

December 22, 2009

Top Chinese NASDAQ Official's Resignation Raises Questions about Its Disclosures.

On May 22, 2009 a spokesperson for the NASDAQ OMX Group, Inc. (NASDAQ: NDAQ \$19.59) said that its chief representative and managing director in China, Guangxun Xu, "left" the company, [according to Reuters](http://www.asensio.com/CSKI/xu/xu_leaves_nasdaq.pdf).

NASDAQ, formerly a subsidiary of the Financial Industry Regulatory Authority, Inc. ("FINRA"), has not made additional disclosures concerning Xu's departure.

Serious questions about Xu are raised by his repeated on-again, off-again NASDAQ employment history, his use of NASDAQ's brand for his private company engaged in financial advisory, his connection to questionable stock-promoter Benjamin Wey, and details contained in SEC filings for at least two Chinese reverse mergers. These concerns existed prior to Xu's sudden departure. Yet all that has been disclosed is that Xu "left" the company.

There has been no public indication of any action by NASDAQ or FINRA to protect investors or conduct an investigation of the circumstances under which Xu "left" the company. FINRA is the regulator overseeing the NASDAQ.

On May 4, 2009 asensio.com informed NASDAQ's chief listing compliance official, Gary Sundick, head of the listing investigations department, of certain NASDAQ deficiencies in protecting investors, most recently from misconduct related to Chinese reverse mergers and of certain concerns about its handling of the Pegasus Wireless stock fraud. (See the accompanying report [NASDAQ conduct in Pegasus and Xu raise questions about its integrity](http://asensio.com/Reports/ReportView.aspx?ReportId=1012&CompanyId=165&CompanyName=Report).)

Sundick is responsible for overseeing listing compliance, including for Chinese reverse mergers that trade on NASDAQ, such as China Sky One Medical, Inc. (NASDAQ: CSKI \$21.68). See [reports on CSKI](http://www.asensio.com/Reports/CompleteRecordCompany.aspx?CompanyId=165&CompanyName=China+Sky+O).

Within weeks after the conversation with Sundick, on May 22, 2009, NASDAQ confirmed that Xu had left the company.

[A replacement](http://www.asensio.com/CSKI/xu/xu_replacement.pdf) for Xu was not announced until July 24, 2009, two months after the announcement of Xu's departure.

[Xu worked](http://www.asensio.com/CSKI/xu/xu_caas_bio.pdf) for NASDAQ in China for 10 years, from 1994 until [NASDAQ closed](http://www.asensio.com/CSKI/xu/nasdaq_closes.pdf) its China office in 2004. [NASDAQ reopened](http://www.asensio.com/CSKI/xu/nasdaq_reopens.pdf) its China office in 2007 and then rehired Xu to work as chief representative in China.

While NASDAQ's China office was closed, Xu operated his own advisory firm called NASDAQ Listing Services Limited that specialized in advising "Chinese companies on US and UK listings."

We found neither a disclosure of an agreement between NASDAQ and Xu granting Xu the right to use the NASDAQ brand for a listings advisory firm, nor any FINRA rule allowing an exchange to enter into an agreement that would allow the transfer of any of its listing qualifications responsibility to an unregistered third party.

From July 2006 to May 2007, Xu served on the board of a NASDAQ-listed Chinese reverse merger, China Automotive Systems, Inc. (NASDAQ: CAAS, \$20.43), until he resumed employment with NASDAQ.

An [CAAS Form 3](http://www.asensio.com/CSKI/xu/finchley3.pdf) filed shows Xu having a UK address in Finchley, London.

Finchley International Investments Ltd. sold 103,200 shares of Bodisen Biotech, Inc. (OTC: BBCZ \$0.24) for \$2.064 million in February 2006, according to an SEC-filed [Form 144](http://www.asensio.com/CSKI/xu/finchley144.pdf).

See a separate report on Bodisen, stock promoter Benjamin Wey, and Wey's connection to Xu. [Click here](http://asensio.com/Reports/ReportView.aspx?ReportId=1011&CompanyId=165&CompanyName=Report) to read the asensio.com report titled "Bodisen and Wey's Connections to NASDAQ's Chinese Reverse Merger Mill Exposed."

NASDAQ failed to take action on the concerns raised by asensio.com related to Chinese reverse mergers and Xu. The separate report on NASDAQ issued today speaks of conflicts-of-interest NASDAQ may face in ensuring listings compliance. [Click here](http://asensio.com/Reports/ReportView.aspx?ReportId=1012&CompanyId=165&CompanyName=Report) to read the asensio.com report titled "NASDAQ's Conflicts in Pegasus and Xu Raise Questions About Its Regulatory Reliability."

Given the problematic nature of expecting NASDAQ to protect investors from harm, asensio.com then raised the issue of Xu's departure and NASDAQ oversight problems to a senior official at FINRA.