

December 15, 2017

The Honorable SEC Chairman and Commissioners
The U.S. Securities and Exchange Commission
Washington D.C.

RE: Comment Letter. Release No. 34-79474; File No. SR-CHX-2016-20

The Unsolved Mysteries Overshadowing the Fraudulent Chinese Acquisition of the Chicago Stock Exchange

Dear Honorable SEC Chairman and the SEC Commissioners:

How many times can a regulated stock exchange lie, cheat and mislead in its regulatory filings before the SEC would act to shut it down? The Chicago Stock Exchange ("CHX")'s routine practice of making false representations to the SEC regulators in collusion with fake Chinese government controlled Casin "buyers" manifests intolerable insults to the dedicated professionals at the SEC. I thank you for your vigilance and the opportunity to comment.

The truth: not a single Illinois House or Senate member supports the fake CHX acquisition by the opaque Chinese Casin shells

The SEC Commissioners and staff should be commended for "putting the brakes" on the fake Chinese Casin acquisition of CHX. Members of Congress have also repeatedly voiced their opposition to the fraudulent Chinese takeover of the CHX.¹ In fact, not a single member of the House or Senate from the State of Illinois supports the fake Chinese acquisition of CHX, according to interviews of Illinois lawmakers by **Crain's Chicago Business**.² The article revealed some excruciating details: "Now, even a top Illinois Democrat, U.S. Sen. Dick Durbin, is holding back on support for the transaction. "In light of recent major breaches of private financial information, it's entirely appropriate for the SEC to thoroughly review this sale, which could give China access to American financial data and critical market operations," Sen Durbin said in a statement."

At the center of the proposed CHX acquisition is a North America Casin ("NA Casin"), an empty shell. But ironically, in his continued effort to game the SEC, CHX CEO John Kerin fraudulently characterized NA Casin as "a large private company that is not owned or controlled by the Chinese government,"³ when in fact NA Casin is an empty shell outfit that has no assets, no employees, no business, no contact information of any sort on earth. Why did John Kerin lie again?

¹ See article published by Alliance for American Manufacturing, date July 10, 2017: Lawmakers Aim to Stop Chinese Investors from Buying the Chicago Stock Exchange. <http://www.americanmanufacturing.org/blog/entry/members-of-congress-want-to-stop-chinese-investors-from-buying-the-chicago->

² See article in the Crain's Chicago Business: Few Illinois Lawmakers Eager to Back Chicago Stock Exchange Deal. <http://www.chicagobusiness.com/article/20171020/NEWS01/171029994/few-illinois-pols-seem-eager-to-back-chicago-stock-exchange-deal>

³ See comment letter from John Kerin, CEO of CHX: <https://www.sec.gov/comments/sr-chx-2016-20/chx201620-2812978-161638.pdf>

During its two-year wrestling with the SEC regulators in a “cat and mouse game,” CHX has filed multiple amendments to the same fraudulent Chinese theme underpinning the fake Casin - CHX acquisition. But mysteries and grave concerns remain unsolved, frustrating the public and regulators alike.

- ***A 9% free stock giveaway to CHX’s top brass. Why does China Casin need to bribe CHX management if the proposed Chinese Casin deal were not problematic?***

CHX management would receive FREE STOCK from Chinese Casin that amounts to a 9% ownership in CHX, worth \$3 million.⁴ The bad optics reeked of self-dealings among CHX insiders, permeated with fraud. The ostensible “generous Chinese donation” is a trap for CHX management to commit a crime by violating the Foreign Corrupt Practices Act (FCPA) - a hot topic involving opaque foreign buyers. Considering such glaring criminal conduct, everyone should surmise that CHX management and the Chinese Casin folks could be led away someday in handcuffs and shackles. Is a DOJ criminal investigation looming over the obvious corruption in the CHX-Casin deal?⁵ It’s certainly an argument with some force.

- ***No shareholders vote, no proxy solicitations, why is the CHX – Casin deal shrouded in secrecy?***

It appears CHX and its Indian fella board member Anthony Saliba control a rubber stamp CHX Board that has deliberately shed their fiduciary duties to inform CHX’s more than 190 shareholders of the free stock (bribes) to CHX management, as well as the extraordinarily profitable insider trades placed by Anthony Saliba. CHX is a Delaware company and proper corporate governance is required. Where is the public disclosure about the conflicting interests that have plagued the CHX – Casin deal? None.

- ***The fraudulent, risk-free Saliba/Raptor “put agreements” are troubling schemes***

While resting on CHX’s board, Anthony Saliba orchestrated a series of fake “put agreements” that would position him to sell his purported 50% stake in CHX to the fake Chinese Casin buyers. The price and timing for such sales are solely dictated by Saliba/Raptor through a chain of 100% guaranteed, risk-free trades. Such terms are highly unusual and in fact totally unprecedented in a regulated industry. They suggest nothing other than Saliba/Raptor acting as fake nominees kowtowing to their Chinese bosses.

- ***Jay Lu, the new “CHX owner” is a teenager with a fake bio, and the recent arrest of Chinese Hengfeng Chairman with deep ties to Casin***

Since the SEC’s public exposure of the fake identities of three Chinatown-registered shell company buyers, the last two remaining Chinese names barely hanging onto the Casin/CHX fraud are a father and son team - Shengju Lu in China (*who has pledged his entire CHX holdings to a notorious Chinese Hengfeng Bank⁶ whose Chairman Cai Guohua was recently arrested for fraud and corruption – see*

⁴ See comment letter. Jeremy Johnson, Analyst, Citizens Alliance for Better Government. November 22, 2017
<https://www.sec.gov/comments/sr-chx-2016-20/chx201620-2711663-161532.pdf>

⁵ See comment letter. Peter Strauss, fraud examiner, Fraud Detection Network.
<https://www.sec.gov/comments/sr-chx-2016-20/chx201620-2807656-161633.pdf>

⁶ See comment letter, Michael Johnson, Center for East Asian Political Economy.
<https://www.sec.gov/comments/sr-chx-2016-20/chx201620-2445412-161069.pdf>

Reuters article⁷, also revealed in a comment letter⁸) and his teenage kid Jay Lu.⁹ CHX and Casin often boasted about Jay Lu's academic credential as a Johns Hopkins grad in Baltimore. But the truth is that Jay Lu barely graduated from a fifth-tier community school named Pasadena City College, located thousands of miles away from Baltimore. When a teenager and his Chinese dad fudge the kid's bio and mislead the SEC, far more questions should be raised: what else have hidden from the regulators?

- ***Alleged crime and insider trading doom CHX board member Anthony Saliba, the mastermind behind the Chinese Casin fraud***

It's been well documented that CHX board member Anthony Saliba has allegedly committed a crime of insider trading. While pushing for the fake Casin deal to close, Saliba secretly acquired CHX shares for \$1 a share in 2015. If the Casin deal were to go through, Saliba would be able to cash out the same stock for at least \$15 a share by selling them to the Chinese, collecting nearly \$1 million in illicit profit. Neither CHX shareholders nor the SEC was informed of Saliba's illegal act.

- ***Yong Xiao – the non-English-speaking Chinese man capable of writing comment letters to the SEC. Who's behind such a remarkable "genius" of linguistics?***

Yong Xiao, aka "Jackson Xiao" is the self-appointed CEO of an empty shell outfit North American Casin ("NA Casin"). Mr. Xiao is a "prolific writer" who's contributed several comment letters to the SEC, pounding his chest peddling his own creditworthiness. Is this a real person? Unlikely. Otherwise he must not be human: On the surface, this purported Yong Xiao has written beautiful letters to the SEC, pouring his heart out pledging allegiance to the opaque Chinese Casin -CHX fraud. **But there is a caveat for his unusual enthusiasm: Mr. Yong Xiao doesn't speak or write English!** This apparent "genius of the English language" is a phony. The SEC should fully investigate his questionable background, starting with a test of his English proficiency, unveiling the ghosts behind his SEC comment letters.

- ***The three withdrawn "Chinese investors" never had the money to acquire CHX after all***

In a December 15 comment letter submitted by the equally obscure NA Casin CEO "Yong Xiao," Xiao made a stunning admission¹⁰ that the three departed, Chinatown-based shell company investors never had the money to invest in the CHX deal, contrary to their repeated, misleading representations to the SEC.

⁷ See Reuters article, "Cai Guohua, chairman of Hengfeng Bank, one of 12 joint stock commercial banks in China, is currently under investigation for serious violations of Party discipline—an oft-used euphemism for corruption—reported Chinese business news publication Caixin on Nov. 28."

<https://www.newsoncompliance.com/blog/2017/12/in-china-investigation-of-8-banking-executives-exposes-widespread-corruption/>

⁸ See comment letter, John Carney, Independent Investigator. <https://www.sec.gov/comments/sr-chx-2016-20/chx201620-2249018-160912.pdf>

⁹ See comment letter, Samuel Garland, Regulatory Policy Group: <https://www.sec.gov/comments/sr-chx-2016-20/chx201620-2678498-161417.pdf>

¹⁰ See comment letter, Yong Xiao, CEO of NA Casin: Withdrawal of Chinese Investors: <https://www.sec.gov/comments/sr-chx-2016-20/chx201620-2800312-161690.pdf>

“...and the fact that the funds necessary for the [withdrawn fake Chinatown investors] investment were tied up and unavailable for use in alternative investment opportunities.”¹¹ – Yong Xiao, CEO, shell company NA Casin

Common sense tells us If a storied Chinese deal sounds too good to be true, there must be lies and bs somewhere. Thanks to the revelation of CHX fraud initially discovered by commenter John Ciccarelli at the Global Investigative Journalism Network (<https://www.sec.gov/comments/sr-chx-2016-20/chx201620-1457034-130154.pdf>), three fake Chinatown buyers have since dropped out of the CHX bid.¹²

What did SEC Chairman Jay Clayton recently tell the Senate about CHX during a hearing?

Recently, members of Congress have expressed their deep suspicions over the fake Chinese bid for the CHX. SEC Chairman Jay Clayton especially voiced his concerns about “foreign influence” on our markets. On Sept 26, 2017, Chairman Jay Clayton testified before the U.S. Senate Committee on Banking, Housing & Urban Affairs and addressed questions from several senators.¹³ This is one of the exchanges:

Q: Senator Donnelly (D-IN): "Whether foreign ownership of a stock exchange [Chicago Stock Exchange] exposes markets to new risks and vulnerabilities?"

SEC Chairman Jay Clayton: "Absolutely." "Not just foreign owners, but also state actor intrusions and state actors monitoring of our markets is an issue that troubles me." Mr. Clayton added: "I am aware of the various issues [relating to the CHX acquisition by the Chinese] raised by the commenters."

The hollow chanting of “promoting free trade with China” cannot be a substitute or a “get out of jail free card” that would allow CHX, Casin and the fake Anthony Saliba “put investors” to defraud the SEC.

No Chinese or any other foreigners should be permitted to steal America’s last independent stock exchange that would accelerate China’s buildup of its military might, or escalate its animosity towards the USA. As CHX insider Mr. Marc Gresack nicely put in his comment letter: “I believe that such commenters raise valid and compelling issues relating to the genesis of these strange put arrangements. None of the parties in the CHX acquisition discussions in which I participated ever contemplated the existence or need for such put protections....”¹⁴ Until the Chinese has learned to be open, honest and transparent with our SEC regulators, this Casin – CHX Ponzi scheme is just another failed cautionary tale of a massive Chinese fraud.

¹¹ See comment letter, Yong Xiao, CEO of NA Casin: Withdrawal of Chinese Investors: <https://www.sec.gov/comments/sr-chx-2016-20/chx201620-2800312-161690.pdf>

¹² See The Wall Street Journal. Three Fake Chinese Investors Withdrew from Controversial CHX Deal, after SEC sought more details about fraudulent bid. <https://www.wsj.com/articles/two-chinese-firms-bidding-for-chicago-exchange-withdraw-from-controversial-deal-1507923339>

¹³ See comment letter, Jeremy Johnson, Citizens Alliance for Better Government. <https://www.sec.gov/comments/sr-chx-2016-20/chx201620-2711663-161532.pdf>

¹⁴ See comment letter from CHX insider Marc Gresack. November 21, 2017. <https://www.sec.gov/comments/sr-chx-2016-20/chx201620-2714673-161522.pdf>