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## *NASDAQ Seeks to “Incubate” Chinese Companies to Sell to US Investors.*

NASDAQ is seeking to play an activist venture-capital-like role in starting Chinese companies, which would then list on NASDAQ, according to a report by [Xinhua](http://www.asensio.com/china/frucher_xinhua.pdf).

Meyer S. (“Sandy”) Frucher, vice chairman of the NASDAQ OMX Group, reportedly stated that NASDAQ was seeking to “incubate” small businesses to “allow them to get financing in higher level capital market.” Another NASDAQ executive, Eric Landheer, said that NASDAQ is looking to “play the intermediary role to introduce law firms, accounting firms and other industrial relations” for the incubating Chinese businesses. Landeer stated, “After they become quality enterprises, they can be listed in NASDAQ.”

Another NASDAQ executive, [Robert McCooey](http://www.asensio.com/china/mccooley.pdf), has reportedly been on promotional trips in China with Rodman & Renshaw, Roth Capital, Loeb & Loeb LLP, and CCG investor relations, all of which are US firms commonly associated with Chinese reverse mergers.

Frucher was the chairman and CEO of the Philadelphia Stock Exchange (PHLX) from 1998 to 2008, when PHLX was acquired by NASDAQ. Other Philadelphia Stock Exchange executives and associates have been involved in Chinese reverse mergers organized by stock promoter Benjamin Wey. Former PHLX officials’ involvement with Wey is the subject of a separate [asensio.com report](http://www.asensio.com/Reports/ReportView.aspx?ReportId=1080). Another [report](http://www.asensio.com/Reports/ReportView.aspx?ReportId=1081) addresses conflicts of interest enabling the Chinese reverse merger industry in general and Wey’s companies in particular.

NASDAQ seeking to “incubate” Chinese firms to list on the NASDAQ serves as a greater conflict of interest with NASDAQ’s regulatory responsibilities, which have already been notably deficient with Chinese companies. FINRA appears to share in this responsibility, since FINRA performs regulatory work for NASDAQ under contract, according to FINRA’s website.

NASDAQ’s apparent eagerness to partake in the reverse merger network of accountants, bankers, and lawyers is in stark contrast to the reported stance of the SEC, which has begun a [large-scale investigation](http://www.asensio.com/Reports/ReportView.aspx?ReportId=1082) into the “networks of professionals” – i.e., law firms, accounting firms, and investor relations firms – responsible for Chinese reverse mergers, according to a report in the [Wall Street Journal](http://www.asensio.com/china/wsj-china.pdf).