

September 8, 2017

RE: **China Casin's misrepresentations, undisclosed stock trading halt revealed**

Dear Honorable SEC Chairman Jay Clayton:

Thank you for allowing the public to comment on China Casin's proposed purchase of the Chicago Stock Exchange ("Acquisition"). This is a rotten apple for America. The SEC Commissioners have tackled the Casin misrepresentations with commendable judgment by timely stopping a rushed approval order issued by friends of CHX's Sidley Austin lobbyists at the SEC's Trading and Market Division. The SEC Commissioners have the mandate to shut down this improper scheme.

Without telling the SEC, since May 2017, China Casin's only publicly traded affiliate, China Development (Shenzhen Stock Exchange Code: 000838) has been halted from trading for regulatory violations. The stock price has nosedived to \$ZERO from \$69, according to Google finance.¹ Curiously, Casin's stock chart is the textbook "pump and dump" closely tracking Casin and CHX's news flow relating to the Acquisition.²

CASIN STOCK UP IN SMOKE: China Casin was halted by the ShenZhen Stock Exchange for not disclosing related party stock loans indirectly collateralized with Casin's proposed ownership in CHX . While Casin's first half 2017 earnings were down nearly 90%, reported by Reuters,³ Casin's Chairman/founder Shengju Lu had secretly borrowed hundreds of millions of dollars from the Chinese government-controlled HengFeng Bank, using the loan proceeds to finance the purchase of the Chicago Stock Exchange, indirectly putting up CHX as a collateral for the undisclosed bank loans.⁴ Give Casin stock is worthless therefore its collateral value is now zero, the Chinese government bank will eventually own CHX.

CHX has hidden the Casin stock trading halt from the SEC. Nowhere in either CHX or Casin's many SEC filings was any mention of the illegal stock loans and the regulatory trading halt of China Casin's decimated, worthless stock.

Instead of revealing Casin's deep troubles to the SEC, CHX spent nearly \$5000,000 on DC lobbying,⁵ hiring Sidley Austin lobbyist Michael Borden⁶ to

¹ Google finance publicly available data, CASIN stock nosedived to zero before trading halt for fraud. <https://www.google.com/finance?cid=703305>

² Comment letter to the SEC, Michael Johnson, Director, Center for East Asian Political Economy. <https://www.sec.gov/comments/sr-chx-2016-20/chx201620-2262918-160962.pdf>

³ Reuters: Casin H1 2017 down 90%, accounting impropriety cited: <http://www.reuters.com/finance/stocks/000838.SZ/key-developments>

⁴ Comment letter from Michael Johnson, <https://www.sec.gov/comments/sr-chx-2016-20/chx201620-2262918-160962.pdf>

⁵ OpenSecrets.org: <https://www.opensecrets.org/lobby/firmsum.php?id=D000022249&year=2016>, CHX paid \$300k to Sidley to lobby Members of Congress and the SEC. OpenSecrets.org:

deliberately mislead the SEC commissioners and Congress through PR tours on Capitol Hill. The flamboyant CHX board member **Anthony Saliba knowingly** misled the SEC in his own comment letter,⁷ calling the publicly traded Casin Development a "large company in China that is even affiliated with a publicly listed company," without telling the regulators the "publicly listed Casin" was implicated in a massive loan fraud, suffering from a regulatory trading halt and its share price has gone down to zero.

AN INSIDE JOB: Anthony "Tony" Saliba bought CHX stock for \$1 a share at the end of 2015 while he was sitting on CHX's board approving the Acquisition.⁸ Should the deal go through, Anthony Saliba would reap a 1400% return, nearly half a million dollars in profit. Not a bad gig for an inside job.⁹

THE TYPICAL CHINESE REVERSE MERGER SHELL GAMES, CHINATOWN "INVESTORS": CHX's purported "Chinese investors" are registered to low-value apartments surrounding Flushing's Chinatown in Queens New York. There is no proof these "humble" Chinatown residents suddenly have millions of dollars in cash, earned from legitimate sources, verifiable through tax returns. What's more likely is that these Chinese folks are Casin' shell nominees eagerly awaiting the SEC approval to circumvent America's law and order, undercutting America's prosperity, potentially taking the SEC regulators on a humiliating wild ride.

MONEY BUYS INFLUENCE, THE MAGIC OF CHX'S WASHINGTON LOBBYING: CHX has hired a Sidley Austin Washington lobbyist named **Michael Borden** as its mouthpiece on Capitol Hill. According to public disclosure forms, since the Acquisition was announced in Feb 2016, Sidley Austin has been paid \$300,000 in 2016¹⁰ and \$130,000 in 2017,¹¹ but zero in 2015 before the CHX/Casin transaction.

A former congressional staffer, Mr. Borden has delivered the magic: On August 9, just a day after CHX had filed a 600-page amendment which had completely changed terms of the Acquisition, the SEC staff approved the deal, helping out Mr. Borden and his client CHX.

It was bizarre. Unless the SEC's "approval order" had already been written, waiting in the shadow for the CHX's perfectly choreographed submission on the eve of an August 9 deadline, was it even humanly possible for the Division staff to comb

<https://www.opensecrets.org/lobby/firmsum.php?id=D000022249&year=2017>. CHX paid Sidley Austin \$130,00 in lobbying fees in 2017 relating to the CHX Acquisition.

⁶ Sidley Austin lobbyist Michael Borden, a Washington insider, former staffer on the House Financial Services Committee: <https://www.sidley.com/en/people/b/borden-michael-e> ;

⁷ Anthony Saliba comment letter to the SEC: <https://www.sec.gov/comments/sr-chx-2016-20/chx201620-1612185-136033.pdf>, *2, March 3, 2017

⁸ Chicago Stock Exchange website: I-Board historical trading prices: <http://www.chx.com/chx-holdings/i-board/>

⁹ Comment letter to the SEC, <https://www.sec.gov/comments/sr-chx-2016-20/chx201620-1587761-132084.pdf>

¹⁰ OpenSecrets.org: <https://www.opensecrets.org/lobby/firmsum.php?id=D000022249&year=2016>, CHX paid \$300k to Sidley to lobby Members of Congress and the SEC.

¹¹ OpenSecrets.org: <https://www.opensecrets.org/lobby/firmsum.php?id=D000022249&year=2017>. CHX paid Sidley Austin \$130,00 in lobbying fees in 2017 relating to the CHX Acquisition.

through a 600-page document and wrote a 59-page order - all within 24 hours? If the federal government could be nearly as "diligent" as the SEC Trading and Market staff, taxpayers would be living in heaven. It sure seems like a rubber-stamped "approval order" without proper deliberations - the type of poor transparency that the SEC Commissioners have promptly acted against.

Ironically, following the same roadmap of negligence in the hurried approval of the acquisition of CHX involving fake Chinese buyers, on the same day - August 9, the SEC Trading & Market Division suffered a strong rebuke from the DC Appeals Court for having rubber-stamped an Options Clearing Corp rule change (see *Susquehanna International Group et al. v. SEC*, case number 16-1061).¹² Writing for a three-judge panel, Chief Judge Merrick Garland minced no words in finding "the SEC's Trading and Market Division failed to undertake the analysis required by the Securities Exchange Act of 1934."

DON'T SELL OUT AMERICA: Americans are among the most generous people in the world. But America's values are not generally shared by the Chinese. Concerns by American investors and Congressional leaders over the Chinatown-based, opaque Chinese Casin Group cannot be brushed aside. When "Cashin" makes its money "Cashing out," Mr. Clayton and the SEC will be left holding the bag taking the blame answering to Congress. Don't take the fall for the fake Chinese investors.

Ask these basic questions: who are the so-called "Chinese investors" out of Chinatown? Has the SEC met with any of them? Do they understand English? Do they exist? Why wasn't Casin's stock trading halt disclosed to the SEC?

The SEC Commissioners have the duty to gauge "good, wise, political" in any policy decision. It's time for the SEC to protect the public and reject this improper Casin/CHX deal. Selling out CHX to the fake Chinese buyers by peddling political lobbying is arguably treason. This Acquisition is the epitome of cyber security threat.

God bless you and the SEC Commissioners for having halted this CHX-Casin transaction, an obvious regulatory swamp that stinks.

Thank you.

Respectfully submitted,

Timothy Watson

¹² See Law360, DC Circuit Wants More SEC Scrutiny of Clearinghouse Plan.
<https://www.law360.com/articles/952248/dc-circ-wants-more-sec-scrutiny-of-clearinghouse-plan>