



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Commerce, Community,
and Economic Development

DIVISION OF BANKING AND SECURITIES
Juneau Office

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January 8, 2024

BAM Trading Services Inc.
Attn: Norman Reed
252 NW 29th Street
9th Floor, Suite 905
Miami, FL 33127

Dear Mr. Reed:

On November 16, 2023, the Alaska Division of Banking and Securities (Division) received via the National Multistate Licensing System (NMLS) a request from BAM Trading Services Inc. (BAM) to renew its money transmitter license. The Division has reviewed BAM's request, and for the reasons set forth below, denies renewal of BAM's money transmitter license.

BAM's ownership structure does not meet the requirements for renewal. Currently, Changpeng Zhao owns 100% of CPZ Holdings Limited, which owns 100% of BAM Management Company Limited, which owns 80% of BAM Management US Holdings Inc., which is the parent company of BAM Trading Services. Owning 25% or more of its shares makes Mr. Zhao a person in control of BAM Trading Services for purposes of [AS 06.55.105\(a\)\(2\)](#).

On November 21, 2023, [Mr. Zhao pled guilty](#) to the charge of failing to maintain an effective Anti-Money Laundering program (AML). Mr. Zhao admitted that, since 2017, due to the lack of an effective AML policy, his money service business "...processed transactions involving proceeds of illegal activity and caused transactions between U.S persons and persons in jurisdictions that are subject to comprehensive U.S. sanctions." That is to say, Mr. Zhao knowingly allowed his money service business to be used to launder money, evade sanctions, and otherwise be used to facilitate illicit transactions. By virtue of this guilty plea and its admissions, Mr. Zhao does not satisfy the requirements for "competence, experience, character, and general fitness of the ... persons in control of the applicant" of [AS 06.55.105\(a\)\(2\)](#).

We are informed that Mr. Zhao has granted a revocable proxy to vote his shares and is considering granting an irrevocable proxy to vote his shares. In either scenario Mr. Zhao will remain a person who has "the ownership of ... directly or indirectly... at least 25 percent of a class of voting securities" of BAM. In addition, even if the irrevocable proxy satisfied the statutory requirements, which it does not, Mr. Zhao would still have "control" under [AS 06.55.990\(3\)\(C\)](#) as a person with "the power to exercise directly or indirectly a controlling

influence over the management or policies of BAM. Mr. Zhao's stature within the cryptocurrency industry and his ownership stake in BAM so great that, regardless of the terms of an irrevocable proxy, as 25% or more owner he would be able to influence management and policies of BAM.

For a money transmitter license to be granted a renewal by the Division, the licensee must meet the minimum requirements for licensure, with no issues that would be grounds for suspension or revocation of the license under [AS 06.55.601](#). In accordance with [3 AAC 13.050\(a\)](#), the Division may deny renewal of a license should the Division have grounds for suspension or revocation under [AS 06.55.601](#). Because a person with an 80% interest in BAM does not meet the requirements of [AS 06.55.105\(a\)\(2\)](#), the Division determines that there are grounds for revocation under [AS 06.55.601\(a\)\(1\)](#) and [AS 06.55.601\(a\)\(5\)](#), and the renewal request submitted by BAM is denied in accordance with [3 AAC 13.050\(a\)](#).¹

The statutes provide an appeal process under [AS 06.55.701](#), which must be received within 30 days after receipt of the denial notice.

The statutes may be found online at <https://www.akleg.gov/basis/statutes.asp#06.55>, and the regulations may be found online at <https://www.akleg.gov/basis/aac.asp#3.13>.

If you have any questions or would like to discuss this matter further, please contact the undersigned via email at rob.schmidt@alaska.gov.

Sincerely,

Robert Schmidt
Director
Alaska Division of Banking & Securities

¹ Please note the Division retains jurisdiction over BAM as a money transmitter as it winds down its business in Alaska.

