China's Ant Group postpones IPO under regulatory pressure

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Ant Group chief chairman Jack Ma was summoned with other executives to meet central bank and regulatory officials

China's Ant Group on Tuesday suspended its record-breaking IPO in both Hong Kong and Shanghai as the fintech giant faces growing

pressure from Chinese regulators over potential risks.

The firm's Alipay platform has helped revolutionise commerce and personal finance in China, with consumers using the smartphone app to pay for everything from meals to groceries and travel tickets.

But Ant Group, which has more than 700 million monthly active users, has also caused concern in China's state-controlled finance sector by venturing into personal and consumer lending, wealth management and insurance.

Ant will suspend both legs of its $34 billion listing—originally set to take place this week—after being ordered by Chinese regulators to postpone its Shanghai offering over concerns it would not meet listing requirements, the company said in a filing Tuesday.

The Shanghai stock exchange issued the surprise order due to "major issues such as changes in the fintech supervisory environment", the bourse said in a separate statement on the same day.

The shock announcement sent the New York-listed shares of affiliated e-commerce titan Alibaba plunging by as much as nine percent as US markets opened Tuesday.

The suspension comes after co-founder Jack Ma, Ant Group chairman Eric Jing, and chief executive Simon Hu were summoned to an unusual meeting with regulators on Monday, while state media have recently issued warnings about potential financial instability that could result from Ant Group's rapid growth.

It also follows new state regulations to contain potential risks in China's growing online lending industry, a sector Ant Group has aggressively moved into.

Fintech risks

China's regulators are "attempting to maintain control over a fintech sector that is already huge, profitable, and rapidly evolving," Brock Silvers, chief investment officer at Kaiyuan Capital, told AFP.

Ma, one of China's richest and most powerful business figures as well as Ant Group's controlling shareholder, has faced state media criticism for comments in late October in which he boasted of the size of the IPO and appeared to criticise regulators for stifling fintech innovation.

A Sunday commentary in the state-controlled Financial News warned of internet giants like Ant Group getting too big, saying any resulting systemic problems "will lead to serious risk contagion".

The state-owned Economic Daily newspaper responded Tuesday to the suspension calling it a demonstration of regulators' determination to "safeguard the interests of investors".

"Those who try to subvert the existing system will certainly offend the vested interests just like taxi drivers do not like Uber," said Ivan Li, investment research director of CSL Securities in Hong Kong.

Ant said in a separate social media post Tuesday that it "sincerely apologizes... for any inconvenience caused by this development", adding that it would cooperate with regulators.

The share sale was set to beat the $29 billion chalked up by previous record-holder Saudi Aramco last December.

The Hong Kong Stock Exchange said Tuesday it had been notified by Ant of the suspension but would not comment on specific listings.

Beijing has called on national flagships of the tech sector to list on domestic stock exchanges rather than fundraise in the US, in a period of sharp economic and political rivalry.

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