BANCO DE ESPAÑA
Eurosistema

ECONOMIC BULLETIN 4/2018
ANALYTICAL ARTICLES

30 October 2018

The growth of the FinTech industry in China: a singular case

Sergio Gorjón

Abstract

In scarcely two decades, the People's Republic of China has become one of the most prominent countries in the FinTech field. This has been the result of a singular set of factors, including most notably the structural shortcomings of China's financial system, the growth of its middle classes and their attitude to privacy, a high level of digital connectivity, the volume of e-commerce and a series of public policies and enabling regulations. In addition, the emergence of the FinTech industry in China is marked by the success of the national technological giants, which have recently embarked on an international expansion. The Chinese Government continues to pursue ambitious strategic plans which, for the first time, evidence greater concern for a framework of robust safeguards to protect customers and ensure financial stability.

Keywords: FinTech, China, BATs, digital transformation, digital disruption, financial innovation.

JEL codes: G28, G29, O33

THE GROWTH OF THE FINTECH INDUSTRY IN CHINA: A SINGULAR CASE

The author of this article is Sergio Gorjón of the Directorate General Operations, Markets and Payment Systems.[1]

Introduction

In terms of the development, implementation and success of FinTech, the People's Republic of China stands out internationally as one of the most dynamic and advanced markets. Its digital leadership is the outcome of its recent history, originating with the liberalising reforms of the late 1990s.

Starting from a low level of sophistication, lack of efficiency, high degree of government intervention and prominent State banks, the Chinese financial system has changed fundamentally in scarcely two decades. The key to this far-reaching modernisation has been precisely new technologies, whose emergence en masse coincided with awareness of the urgent need for bank restructuring.

The following sections explore the main causes and characteristics of this unique process. They set out some of the possible future trends and the significance of these for other jurisdictions.

Key drivers of China's digital transformation

In terms of customer numbers and size, China's FinTech ecosystem is now one of the world's biggest. This is a result of the interaction over time of various, highly heterogeneous factors; accordingly, it is not easy to establish which of these have been the most important. However, the following may be highlighted: a) structural shortcomings in the traditional financial system; b) a high level of digital connectivity in Chinese society; c) the high relative significance of e-commerce; and d) a governmental/regulatory environment conducive to innovation.

a) STRUCTURAL SHORTCOMINGS IN THE TRADITIONAL FINANCIAL SYSTEM

The particular characteristics of China's banking system, marked by the polarisation of its activity around State-owned companies[2] and the scant development of local capital markets have traditionally hampered the access of certain stakeholder groups to classic funding sources. This has meant that their potential for contributing to economic growth has been seriously constrained, with SMEs being the sector most affected. In turn, a large portion of the adult population has been side-lined as far as the provision of essential banking services is concerned. Moreover, the authorities have also controlled deposit interest rates.

Further, banks have been constrained by another series of underlying problems when granting credit. These include, for example, the deficit of collateral and major information shortcomings in central credit registers. Also, the pace of modernisation has been weighed down by the moderate role of foreign banks, reflecting the severe restrictions on their entry (e.g. constraints on setting up branches, subsidiaries and the taking of strategic stakes in

1 The author appreciates the suggestions made by Juan Ayuso, José Manuel Marqués, Ana Fernández, Bing Xu and Julio Darna. The article is the sole responsibility of the author and does not necessarily reflect the opinions of the Banco de España or the Eurosystem.

2 75% of the loans granted by the main Chinese banks are to the so-called "state-owned enterprises" (Tsai, 2015), marked by interference by the public authorities in their management, a high degree of debt, poor profitability and moderate contribution to national GDP.

local commercial institutions), along with the weakness of legal safeguards and evident cultural differences.

Despite the enormous potential for growth[3] of the insurance industry, which accounts for only 14% of GDP, it is much smaller than in the industrialised countries. Once again, there are many causes, among which the following stand out: the obsolescence of the underlying production and distribution models; the limited appeal of value propositions; and a still-high level of concentration in their supply and capital restrictions. Lastly, the fund management industry is also a laggard: only 3% of the financial assets in China take the form of investment funds, and this despite the liberalisation of the market and the subsequent proliferation of commercial initiatives.[4] However, recent regulatory changes might foreshadow a substantial transformation of this landscape.

b) HIGH LEVEL OF DIGITAL CONNECTIVITY IN CHINESE SOCIETY

In contrast to the particular starting position of its financial industry, China stands out as regards the maturity of its digital infrastructure. Indeed, the country has witnessed one of the swiftest rates of adoption of new technologies worldwide (see Chart 1). While some industries are still lagging behind their counterparts in the leading edge economies, recent studies reveal that these differences are rapidly fading.

The linchpin of this process has been (and continues to be) the Internet and, above all, mobile technologies as drivers of private consumption. Specifically, China accounts for 25% of global Internet users (more than the United States, India and Japan combined), meaning that in scarcely 20 years half of its population has started to use these networks. In turn, the country has almost 700 million mobile phones (see Chart 2), this being the preferred access channel to online services.[5] In addition, the value of payment transactions via mobile phones is 11 times greater than that in the United States.

The emergence and entrenchment of extensive digital ecosystems promoted by local technology giants is discernibly one of the key factors behind such blanket digital penetration. Characterised by an aggressive strategy of continuous diversification both in content and services, Baidu, Alibaba and Tencent (known as the “BATs” – see Box 1), have opted for a growth model based on horizontal platforms aimed at offering an integral consumer experience.

Sheltered from foreign competition, these platforms operate through matching supply to local demand, expanding their customer base in a setting of low commercial margins. These companies are, in turn, the driving force behind venture capital investment in China, through their direct investment in other start-ups, by providing a benchmark for the growth strategies of other technology companies (e.g. Huawei or Xiaomi) or by nurturing entrepreneurship.[6]

---

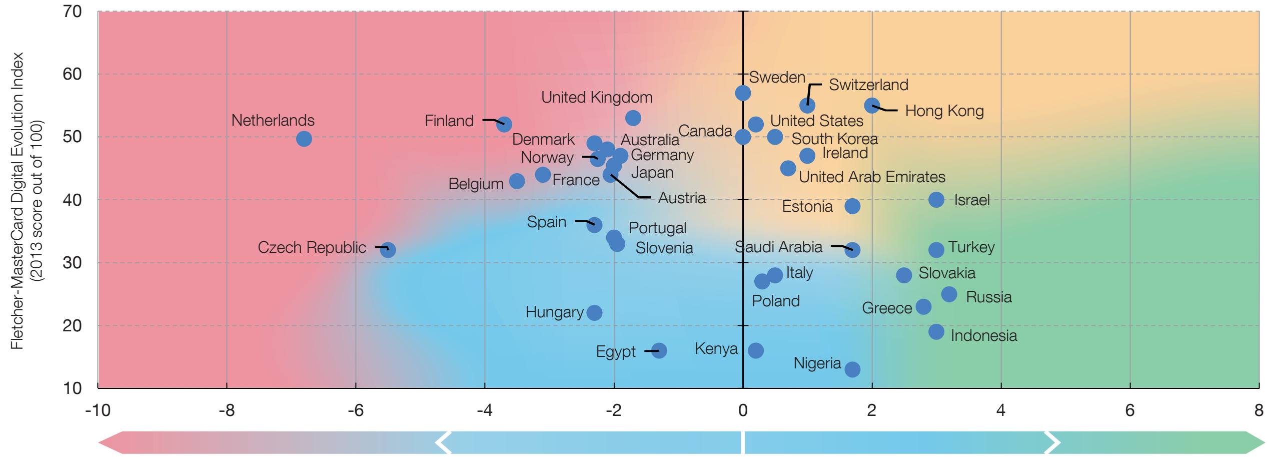
3 Derived from factors such as the size of the population, the population ageing rate, the accelerated growth of the middle classes and their concentration in urban areas, and regulatory reforms (e.g. lifting of certain restrictions on investment, enabling the creation of private pension schemes).

4 The problem lies with the design of these products and their relative lack of attractiveness in terms of long-term profitability. In addition, they have to compete with various types of high-yield deposits which, like the so-called wealth management products, not only offer a guaranteed interest rate but also, occasionally, local government backing.

5 One in five Chinese are estimated to go onto the Internet via their mobile phone (5% in the United States), with the proportion of e-commerce through this channel standing at close to 70% against 30% in the United States.

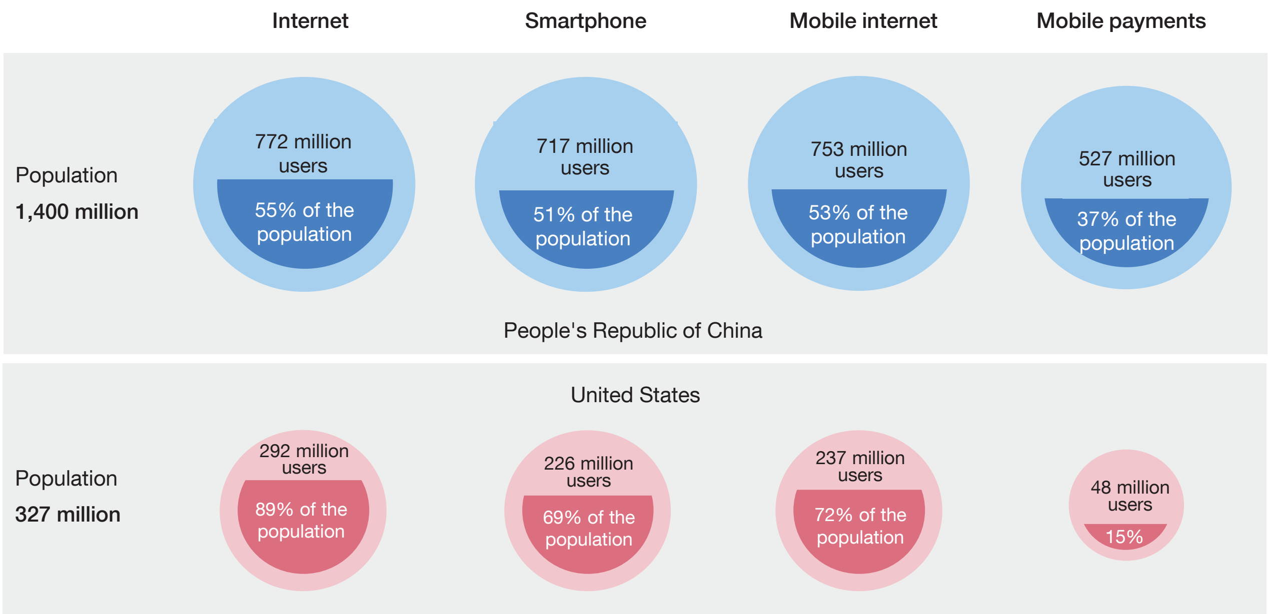
6 It is calculated that 20% of Chinese start-ups have been founded by BATs or their employees, and that a further 30% receive some type of financing from BATs.

PACE OF DIGITAL ECOSYSTEM EVOLUTION IN 50 COUNTRIES (2008-2016) CHART 1



SOURCE: Chakravorti and Chaturvedl (2017).

LEVEL OF INTERNET AND MOBILE PENETRATION CHART 2



SOURCES: Abacus, 500 and South China Morning Post (2018).

Their success has also been favoured by the weight of the younger segment of the population in the large and growing national middle-class (responsible for more than 45% of consumption). [7] This group, apart from its greater proactiveness and propensity to change, is less preoccupied with the privacy of personal information.

7 According to figures from the Credit Suisse Research Institute, the level of the population's wealth has increased fivefold since the start of the century. Thus, since 2013, China is the country with the biggest middle class worldwide in absolute terms. If this current trend holds, 35% of the population (around 418 million inhabitants) should form part of this group by 2030. According to The Economist Intelligence Unit, these dynamics are being accompanied by rapid growth in the level of private consumption (at an annual average rate of 5.5%), which will possibly lead to this variable becoming the main engine of economic growth.

c) RELATIVE IMPORTANCE OF E-COMMERCE

In barely a decade (2008-2018), the importance of China in digital commerce worldwide has changed radically. From representing scarcely 1% of the aggregate total, China now accounts for practically half of all turnover, as a result of sustained growth at annual rates of around 25%. Moreover, as a proportion of total retail sales, China's online sales are the largest in the world (in 2016, 18.4% of revenues stemmed from the Internet, as against 10% in the United States, the world's second most important market).

Peer-to-peer transactions were initially responsible for this expansion, but it was the development of business-to-customer platforms (in particular, the BATs) that provided the definitive boost. The key to this success lies in the general improvement in convenience for end-users in a country where households face notable obstacles gaining access to credit, where the degree of penetration of financial cards is limited and the payment infrastructure at the point of sale is deficient (absence of POS terminals). Among other strategies, these platforms have differentiated themselves from their competitors by boosting the mobile channel, offering micro-financing and/or developing proprietary payment solutions that can be easily implemented by retailers and have affordable fees.[8]

At the same time, these platforms have chosen to position themselves as integral providers of both content (e.g. videos, social networks, products) and value-added services (e.g. logistics, storage, advertising and marketing). In addition, their development has been anchored to the deployment of commercial strategies geared towards rapid gains in popularity.[9] The BATs continue to strive to increase their attractiveness through initiatives such as improving logistical aspects relating to the last mile, the promotion of omnichannel retailing, the use of application program interfaces (APIs) for access to internal databases and their social commitment.[10]

Another important distinguishing feature of the Chinese e-commerce ecosystem has been its treatment of personal data (see Chart 3). Apart from a certain indifference on the part of consumers, the regulatory framework has been lax as regards the gathering, storage and use of this type of data. However, changes are in the pipeline owing to the proliferation of security incidents and the need to protect consumers and firms from cyber threats (the first specific law in this area in China was approved in 2017).

d) FAVOURABLE GOVERNMENT/ REGULATORY ENVIRONMENT

To speed up the modernisation of its financial industry and to boost consumption through greater financial inclusion, the Chinese Government has made digitalisation and the promotion of innovative technologies one of the pillars of its five-year

8 It should be kept in mind that the existence of safeguards against foreign competition may have made it easier to refine the services offered to the final market through successive rounds of trial and error.

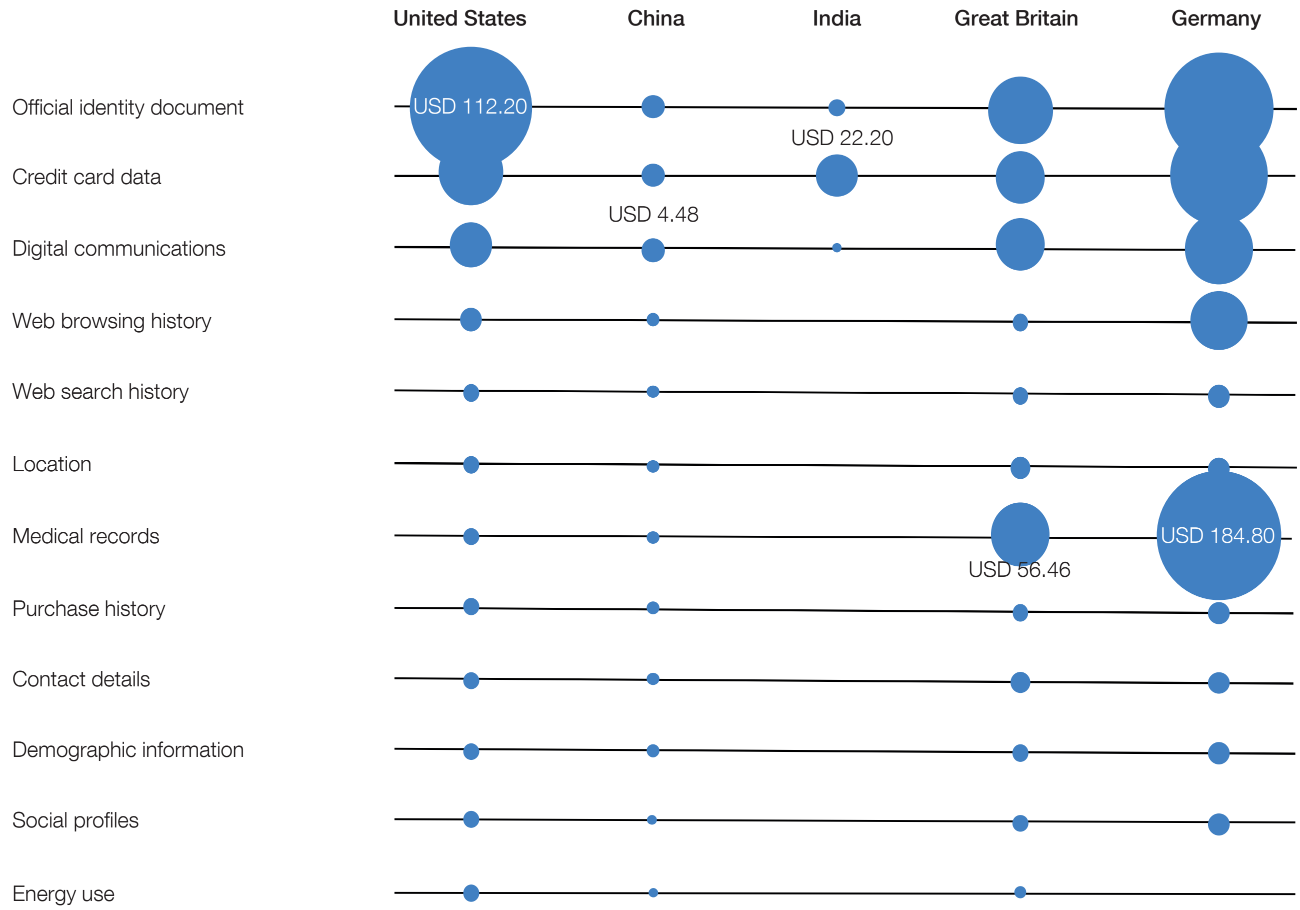
9 Alibaba pioneered the launch of what are now popularly known as e-commerce festivals when it officially declared 11 November as "Singles Day" and offered deep discounts on purchases by single persons on that date. In 2016 alone this initiative was responsible for an increase of 40% in sales that day. Other platforms have followed suit with similar projects. For example, since 2014, Tencent allows its users to employ its WeChat messaging service to send the traditional red envelopes given as New Year's gifts. From 16 million envelopes in the first year, the figure has grown to 14,000 million in 2017.

10 The social networks play a highly singular role in the daily lives of the Chinese. The legal curbs on the free operation of foreign networks has favoured the development of local alternatives. These have proved capable of accommodating themselves to the authorities' requirements, adapting to the particularities of citizens and, moreover, capitalising on certain of the country's idiosyncratic features (emigration of the rural population to the cities which has separated many families, the loneliness of the only-child generation and the mistrust of a part of society towards the mass media). In this situation, social networks play a determining role in the purchasing experience of Chinese consumers, whether it be as a buying channel or as a reference. For manufacturers they are similarly a key factor in creating and consolidating brand images and in gathering useful feedback which may influence product design.

PUTTING A PRICE ON DATA

CHART 3

Results of surveys of consumers in the United States, China, India, Great Britain and Germany. Approximate amount (in 2014 US dollars) that consumers would be prepared to pay to protect their data.



SOURCE: Morey et al. (2015).

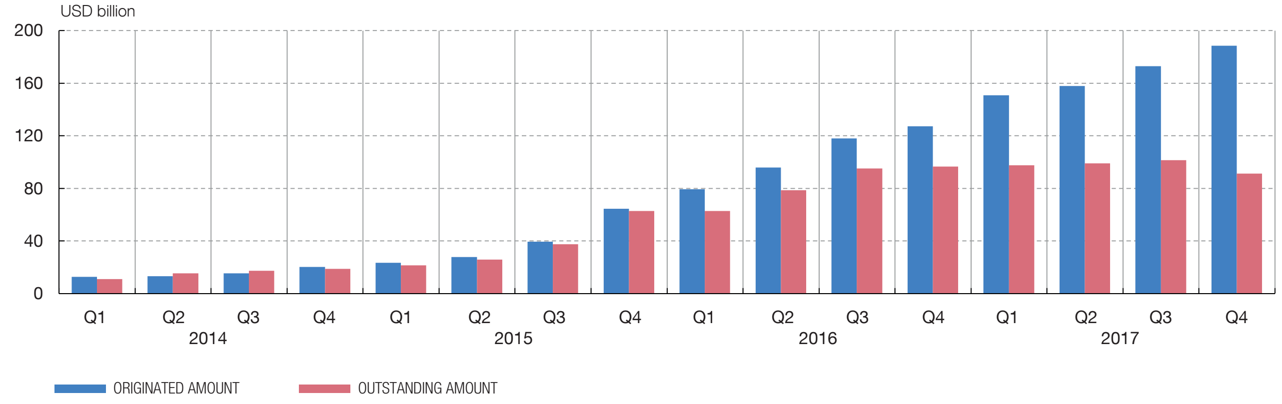
development plans.[11] In line with these objectives, both the regulatory and supervisory frameworks consisted, to start with, of general principles, with a consequent lack of definition in the treatment of certain activities and of emerging suppliers. This allowed rapid expansion at the cost of a certain level of arbitrariness which, as in the case of crowdfunding (see Chart 4), has had the disadvantage of permitting irregular and fraudulent behaviour, ultimately involving the disappearance of between 40% and 60% of lenders.

Mindful of these circumstances, from 2015, the Chinese authorities began gradually to change tack. While still pressing ahead with reform of the financial system, emphasis shifted towards safeguards to protect the interests of customers and ensure financial stability.

11 More generally, the Chinese government introduced in 2015 the so-called Internet+ Strategy plan to encourage conventional industry to make greater use of the Internet and related technologies. The aim of this plan is for such technologies to act as growth and efficiency levers and as enhancers of internationalisation. This plan also seeks to modernise public services at all levels in order to simplify and expedite the administrative processes of citizens and firms. The plan envisages the development of infrastructures, the improvement of communications, the identification of technological bottlenecks and the improved control of risks.

PEER-TO-PEER (P2P) LOAN MARKET IN CHINA

CHART 4



SOURCE: DBS Bank (2018).

MAIN FRAMEWORK PRINCIPLES FOR REGULATION APPLICABLE TO THE DIGITAL FINANCIAL ECONOMY

TABLE 1

1	Setting minimum thresholds and ceilings for access to different types of activity. Placing limits on the maximum size of the business.
2	Creating different roles for different kinds of digital financial service providers.
3	Strengthening measures relating to the management and safeguarding of customer funds.
4	Determining detailed rules for managing risk and promoting transparency.
5	Strengthening mechanisms for protecting customers, information and communication security and preventing money laundering and terrorist financing.
6	Implementing an appropriate sanctioning regime.
7	Establishing a structure dedicated to risk control.

SOURCE: Own elaboration.

For this purpose, the authorities have defined a framework of basic principles to promote a healthy digital financial ecosystem, as the first step in a specific regulatory agenda, which is being gradually completed through a body of law dealing with each type of activity (see Table 1).

Along with the foregoing, a more restrictive policy has been adopted in various prominent areas of activity. For example, since September 2017, virtual currency trading platforms have been banned, as have activities involving the raising of funds through ICO's (initial coin offerings). Likewise, since April 2018, online asset management has been classified as a franchised business which requires a licence for mass marketing.

In parallel, other actions have been taken to support emerging actors such as, for example: a) encouraging traditional banks to provide them with deposit and financial facilities and settlement services, b) simplifying the administrative procedures for obtaining the necessary licences, c) granting tax concessions to start-ups, and d) promoting a tailor-made clearing and settlement infrastructure.

Also, the FinTech industry has had direct and open government support without which a large part of its growth might not have happened. This extensive catalogue of measures includes notably the creation of a circuit of public financing of start-ups through the setting

MAIN PUBLIC ACTIONS FAVOURING THE FINTECH INDUSTRY IN THE FIVE-YEAR PLAN (2016-2020) TABLE 2

Launch of interdisciplinary innovation networks (with the participation of research centres, universities and cutting-edge firms).
Boost to general-purpose key technologies (in particular, big data, artificial intelligence and cloud computing).
Promotion of projects in the crowd ecosystem (including improvements in the supervisory and oversight framework).
Boost to new patterns of collaboration and division of labour through the Internet to favour the emergence of new models of business and industrial organisation.
Increasing the flexibility of the public framework for scientific and technological project management.
Reform and strengthening of intellectual property rights.
Development of support strategies for the marketing of inventions.
Tax exemptions for investment in research and development.
Increasing the flexibility of the accounting framework in the area of depreciation.
Intensification of the commitments on acquisition and public bidding for innovations.
Modernisation of programs to boost skill levels focusing on the attraction and retaining of domestic and foreign talent.
Deployment of advanced information and communication infrastructure (high speed, mobility, as security and ubiquitous and new patterns of collaboration and division of labour through the Internet) with broad coverage (urban and rural environment) and ease of accessibility.
Promoting the Internet of things through the deployment of sensors, the promotion of open applications and the support of standardisation.
Facilitating the collection and sharing of government and public information and data through unified platforms (and after the necessary legal adaptation).
Strengthening cyber security and the privacy protection framework.
Renewal of the e-commerce infrastructure and boosting international traffic through the creation of experimental brokers.

SOURCE: Own elaboration.

up of State-owned investment funds, the granting of significant government subsidies and the opening of technology parks jointly financed by firms and other public agencies.

Finally, the current five-year plan (2016-2020) includes a wide-ranging set of supplementary measures aiming to promote FinTech activity, the main features of which are summarised in Table 2.

Possible future trends

As seen in the last section, the current situation of the FinTech industry in China is the direct consequence of a number of diverse concurrent factors. However, given the dynamism of the industry the present scenario is subject to significant challenges that anticipate imminent changes. Looking ahead, several distinctive courses of action may be identified.

First, it is more than likely that the current level of disruption associated with new entrants will increase over the next few years (see Chart 5). This will basically be a result of the adoption of more aggressive strategies by the main local technological giants, seeking to go beyond merely covering the basic financial needs of their customers.[12] This process in turn entails important challenges for the authorities as it may entrench an oligopolistic market structure placing constraints on future innovation.

Also, a higher degree of cooperation is discernible between the relevant players which also includes the strengthening of ties with traditional entities for the harnessing of possible complementarities (see Table 3). For example, thanks to the physical infrastructure of the

12 For example, Ant Financial, the financial services subsidiary of Alibaba, has already entered the residential rental market, enabling flat rental through its Alipay application. Likewise, Tencent has been authorised to sell insurance policies through its messaging service WeChat.

MAIN COOPERATION AGREEMENTS BETWEEN BANKS AND FINTECH IN 2017 TABLE 3

China Construction Bank (CCB) and Ant Financial	Industrial and Commercial Bank of China and JingDong	Agricultural Bank of China and Baidu	Bank of China and Tencent	Bank of Communications and Sunning
To promote the taking out of CCB credit cards online, to cooperate in the use of offline payment channels and solutions, and to share information on customers' credit risk.	To explore areas for cooperation in retail and banking, consumer corporate finance, marketing and asset management.	To develop joint financial intelligence, exploring analytical tools for marketing, credit scoring systems, risk management and automated advice solutions.	To collaborate in the development of cloud-based IT solutions, big data, blockchain and artificial intelligence, as well as on the development of finance inclusive ecosystems and intelligent financing of FinTech.	To collaborate in the development of intelligent finance models, cash management, and international expansion and business diversification programmes.

SOURCE: PricewaterhouseCoopers (2018).

incumbents, branchless start-ups are able to perform the on-site verifications required for the opening of accounts under the law on money laundering. For their part, banks benefit from the potential to exploit some of the technology tools that underpin the distinctive strength of emerging firms.

However, the intensity of this disruption may be tempered by the plans to improve the supervision of internet finance. Among other measures, this includes the launch of a platform for registering licensed entities, an ambitious regulatory and standardisation programme in the area of electronic payments, and the development of a sectoral credit bureau or of an ambitious system for collecting and monitoring statistics (based on the use of artificial intelligence and big data), in an attempt to detect the presence of intruders.

At the same time, and with even greater intensity than in the West, FinTech firms – especially BATs – are seeking to strengthen their competitive position on the basis of enhanced and more extensive exploitation of customer information. Big data combined with the use of artificial intelligence solutions are proving key to identifying and maximising business opportunities and optimising risk management capabilities.

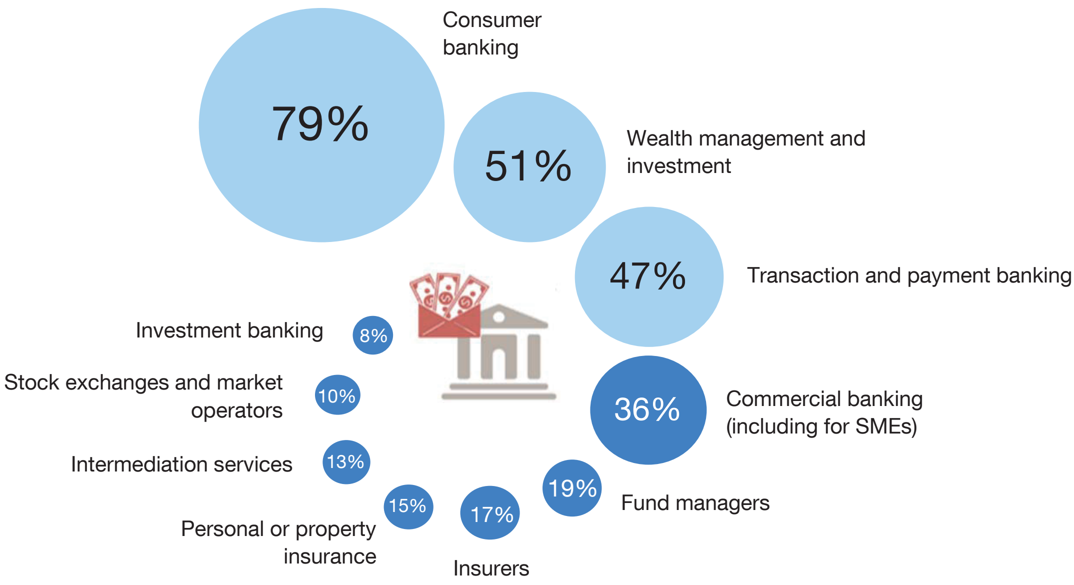
Finally, the progressive internationalisation of the Chinese FinTech industry is increasingly becoming the most plausible path forward. This, moreover, is a strategic priority in the current five year plan. Although the cultural proximity and area of influence of its target public justifies the priority given to the Asian continent, the industrialised countries are also part of the future agenda.[13] Among other reasons, this strategy is the result of acknowledging the potential of the higher purchasing power of those communities. It is also driven by the need to diversify their market as a result of the ongoing deterioration of operating margins in China (rising costs on account of competition in content generation and heavy investment in technology, that is still unprofitable).

The globalisation of its operations is, for the time being, fundamentally based on agreements with local partners and the acquisition of businesses already established in

13 For instance, the growing wave of acquisitions of local payment processors by the BATs (e.g. Pay TM in India and Airwallex in Australia), the setting up of 14 global data-processing centres by Alibaba to provide cloud computing services to the foreign market, and the more-than-50% share of the North American drone market held by Dajian, the leading firm in China.

BUSINESS AREAS MOST LIKELY TO SUFFER DISRUPTION OVER THE NEXT FIVE YEARS

CHART 5



SOURCE: PricewaterhouseCoopers (2018).

such markets.[14] The external commitment of the Chinese FinTech industry also takes the form of direct support for foreign initiatives using seed capital, which may supply firms with innovative ideas/solutions with which to enhance their future offering. However, geopolitical tensions and disparities in the regulatory arrangements applicable to FinTech activities will ultimately affect how quickly these strategies take shape and how far-reaching they become.

Conclusions

The success of the FinTech industry in China is, by any reckoning, undeniable. It is further the goal to which other similar firms in both industrialised and emerging countries generally aspire. However, this achievement has required a set of specific circumstances that are not easily replicable elsewhere.

The vibrancy of China's FinTech industry also means that it will certainly face fresh challenges and these will surely influence its future shape. In the short run, one of the most notable challenges will be the more demanding regulatory approach. For example, the growing concern to safeguard privacy, the express ban on some initiatives, such as ICOs, and the existing restrictions on cryptocurrency operations are but the first signs of what will foreseeably be a much more stringent framework of requirements and control than at present. In addition, the risks associated with the possible emergence of an oligopoly will require the authorities' attention in order to prevent any drag on innovation and growth.

30.10.2018.

14 Like, for instance, the purchase of MoneyGram by Ant Financial in January 2017, or the agreement between Ali Pay and Ingenico to permit the support of its payment solution in shops. In both cases a transfer of technology is exchanged for a gain in local market access.

REFERENCES

ABACUS, 500 and SOUTH CHINA MORNING POST (2018). China Internet Report 2018, South China Morning Post Publishers Limited.

BARBERIS, J., L. CAO, J. XIAOFANG, F. F. WANG, W. JIANG, Z. CHENXI, and Z. YIZHEN (2018). FinTech 2017 – China, Asia and Beyond, The CFA Institute.

BOWMAN, J., M. HACK, and M. WARING (2018). Non-bank Financing in China, RBA Bulletin, March.

CENTRAL COMMITTEE OF THE COMMUNIST PARTY OF CHINA (2015). The 13th five-year plan for economic and social development of the people's republic of china, Compilation and Translation Bureau.

CHAKRAVORTI, B. and R. S. CHATURVEDL (2017). Digital Planet 2017: How competitiveness and trust in digital economies vary across the world, The Fletcher School, Tufts University, July.

CREDIT SUISSE RESEARCH INSTITUTE (2017). Global Wealth Report 2017.

DBS BANK (2018). China FinTech Sector, China/Hong Kong Industry Focus, January.

JANG, M., R. ZHOU, H. QIU, J. XIE, and S. PAETZOLD (2017). Chinese FinTech Companies' International Development:

Motivations to Pursue International Expansion.

MCKINSEY&Company (2017). Digital China: Powering the Economy to Global Competitiveness.

MOYSAN, Y. (2018). China, the world's biggest FinTech market, Journal of Digital Banking, Volume 2, Number 3, Winter 2017-18, pp. 249-258(10).

- Global FinTech Survey – China Summary 2017.

PRICEWATERHOUSECOOPERS (2018). How FinTech is Shaping China's Financial Services?

SANTABÁRBARA GARCÍA, D. (2007). El proceso de apertura del sector bancario chino y el papel de la banca extranjera. Situación y perspectivas, Financial Stability Review, No 13, Banco de España, November.

SHIH. V. (2017). Financial Instability in China: Possible Pathways and Their Likelihood, MERICS China Monitor. 20 October. Berlin: Mercator Institute for China Studies.

THE CONSULTATIVE GROUP TO ASSIST THE POOR (2017). China's Alipay and WeChat Pay: Reaching rural users, CGAP brief, December.

TSAI, K. S. (2015). Financing Small and Medium Enterprises in China: Recent Trends and Prospects beyond Shadow Banking, HKUST IEMS Working Paper No. 2015-24, Hong Kong: Hong Kong University of Science and Technology.

XU, B. (2017). Permissible collateral and access to finance: Evidence from a quasi-natural experiment, Banco de España, Working Papers, No. 1750.

ZHOU, W., D. W. ARNER, and R. P. BUCKLEY (2017). Regulating FinTech in China: From Permissive to Balance, Handbook of Blockchain, Digital Finance and Inclusion, Volume 2.

ZIYU, Z. (2014). Financing problems and solutions of SMEs, Canadian Research & Development Center of Sciences and Cultures, Vol. 8, No. 3, pp-50-56.

Baidu

Though initially conceived to provide an advanced website (hyperlinks) search engine, the company has since its incorporation in 2000 not only taken root as an alternative to Google for Chinese speakers, but has also progressively expanded the range of services provided on its technological platform, including, among others, online marketing solutions, transaction services, maps and videos.

As with the Alibaba group, financial services activities since 2015 have been concentrated in the hands of its subsidiary, Baidu Financial Services Group. Inter alia, this firm provides a fund management tool called Baifa, a mobile payment application called Baidu Wallet, a micro-loan platform (Youqianhua) and cloud computing services for financial institutions.

Alibaba group

Founded in 1999, the Alibaba group is currently a Chinese private consortium headquartered in Hangzhou whose main area of activity is e-commerce. It offers various B2B-type (AliExpress), B2C (Alibaba.com) and C2C (Taobao) transaction portals. It also provides a range of complementary services such as price comparers, cloud data storage services and financial services.

The Company Ant Financial Group, created in 2014, is responsible for coordinating the management of all the group's operations in the financial sphere. Of note is its online payment platform Alipay, which has cornered two thirds of the Chinese mobile payments market. In addition, the group markets Yu'e Bao, the world's biggest money market fund, which enables account-holders with Alipay to deposit their surplus funds and obtain a higher return than on bank deposits. The third business line in terms of significance is AliFinance, a microfinances service targeted at companies and entrepreneurs who market their products through one or more of the Alibaba group's platforms.

Tencent Holdings

Founded in 1998, Tencent Holdings is one of China's oldest technological conglomerates. It specialises in the provision of Internet-based value added services, and one of its star products is the generation of digital contents (e.g. games, videos, music) and the management of the country's main social media (WeChat) and one of its most popular instant messaging services (QQ).

In addition to on-line payment solutions, Tencent provides or markets a broad range of financial services, such as insurance products, investment funds, its own money market fund (Licaitong), wealth-management applications and micro-loans. In 2015, the company also set up the first Chinese virtual bank, WeBank, with a licence permitting it to offer personal and corporate banking services in China.