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REC'D - AR SECURITIES

**SETTLEMENT AGREEMENT AND CONSENT ORDER
BAM TRADING SERVICES INC. D/B/A BINANCE.US**

WHEREAS, the States of Arkansas, Illinois, and South Dakota, (individually, a “Participating State,” and collectively, the “Participating States”) have each agreed, through their respective state money transmission regulatory agency, to negotiate and enter into this Settlement Agreement and Consent Order (hereinafter referred to as the “Agreement” or “Order”);

WHEREAS, the state money transmission regulators of the Participating States (hereinafter referred to individually as a “State Money Transmission Regulator” and collectively as the “State Money Transmission Regulators”) are members of the Conference of State Bank Supervisors (“CSBS”) and the Money Transmitter Regulators Association (“MTRA”), and the State Money Transmission Regulators and BAM Trading Services Inc. d/b/a Binance.US (“BAM Trading”) (collectively, the “Parties”) have agreed to address enforcement concerns of the State Money Transmission Regulators with respect to BAM Trading in a collective and coordinated manner;

WHEREAS, BAM Trading is licensed as a money transmitter under the respective laws of the Participating States;

WHEREAS, BAM Trading is a Delaware corporation with headquarters located in Miami, Florida;

WHEREAS, Changpeng Zhao indirectly beneficially owns approximately eight-one percent (81%) of BAM Trading;

WHEREAS, on November 21, 2023, Mr. Zhao pled guilty to violating and causing a financial institution, Binance Holdings Limited, to violate the federal Bank Secrecy Act;

WHEREAS, on November 21, 2023, Mr. Zhao executed a short-term proxy in his capacity as the authorized representative of BAM Management Company Limited (“BAM Management”) that designates Norman Reed, the Interim Chief Executive Officer, General Counsel, and Secretary of BAM Trading as the designated representative of BAM Management and gives Mr. Reed the sole power to represent and direct Mr. Zhao’s direct and indirect voting interest in BAM Management with respect to any matters involving BAM Trading or its parent, BAM Management US Holdings Inc.

WHEREAS, BAM Trading has prepared a term sheet for an irrevocable proxy (“Irrevocable Proxy”), which once executed will supersede the current short-term proxy, and has provided this term sheet to the MTRA, including the Participating States, for review and comment;

WHEREAS, as further detailed in the notices previously filed in the Nationwide Multistate Licensing System (“NMLS”), BAM Trading lost certain of its banking relationships due to the closure of the federally-insured banks that BAM Trading used to access fiat transmission and deposit services on behalf of customers and, in light of the complaint and related motions filed by the U.S. Securities and Exchange Commission, has been unable to secure federally-insured bank accounts in which to hold customer funds;

WHEREAS, due to the loss of its federally-insured bank accounts, BAM Trading now holds U.S. dollar-denominated customer funds with BitGo Trust Company, Inc. and cannot count such funds towards the statutory requirement to maintain permissible investments equal to outstanding customer obligations in all states where it maintains a license (the “PI Requirement”);

WHEREAS, because its U.S. dollar-denominated customer funds cannot currently be counted towards fulfilling the PI Requirement in all states, BAM Trading has begun the process of purchasing the maximum permitted amount of U.S. Treasury Bills, a permissible investment under the money transmitter statutes of substantially all states, from TreasuryDirect.gov on a weekly basis and is committed to doing so until it is able to fully cover its outstanding customer liability;

WHEREAS, the facts set forth above have led the State Money Transmission Regulators, as coordinated by the MTRA, to commence a multi-state money transmission investigation into BAM Trading’s compliance with applicable state money transmission laws (the “Multi-State Investigation”);

WHEREAS, the Multi-State Investigation is being conducted pursuant to the respective statutory authorities of the participating State Money Transmission Regulators, and is ongoing;

WHEREAS, BAM Trading is seeking to renew or otherwise maintain its existing money transmission licenses in the states in which it is licensed pending the completion of the Multi-State Investigation; and

WHEREAS, BAM Trading further acknowledges that this Agreement does not resolve the pending Multi-State Investigation and is intended solely to allow BAM Trading to renew or otherwise maintain its existing money transmission licenses; BAM Trading acknowledges that except as expressly limited by this Agreement, the State Money Transmission Regulators may pursue any and all remedies available under the law against BAM Trading, if the State Money Transmission Regulators elect to do so later.

NOW, THEREFORE, this Agreement having been negotiated by the Parties in order to resolve

the issues identified herein without incurring the costs and delays associated with protracted administrative and judicial proceedings, it is by the State Money Transmission Regulators listed below, as coordinated through CSBS/MTRA, hereby **ORDERED**:

I. JURISDICTION

1. *Jurisdiction.* That pursuant to the licensing and supervision laws of the Participating States, the Participating States have jurisdiction over BAM Trading as described herein and may enforce the terms of this Agreement thereon unless otherwise stated in this Agreement. BAM Trading acknowledges that the State Money Transmission Regulators have and maintain jurisdiction over the underlying dispute, including all matters referred to in these recitals.

II. REQUIREMENTS

2. *PI Requirement.* BAM Trading shall provide the State Money Transmission Regulators with a written plan by which it expects to meet the PI Requirement in each of the Participating States by no later than March 31, 2024, such plan to be provided to the State Money Transmission Regulators by no later than January 15, 2024; and BAM Trading shall meet the PI Requirement in each of the Participating States by no later than March 31, 2024;
3. *Federally Insured Bank Account.* BAM Trading shall secure a depository account at a federally-insured banking institution by no later than June 30, 2024 (the "Insured Depository Account"), and until the Insured Depository Account is open and funded, shall provide the State Money Transmission Regulators with written updates on a monthly basis regarding BAM Trading's efforts to secure such Insured Depository Account and outstanding customer obligations denominated in fiat currency; and
4. *Irrevocable Proxy.* BAM Trading and the State Money Transmission Regulators will negotiate in good faith to agree on terms for the Irrevocable Proxy by no later than March 31, 2024, and the Irrevocable Proxy shall be effective no later than June 30, 2024.

III. LICENSE ACTIONS STATUS

5. *Maintaining License Status.* The Participating States agree that they shall (i) approve BAM Trading's 2024 license renewal applications; and (ii) as long as BAM Trading remains in compliance with Paragraphs 2-4, not suspend or revoke BAM Trading's money transmitter licenses solely on the basis of the matters subject to the Multi-State Investigation until June 30, 2024 (or a later agreed upon date);
6. *Narrow Construction.* The Parties agree that Paragraph 5 shall be narrowly construed, and that

Paragraph 5 does not, among other things, prohibit any Participating State from:

- a. Suspending or revoking BAM Trading's money transmission license if BAM Trading fails to comply with Paragraphs 2-4, or on the basis of the matters subject to the Multi-State Investigation after June 30, 2024 (or a later agreed upon date);
 - b. Suspending or revoking BAM Trading's money transmission license on the basis of BAM Trading's compliance with law regarding matters not subject to the Multi-State Investigation; or
 - c. Taking any other judicial or administrative action against BAM Trading permitted under applicable law.
7. *No Release.* BAM Trading expressly agrees and acknowledges that the Multi-State Investigation remains pending, and that this Agreement does not resolve any claim the Participating States may have against BAM Trading, BAM Trading's successors, heirs, and assigns, or any person or entity related to BAM Trading including, but not limited to, its past, present, or future directors, employees, and agents. The Parties agree that this Agreement does not constitute a release of BAM Trading's successors, heirs, and assigns, or any person or entity related to BAM Trading including, but not limited to, its past, present, and future directors, employees, and agents and is simply intended to maintain the status quo pending the completion of the Multi-State Investigation. This Agreement shall not be used to bar any further proceeding relating to the Multi-State Investigation or any other matter except as set forth expressly in Paragraph 5.

IV. ENFORCEMENT

8. *General Enforcement Authority:* That the terms of this Agreement shall be enforced in accordance with the provisions, terms, and authorities provided in this Agreement and under the respective laws and regulations of each Participating State.
9. *No Restriction on Existing Examination and Investigative Authority.* That this Agreement shall in no way preclude any State Money Transmission Regulator from continuing the Multi-State Investigation or otherwise exercising its examination or investigative authority authorized under the laws of the corresponding Participating State. The Parties agree that the failure of BAM Trading to comply with any term or condition of this Agreement with respect to a particular Participating State shall be treated as a violation of an Order of the Participating State and may be enforced as such. Moreover, BAM Trading acknowledges and agrees that

this Agreement is only binding on the State Money Transmission Regulators and not any other Local, State or Federal Agency, Department, or Office.

10. *Sharing of Information and Cooperation.* That the State Money Transmission Regulators may collectively or individually request and receive any information or documents in the possession of the MTRA. This Agreement shall not limit BAM Trading's obligations, as a licensee of the State Money Transmission Regulators, to cooperate with any examination or investigation, including, but not limited to, any obligation to timely provide requested information or documents to any State Money Transmission Regulator to the extent such information or documents are available.

V. GENERAL PROVISIONS

11. *Effective Date.* That this Agreement shall become effective upon the later of (i) execution by all of the State Money Transmission Regulators for the Participating States and (ii) when posted on the Nationwide Multistate Licensing System ("NMLS") (the "Effective Date").
12. *Binding Nature.* BAM Trading represents that the person signing below is authorized to execute this Agreement and to legally bind BAM Trading. BAM Trading hereby knowingly, willingly, voluntarily, and irrevocably consents to the entry of this Agreement, which is being entered pursuant to the authority vested in each State Money Transmission Regulator and agrees that it understands all of the terms and conditions contained herein. BAM Trading acknowledges that it has full knowledge of its rights to notice and a hearing pursuant to the laws of the respective Participating States. By voluntarily entering into this Agreement, BAM Trading waives all rights to notice and a hearing, and review of such hearing, and also herein waives all rights to any other judicial appeal concerning the terms, conditions, and related obligations set forth in this Agreement. BAM Trading further acknowledges that it has had an opportunity to consult with independent legal counsel in connection with its waiver of rights and with the negotiation and execution of this Agreement, and that BAM Trading has either consulted with independent legal counsel or has knowingly elected not to do so. BAM Trading acknowledges that the terms of this Agreement shall be legally binding upon BAM Trading and its successors and assigns. The provisions of this Agreement shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this Agreement shall have been modified, terminated, suspended, or set aside in writing by mutual agreement of the State Money Transmission Regulators collectively.

13. *Standing and Choice of Law.* That each State Money Transmission Regulator has standing to enforce this Agreement in the judicial or administrative process otherwise authorized under the laws and regulations of the corresponding Participating State. Upon entry, this Agreement shall be deemed a final order of each respective State Money Transmission Regulator unless adoption of a subsequent order is necessary under the laws of the corresponding Participating State. In the event of any disagreement between any State Money Transmission Regulator and BAM Trading regarding the enforceability or interpretation of this Agreement and compliance therewith, the courts or administrative agency authorized under the laws of the corresponding Participating State shall have exclusive jurisdiction over the dispute, and the laws of the Participating State shall govern the interpretation, construction, and enforceability of this Agreement.
14. *Adoption of Subsequent Orders to Incorporate Terms.* That a State Money Transmission Regulator, if deemed necessary under the laws and regulations of the corresponding Participating State, may issue a separate administrative order to adopt and incorporate the terms and conditions of this Agreement. Should a separate administrative order be required in a given Participating State, that State shall provide notice to BAM Trading prior to issuance of the same. In the event a subsequent order amends, alters, or otherwise changes the terms of the Agreement, the terms of the Agreement, as set forth herein, will control.
15. *No Admission.* Nothing contained in this Agreement shall be deemed an admission, finding, or denial of any fact, matter, liability, or thing by BAM Trading except as to the State Money Transmission Regulators' jurisdiction and authority to enter into and enforce this Order.
16. *Privilege.* That this Agreement shall not constitute a waiver of any applicable attorney-client or work product privilege, examination privilege, confidentiality, or any other protection applicable
17. *Titles.* That the titles used to identify the paragraphs of this Agreement are for the convenience of reference only and do not control the interpretation of this Agreement.
18. *Final Agreement.* That this Agreement is the final written expression and the complete and exclusive statement of all the agreements, conditions, promises, representations, and covenants between the Parties with respect to the subject matter hereof, and supersedes all prior or contemporaneous agreements, negotiations, representations, understandings, and discussions between and among the Parties, their respective representatives, and any other person or entity,

with respect to the subject matter covered herein, excepting therefrom any proceeding or action if such proceeding or action is based upon facts not presently known to a State Money Transmission Regulator. The Parties further acknowledge and agree that nothing contained in this Agreement shall operate to limit the Multi-State Investigation or a State Money Transmission Regulator's ability to assist any other Local, State or Federal Agency, Department, or Office with any investigation or prosecution, whether administrative, civil or criminal, initiated by any such Agency, Department, or Office against BAM Trading or any other person based upon any of the activities alleged in these matters or otherwise. The Parties have had the opportunity to draft, review, and edit the language of this Agreement, the Parties agree that no presumption for or against any party arising out of drafting all or any part of this Agreement will be applied in any action relating to, connected to, or involving this Agreement. Accordingly, the Parties agree to waive the benefit of any State statute providing that, in cases of uncertainty, language of a contract should be interpreted most strongly against the party who caused the uncertainty to exist.

19. *Waiver.* That the waiver of any provision of this Agreement shall not operate to waive any other provision set forth herein, and any waiver, amendment and/or change to the terms of this Agreement must be in writing signed by the Parties
20. *Enforcement; No Private Right of Action Created.* An enforcement action under this Agreement may be brought solely by the Parties hereto. No provision of this Agreement shall be construed as providing a private right of action to enforce the terms of this Agreement, nor shall any provision of this Agreement be construed as a release of any claim that a person or entity may have against BAM Trading. The provisions of this Agreement are enforceable by the Participating States and BAM Trading. The Participating States, jointly or individually, may make such application as appropriate to enforce or interpret the provisions of this Agreement or, in the alternative, may maintain any action within their legal authority. In any action to enforce this Agreement, the Parties may seek any appropriate relief authorized by law.
21. *Costs.* That except as otherwise agreed to in this Agreement, each Party to this Agreement will bear its own costs and attorneys' fees associated with this Agreement.
22. *Notices.* That any notice to BAM Trading and/or the State Money Transmission Regulators required or contemplated by this Agreement shall be delivered, if not otherwise described

herein, by electronic copy to BAM Trading through the "Primary Company Contact" for BAM Trading listed in the NMLS, or similar contact system, and to the State Money Transmission Regulators by direct written notification.

23. *Counterparts*. That this Agreement may be executed in separate counterparts, by facsimile or by PDF (or comparable electronic format), each of which shall be deemed an original but all of which taken together shall constitute one and the same Agreement. A copy of the signed Agreement will be given the same effect as the originally signed Agreement.
24. *Compliance with Applicable Law*. That nothing in this Agreement shall relieve BAM Trading of its obligation to comply with applicable State and Federal law.

It is so **ORDERED**.

IN WITNESS WHEREOF, in consideration of the foregoing, including the recital paragraphs, and with the Parties intending to be legally bound, do hereby execute this Agreement.

[Signature Pages Follow]

BAM TRADING SERVICES INC.

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By Christopher Blodgett
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Dated: 12/29/2023, 2023

Christopher Blodgett, Chief Operating Officer

**STATE OF ARKANSAS
SECURITIES DEPARTMENT**

By:  _____
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Dated: 12/29/2023, 2023

Campbell McLaurin, Deputy Commissioner

**STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION**

By: ^{DocuSigned by:} Francisco Menchaca Dated: 12/29/2023, 2023
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Francisco Menchaca Director-Div. of Financial Institutions

**STATE OF SOUTH DAKOTA
DIVISION OF BANKING**

By: DocuSigned by:

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Bret Afdahl, Director

Dated: 12/29/2023, 2023