China hits tech firms with hefty fines as crackdown draws to close

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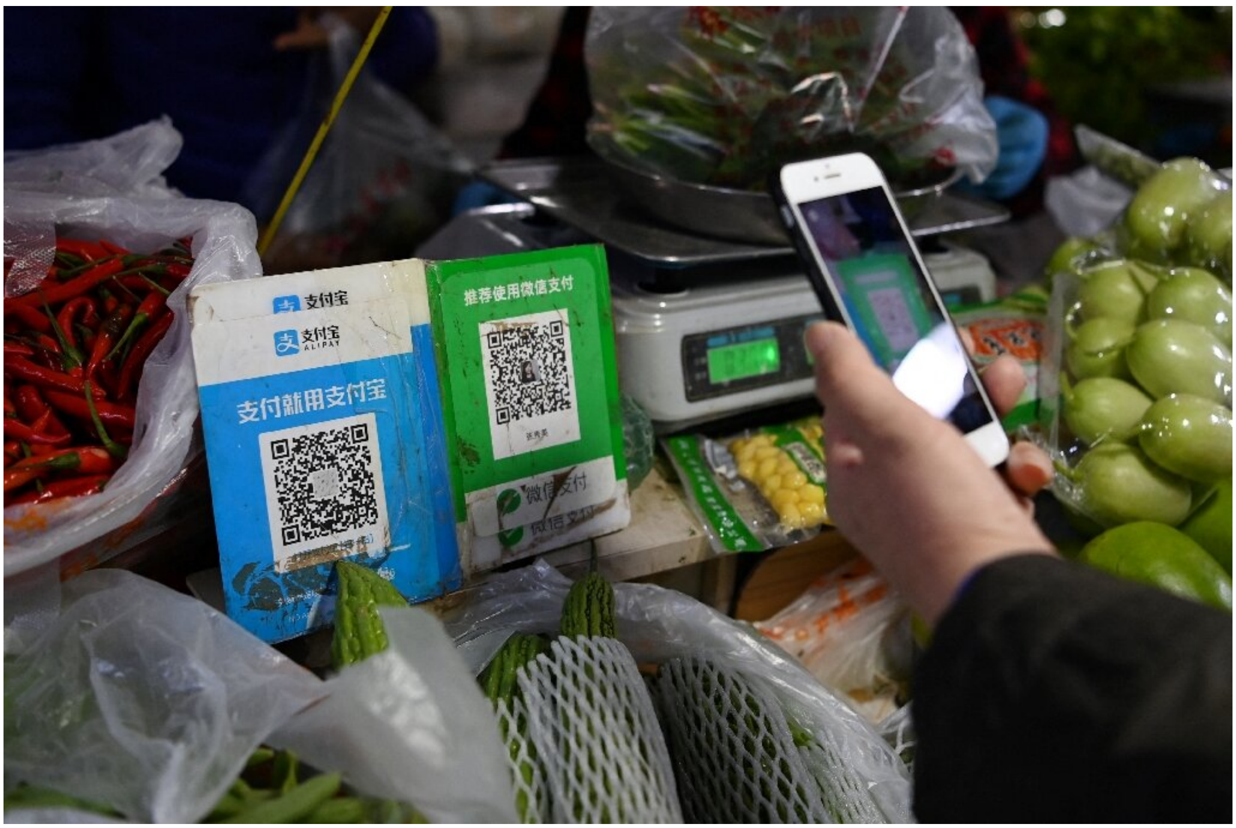

Ant operates Alipay, the world's largest digital payments platform, which boasts hundreds of millions of monthly users in China and beyond.

Chinese regulators said Friday they had fined fintech giant Ant Group almost $1 billion for "illegal acts" and handed an affiliate of rival

Tencent a $415 million penalty, adding that a long-running crackdown on tech firms was drawing to a close.

Ant operates Alipay, the world's largest digital payments platform, which boasts hundreds of millions of monthly users in China and beyond.

It was one of the most prominent targets of a sweeping crackdown on the country's tech sector.

"In view of the illegal and irregular acts by Ant Group and its affiliates in previous years... (the companies) have been fined 7.123 billion yuan (US$984 million)," the China Securities Regulatory Commission (CSRC) said in a statement.

The penalty "included the confiscation of illegal income", added the statement, which was also carried by the country's central bank.

In its statement, the CSRC said that "at present, most of the outstanding problems in the financial business of platform enterprises have been rectified".

"The work focus of the financial management department has shifted from promoting the centralized rectification of the financial business of platform companies to normalized supervision," it said.

On Friday, Alibaba shares were up 3.44 percent in Hong Kong after reports the fine was coming, with analysts saying investors saw the punishment as a sign the crackdown was ending.

In a statement, Ant said it would "comply with the terms of the penalty in all earnestness and sincerity and continue to further enhance our compliance governance".

"Now the company has completed the related work on the rectification... In the future, Ant Group will uphold its mission and original aspiration," the company said.

"We will continue to pursue innovation with a firm commitment to integrity, and continue to enhance our R&D capabilities to better serve and create greater value for the physical economy, especially for consumers and small businesses," it added.

The fine related to "corporate governance, financial consumer protection, participation in business activities of banking and insurance institutions, payment and settlement business, fulfillment of anti-money laundering obligations, and development of fund sales business", the CSRC statement said.

In a separate filing, the central bank said it had fined Tenpay, an online-payment firm operated by Ant rival Tencent, a total of nearly 3 billion yuan ($415 million).

The penalty included the confiscation of more than 550 million yuan in ill-gotten income, the central bank said.

In a filing to the Hong Kong stock exchange on Friday, Tencent's chairman Pony Ma said that, because Tenpay had already implemented specific guidance on "rectification", Friday's decision "does not have any material adverse impact on the operations and financial position of the Group as a whole".

"The Company believes the financial regulators will focus on normalized regulation going forward... supporting and encouraging platform companies to continue their efforts in financial inclusion," he said.

Crackdown easing

In recent years, Ant has expanded into offering loans, credit, investments and insurance to hundreds of millions of consumers and small businesses.

The government has sought to rein in runaway personal debt and chaotic lending in the private sector, and upstart Ant's growing profile was widely viewed as a challenge to vested interests in the country's state-dominated financial sphere.

The Alibaba affiliate was set to launch a record-shattering $35 billion Hong Kong-Shanghai IPO in 2020 when regulators abruptly called off the double listing, citing non-compliance with new capital requirements.

A 2020 speech by Alibaba founder Jack Ma criticizing Chinese regulators was also widely believed to have provoked Beijing into pulling Ant's IPO.

The following year Beijing hit Alibaba with a record $2.75 billion fine for alleged unfair practices.

The Financial Times reported in 2021 that Alipay had been told by regulators to spin off its profitable micro-loan business and hand over customer data used to make its lending decisions to a new credit-scoring joint venture that is partly state-owned.

And in June 2022, Chinese authorities poured cold water on reports that they had started discussions on potentially reviving Ant's IPO plans.

However, in a sign that the crackdown was easing, authorities said last December that Ant had won approval to raise 10.5 billion yuan for its consumer finance arm.

In January, Ant Group said Jack Ma no longer held controlling rights in the company—a move analysts speculated might have helped pull Ant and Alibaba out of the regulatory doghouse.

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