chinese investors are unable to get the green light to transfer funds. This follows a series of measures by authorities since late last year to tighten restrictions on capital outflows and rein in what officials have called "irrational" outbound investment.[5]

These money laundering issues are just the tip of the iceberg for the CHX Casin proposal. If approved, CHX would expose itself to U.S. - China geopolitical risks in a highly contentious political and economic environment. There are also significant reputational risks for CHX, on top of its mounting legal exposure to a "Chinese-owned" stock exchange, putting FCPA (The Foreign Corrupt Practices Act), AML (Anti-money Laundering) and other compliance frustrations front and center in the SEC's ongoing and future oversight of CHX. A Chinese-owned CHX

---

[4] China State Administration of Foreign Exchange (SAFE) website: http://www.safe.gov.cn/wps/portal/english/Home

[5] The Daily Mail. *Wanda's bid for US TV Producer in Trouble:* http://www.dailymail.co.uk/wires/afp/article-4244700/Wandas-bid-US-TV-producer-trouble-reports.html

could evolve into a "problem child" for the SEC regulators down the road. Any mishap could take years to unravel and potentially harm U.S. national security.

The Saliba, Raptor self-dealing, conflict of interest

Another troubling spot in the CHX proposal is the creative yet highly suspicious Raptor, Saliba "Put Agreements" already baked into the Casin acquisition plan, holding at least 24% ownership in CHX on behalf of the Chinese through exercisable "put" arrangements. While Anthony Saliba sits on CHX's board, is he double-dipping to line his own pockets? It sure seems like it.

Astonishingly, Saliba has not recused himself from either his CHX board position or departing from the CHX Casin money pot despite both of his roles face glaring conflict of interest. When a casino house has a rigged slot machine, players know who wins or who loses. Saliba makes money for himself regardless how the CHX deal may turn out.

Since CHX obviously doesn't mind requiring proper governance of its own board members, should the SEC or the public take comfort in CHX's paper plans to rein in any possible abuses by the opaque Chinese owners sitting in Chongqing China? CHX may have greater internal compliance issues that the SEC may want to dig into. Where there's smoke, there's fire. CHX's Saliba deal smells like smoke that may burn just down the house.

Murky Chinese ownership laws, poor property ownership rights and deficient IP protection rules are among the rampant problems for Chinese deals. It's unclear who would actually own CHX under Chinese law even if Casin received the required complex, yearlong SAFE currency approvals in China.

CHX appears to have faith in an untested "China-oriented" business model of introducing Chinese listings to CHX through Casin. Many investors and perhaps the SEC would dispute whether it is a sound business plan. In addition to recent accounting scandals in the U.S. markets that implicated a massive number of Chinese companies, is there capital in the U.S. markets that readily welcomes, trades or invests in CHX-listed Chinese issuers? Unpredictable outcome, uncertain business prospects and Chinese government capital control difficulties are serious issues that cloud the CHX Casin deal.

Americans hold our SEC regulators in high regard. You the SEC staff are the regulators and champions of our markets. When the world collapses on CHX Casin, it would be up to the SEC to clean up the mess. The SEC can alleviate those high risk factors by asking probing questions and shooting down this improper CHX Casin China deal.

Respectfully submitted,
William Park
Business Student
UCLA Anderson School of Management