

China orders Ant Group to return to online payment roots

December 28 2020



Ant Group's massive IPO was halted at the last minute by Chinese authorities

Chinese fintech giant Ant Group has been ordered by regulators to drastically change its business model and return to its roots as a payment services provider, as the state squeeze continues on the once unbridled empire of tech tycoon Jack Ma.

China's [central bank](#) summoned Ant executives over the weekend and demanded the company "strictly rectify" its lending, insurance and wealth management services, according to a statement released on Sunday.

The edict comes just weeks after Ant Group's record-breaking IPO was halted at the last minute by Beijing, which has been ruthless in its takedown of a company once vaunted as the poster child for Chinese technology.

Last Thursday regulators also launched an anti-monopoly investigation into Alibaba—of which Ant Group is a subsidiary—sending the share price of the e-commerce giant tumbling and intensifying the troubles of its billionaire founder Ma.

Alibaba's dropped nearly nine percent in Monday trading in Hong Kong, as investors grow increasingly nervous over a company in the teeth of Beijing's regulators.

Ant Group made its name via its main product Alipay, the online payments platform and super-app that is now deeply embedded in China's economy.

But the company also expanded into offering loans, credit, investments and insurance to hundreds of millions of consumers and small businesses, spurring fear and jealousy in a wider banking system geared more for supporting state policy and large corporations.

Xinhua news agency reported Ant Group is now "strictly prohibited from [unfair competition](#)" and is urged to redress its "illegal" financial activities.

The online payment titan's problems include alleged flaws in [corporate](#)

[governance](#), poor legal awareness and a lack of regulatory compliance, while it stands accused of "leveraging market dominance to exclude competitors".

Its reach into the daily spend of Chinese has also caused anxiety over the potential for personal debt to turn sour and poison the wider economy.

As [global demand](#) for the dual Hong Kong-Shanghai listing pushed the IPO toward record valuations—potentially handing Ma and Ant Group even more funding, legitimacy and clout—Chinese regulators acted.

The outspoken and charismatic Ma—a former teacher—had previously lashed out at China's outdated financial system, calling state-owned banks "pawn shops" in an October speech that led to him being summoned for regulatory talks shortly before Ant's IPO was suspended.

He has edged away from the limelight since the IPO collapsed.

© 2020 AFP

Citation: China orders Ant Group to return to online payment roots (2020, December 28)
retrieved 10 April 2024 from

<https://techxplore.com/news/2020-12-china-ant-group-online-payment.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--