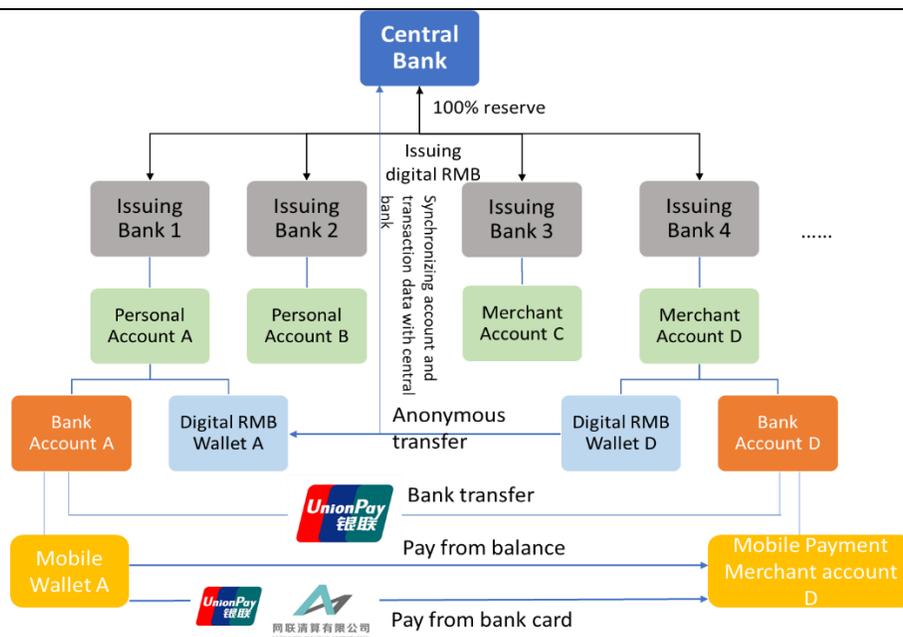




## Highlight of the week – Digital RMB ready for launch?

Figure 1: An illustration of Digital RMB



Source: AMTD Research

### China's central bank is "almost ready" to launch digital RMB; blockchain is only one of the options

On Aug 10, at the China Financial 40 Forum (CF40), Mu Changchun, Deputy Director of the People's Bank of China's (PBOC) Payment Department, confirmed the potential launch of digital Rmb, which has been studied for five years. The digital RMB will rely on a two-tier operating system, that is, the central bank first converts digital RMB to commercial banks or other issuing agencies, and then the digital currency will be issued to the public. In this process, the central bank will adhere to a centralized ledger model; PBOC does not stipulate the clearing and settlement technology to be adopted by the issuing agencies - blockchain is only one of the options. Each issuer could have its own technology and system. We believe that the issuing agencies are likely to be the top SOE banks and mobile wallet companies.

### Digital RMB is positioned as a cash alternative at current stage

The digital RMB will retain some anonymity features of cash, and it also can solve counterfeit money problem, prevent money laundering and the financing of illegal activities, Mu Changchun said. Digitizing the currency will support retail payments and the development of inclusive finance. Mu also mentioned, the digital RMB system

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can facilitate PBOC to adopt negative interest rate policy when necessary. Mu thinks that digital RMB cannot add much value in M1/M2 circulation since they are based on bank accounts and are already digitalized.

### **The form of digital RMB account has not been disclosed**

According to Mu Changchun, anonymity of digital RMB can be partially realized as the account can be separated from user's bank account. We think a possible form could be a separate digital RMB wallet. The digital RMB transactions, which may be anonymous between users, are managed by the issuing agencies, and synchronized with the central bank with account and transaction information. This would be supplementary to bank transfers and mobile payments, which are cleared and settled through UnionPay, NUCC or inside the mobile payment companies.

### **Digital Rmb could help PBOC to better monitor e-wallet money flows in China**

E-wallet balance is over Rmb 1 trillion in China vs Rmb 7 trillion of cash. Mobile payments play a key role in replacing cash and likely have surpassed cash transaction volume. In 1Q19, mobile payments reached Rmb 84 trillion. In the same e-wallet system, if bank accounts are not involved, paying out of wallet balance is directly settled and cleared in the wallet system without passing through UnionPay or NUCC. This type of transactions falls out of the oversight of PBOC. We believe that digital RMB can be a solution to this problem.

### **Digital RMB wallet may hurt the dominance of Alipay and WeChat Pay**

Alipay and WeChat Pay combined dominated the mobile payment market with over 90% market share, due to their seamless user experience and network effect. The rise of digital RMB could in part undermine their dominance.

## News of the week

### Fintech investments

#### **Global Fintech Investments Nosedive as Chinese Fundraising Falls Sharply**

Global investments in fintech firms tumbled 29 per cent in the first half of the year as deal activity in China fell sharply amid an escalating trade war between Washington and Beijing. The value of financial technology deals worldwide in the six months ended June 30 declined to US\$22 billion, compared with US\$31.2 billion in the same period a year earlier.

Source: [South China Morning Post](#)

### Insurtech

#### **Root Raises \$350M to Drive Auto Insurance Change**

Root Insurance, a tech-enabled auto insurance upstart that lives among the legacy giants in Columbus, Ohio, recently raised around \$350 million at a \$3.5 billion valuation. Root can get a lower-risk user pool than can traditional insurers, because in most states it uses a "try-before-you-buy" mobile app that leverages telematics to gauge driving style. This lets it offer below-market rates which, in turn, lowers churn.

Source: [AXIOS](#)

### Payment

#### **Wechat Pay and Alipay Partner QFPay Raises \$20M to Develop New Digital Payment Solutions**

Digital payments startup QFPay announced that it has raised \$20 million in new funding led by returning investors Sequoia Capital China and Matrix Partners. This brings QFPay's total raised so far to \$36.5 million. The funding will be used to develop new digital payment products. QFPay is the largest global partner of WeChat Pay and Alipay, enabling them to process payments to merchants around the world. Founded in 2012, QFPay first launched in China and is known for its QR code-based technology. Its products include end-to-end online and offline mobile payment solutions and add-on services like food ordering and customer loyalty programs.

Source: [TechCrunch](#)

## RegTech

### **Bloomberg Buys RegTek.Solutions**

Bloomberg announced that it has acquired RegTek.Solutions, a leading provider of global regulatory reporting software solutions. The acquisition will expand the range of regulatory reporting services offered by Bloomberg, and deliver a fully integrated and comprehensive service that supports compliance with current and upcoming regulatory reporting requirements across multiple jurisdictions around the world. RegTek.Solutions, which provides modular software solutions built around actionable regulatory intelligence, will be integrated with Bloomberg's Regulatory Reporting Hub (RHUB), as well as Bloomberg's enterprise data management and trading systems.

Source: [Finextra](#)

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## Financial Service

### **Flatfair, the 'Deposit-Free' Renting Platform, Raises \$11M**

Flatfair, a London-based fintech that lets landlords offer "deposit-free" renting to tenants, has raised \$11 million in funding. With the new capital, Flatfair says it plans to hire a "significant" number of product engineers, data scientists and business development specialists. The startup will also invest in building out new features as it looks to expand its platform with "a focus on making renting fairer and more transparent for landlords and tenants."

Source: [TechCrunch](#)

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## Challenger Bank

### **US Neo bank Zenus Gets License**

Puerto Rico-based challenger bank, Zenus, was granted its banking license by US regulatory authorities. Unlike other challengers, Zenus will allow anyone in the world to open an account, including the unbanked population from countries such as South America, India and China. Despite doing no marketing, the neobank says it has already received "thousands" of sign-ups through "word of mouth" on its waiting lists, attracting potential clients from 118 different countries.

Source: [Fintechranking](#)

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## RegTech

### **UK AI RegTech FNA Announced \$5.5M Series A Funding**

FNA announces closure of a \$5.5m Series A investment round led by IQ Capital. Founded in 2013, FNA is a London-based RegTech company that uses its network analytics, AI and machine learning platform to enable financial institutions to map and monitor complex financial systems, and to simulate operational and financial risks. FNA works with leading global regulators to better manage systemic risk.

Source: [Finextra](#)

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## Blockchain

### **Shinhan Brokerage to Offer Blockchain-Based Securities Lending**

Shinhan Financial Investment will soon be offering peer-to-peer (P2P) stock lending via the blockchain. When the new service is introduced this year, individuals will be able to borrow and lend securities with other individuals directly, rather than going through an intermediary.

Source: [coindesk](#)

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## Challenger Bank

### **Penta, The German Business Banking Startup, Raises €8M Additional Funding**

Berlin based Penta, a challenger bank for startups and small businesses, has raised EUR8 million in an investment round led by HV Holtzbrinck Ventures. The company, which has

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previously raised EUR7.2 million in funding, currently counts 5,500 digital businesses like AirHelp, bepro11 and Global Digital Women as customers.

Source: [Finextra](#)

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#### Wealth Management

### Octopus Acquires Wealthtech Start-Up Seccl Technology for £10M

Octopus Group, the London headquartered financial services and energy firm, has agreed a deal to acquire Seccl Technology Limited for £10 million. Founded in 2017 and based in Bath, Seccl aims to help financial advisers, wealth managers, discretionary fund managers and fintechs deliver faster, cheaper and more flexible platform solutions to help manage and administer clients' money.

Source: [Finextra](#)

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#### Payment

### Klarna Raises \$460M to Expand Its Payments Business

Swedish payments provider Klarna has announced a new round of equity funding, adding \$60 million at a post-money valuation of \$5.5 billion, which makes it one of the most highly valued private fintech companies in the world. The new funding will be used to help Klarna continue to grow its presence in the U.S. payments market, the company said in a press release. Klarna's European presence is strong, based on the back of its credit card-alternative payment method, which allows customers to pay over time, with the purchase price broken up over four equal installments, but directly from their bank accounts and without incurring any interest.

Source: [TechCrunch](#)

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#### Payment

### Mastercard Buys Nets Unit for \$3.19B in Largest Deal

Mastercard agreed to buy a payments platform owned by Denmark-based Nets for 2.85 billion euros (\$3.19 billion), using its biggest-ever acquisition to help extend a push into faster payments. With the purchase, Mastercard is getting an electronic-billing platform and clearing and instant-payment services, according to a statement.

Source: [Bloomberg](#)

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#### Online Lending

### India's Indifi Raises \$20.4M to Expand Its Online Lending Platform

Indifi, a Gurgaon-based startup that offers loans to small and medium-sized businesses, has raised 1,450 million Indian rupees (\$20.4 million) in a new financing round to expand its business in the country. Unlike banks and many other online lenders, Indifi works with an ecosystem of companies to assess risk factors before granting a loan to a business. For instance, Indifi works with food-delivery startups Zomato and Swiggy and checks a restaurant's history and feedback from their customers before issuing to a restaurant.

Source: [TechCrunch](#)

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#### Challenger Bank

### Aussie Challenger Bank Judo Raises \$400M

Australian SME challenger bank Judo has raised \$400 million, double the \$200 million fundraising target set by the bank. Launched in 2018, and co-founded by two former NAB executives, Judo secured its full authorised deposit-taking institution (ADI) licence in April, when it re-branded from Judo Capital to Judo Bank. Taking a relationship-based approach to its lending operations, and operating on a Temenos cloud platform, the bank is currently on track to have lent \$1 billion by the end of the calendar year.

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Source: [Finextra](#)

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### Neo Bank

#### **Neo Bank Joust Raises \$2.6M**

Joust Labs, a US neo bank startup targeting freelancers and gig economy workers, has closed a \$2.6 million seed funding round led by PTB Ventures. Joust provides freelancers, sole proprietors, and small and mid-sized businesses in the US with tailored financial services to manage and smooth their unconventional cash flows.

Source: [Finextra](#)

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### Business Lending

#### **India's Lendingkart Raises \$30M to Help Small Businesses**

Lendingkart, one of the many startups that is helping micro, small and medium-sized enterprises access working capital, has raised \$30 million as part of its Series D financing round. The five-year-old, Bangalore-based startup has raised \$143 million to date. Lendingkart Finance has issued over 60,000 loans to more than 55,000 small and medium-sized enterprises in 1,300 cities across India.

Source: [TechCrunch](#)

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