

# China orders Ant Group to rectify businesses

December 27 2020, by Zen Soo

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Chinese regulators have ordered Ant Group, the world's largest financial technology company, to rectify its businesses and comply with regulatory requirements amid increased scrutiny of anti-monopoly practices in the country's internet sector.

The People's Bank of China, the country's [central bank](#), summoned Ant executives on Saturday and ordered them to formulate a rectification plan and an implementation timetable of its [business](#), including its credit, insurance and wealth management services, the regulators said in a statement Sunday.

The statement said that Ant Group lacked a sound governance mechanism, defied regulatory compliance requirements and engaged in regulatory arbitrage. It also said that the company used its market position to exclude rivals and hurt the rights and interests of consumers.

The meeting came after Chinese regulators last month halted Ant's \$37 billion stock debut in Shanghai and Hong Kong over regulatory changes, and comes just days after China announced an anti-monopoly investigation of e-commerce giant Alibaba Group, which owns a 33% stake in Ant Group.

The orders from regulators could limit Ant Group's expansion and throw its lucrative finance businesses into disarray.

Ant Group, which started out as a payments services for Alibaba's e-commerce platform Taobao, has since expanded to offer insurance and

investment products to its hundreds of millions of users in mainland China. Jack Ma, the founder of both Alibaba and Ant Group, is one of China's richest and most prominent entrepreneurs.

Regulators ordered Ant Group to establish a financial holding company and hold sufficient capital. They also said that Ant Group should return to its payments origins, enhance transparency around transactions and prohibit unfair competition, while improving corporate governance and ensuring that it complies with regulatory requirements for its businesses.

Ant Group said in a statement Sunday that it would comply with regulatory requirements and enhance risk management and control, and that a working group would be set up to make the necessary rectifications.

"We appreciate financial regulators' guidance and help," the statement said. "The rectification is an opportunity for Ant Group to strengthen the foundation for our business to grow with full compliance, and to continue focusing on innovating for social good and serving small businesses."

The scrutiny of Ant Group and Alibaba comes as China closely examines the influence of the country's internet sector.

Last month, China released draft regulations to clamp down on anti-competitive practices in the industry, such as signing exclusive agreements with merchants and the use of subsidies to squeeze out competitors.

Alibaba and a company spun off by Tencent Holding Ltd. were fined this month for failing to apply for official approval before proceeding with some acquisitions.

Last Tuesday, regulators met with executives of Alibaba and five other major Chinese internet companies and warned them not to abuse their dominance to drive out competitors through use of exclusive contracts, predatory pricing and other tactics, according to a statement by the State Administration of Market Regulation.

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Citation: China orders Ant Group to rectify businesses (2020, December 27) retrieved 26 April 2024 from <https://techxplore.com/news/2020-12-china-ant-group-rectify-businesses.html>

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