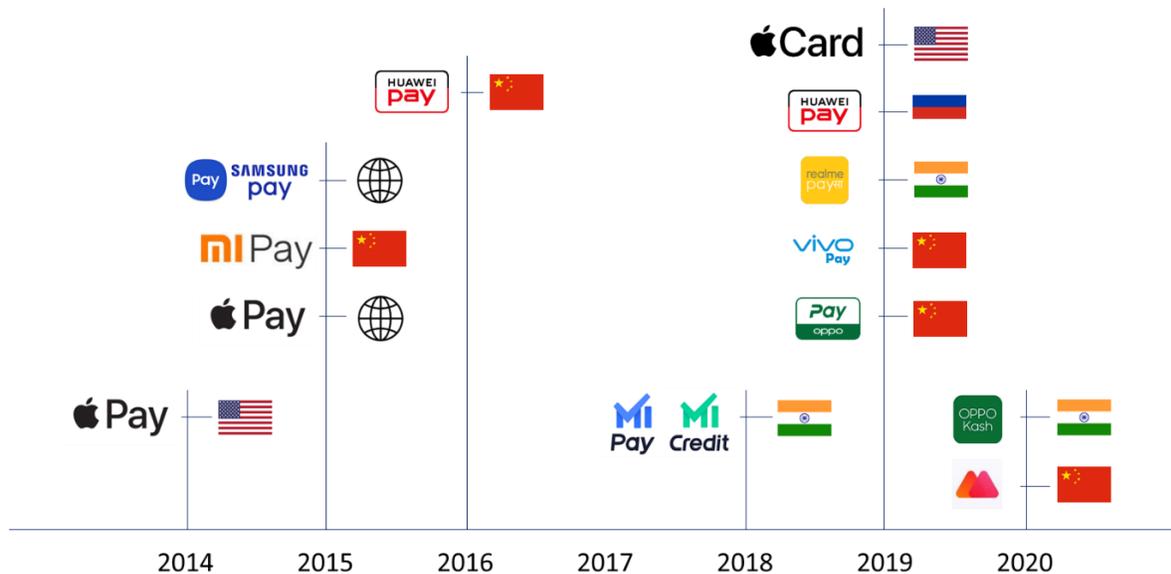




Highlight of this issue – FinTech ambitions of global smartphone giants

Figure 1: Major phone makers' FinTech attempts: from payment to full-scope, from China to global markets



Source: Company disclosure, AMTD Research

Smartphone makers look into FinTech: Payments as the first step

FinTech has been given strategic importance at smartphone makers, such as Apple Pay, Huawei Pay, Mi Pay, etc. Leveraging on their hardware & software technology, payment is the first area phone makers are focusing on. Naturally the overseas markets that the smartphone brands sell well become their first overseas destination. As the FinTech pioneer among domestic smartphone makers, Xiaomi introduced Xiaomi Wallet in 2014, Mi Finance in 2015, and Mi Pay in 2016 in China, and has now established a comprehensive financial portfolio including consumer loans, supply chain finance, online insurance, digital banking and other three segments. Xiaomi expands into India in 2019 with its Mi Pay and Mi Credit. Currently, OPPO, vivo and other smartphone makers are also setting forth their strategy in FinTech, micro loan license and payment license in China. Both are expanding fintech services in overseas market.

### **The success of Apple Pay has opened up the imagination of mobile phone manufacturers in FinTech**

Apple launched the mobile payment product Apple Pay in 2014, and partnered with Goldman Sachs to launch the Mastercard Apple Card in 2019. Apple Pay's transaction volume is expected to reach 15 billion in FY2020, surpassing PayPal's and growing 4x as fast. Apple Pay processes about 5% of global card transactions, and by 2025, 10% of global card transactions will be processed through Apple Pay, Bernstein forecasted. Typically, Apple Pay gets 0.15% of the transaction amount from the card issuing bank. Juniper Research estimated that the non-card transactions in the global contactless payments market will expand to US\$1.32tn in annual transactions by 2024, of which Apple Pay's share will increase from 43% in 2020 to 52% with its revenue exceeding US\$1bn.

### **From China to overseas: grab the market to be the top player**

Since China's FinTech market is dominated by the payment giants, Chinese smartphone makers are actively seeking opportunities overseas, starting from emerging markets led by Southeast Asia (SEA) and India. These emerging markets have a low coverage of banking services, a young population, and a fast-rising Internet/smartphone penetration rate. For smartphone makers, it would be a good choice to kick off in emerging markets, with their unique strengths, standing on the shoulders of the successful practice in domestic market. As competition in Indonesia becomes fierce and regulations have been tightened, India became the new battlefield for smartphone makers to tap into the underpenetrated consumer payment/credit market.

### **Indian FinTech markets: a late starter, but with great potential**

India's consumer finance market is a late starter but now in rapid growth. The market is dominated by bank loans and there has not been a clear winner. According to RBI, as of Jan 2020, there were about INR7tn (US\$10bn) of personal consumer loans outstanding nationwide, which only equals to 3.4% of nominal GDP in 2019, but growing strongly by 35% YoY. In the same period, the outstanding consumption loans were around 5.6% of nominal GDP in Indonesia. India, meanwhile, has a population of nearly 1.4 billion, whose average age is under 28, showing a huge potential for future economic growth. With only 0.02 credit card held per capita, there is still a great demand to be fulfilled. Xiaomi unveiled in the 2019 Mi Credit launching event that India's online lending market is expected to expand to US\$1tn by 2023.

### **Smartphone makers Xiaomi, OPPO and realme's India adventure**

In 2019, Xiaomi launched Mi Pay and Mi Credit in India to offer UPI-based payment services and credit products; realme also brought realme Paysa to India, providing personal and business loans, credit reports as well as basic insurance against broken screens. Recently, OPPO launched OPPO Kash in India, where users can buy mutual funds, insurance, and third-party loans. As a result, OPPO became the third Chinese smartphone maker to enter the Indian consumer finance market. According to IDC, the top five of smartphone shipments in India in 2019 were Xiaomi (29%), Samsung (20%), vivo (16%), OPPO (11%) and realme (11%). The smartphone user base would to some extent benefit their FinTech business, and the large base of smartphone and IoT users of Xiaomi India will grant it a huge advantage over other smartphone makers – we estimate Xiaomi now has about 80 million MIUI users in India, while Mi Credit originated loans worth more than INR280mn (US\$4mn) in its first month of launch. But it remains to be seen whether the companies can replicate Apple's success, given the huge gap between India and the US in user preference. For all companies, the key is how to leverage on their existing user base, consumption scenes, ecosystem and data.

## News of the week

11 Mar 2020

Payment

Ghana

### Ghana to be the 1<sup>st</sup> African country with a universal QR code for payment

Ghana will launch a new payment system known as the 'Universal QR Code' by March 24, 2020. It will be the first country in Africa to use a universal QR code system for digital payments. Ghana partners with the Bank of Ghana and GhIPSS. The universal QR Code will allow merchants to receive digital payments without the use of Point of Sale devices. Countries that have recently introduced universal QR Code platforms include Singapore which introduced it in 2018, India and China. (Source: [Pulse](#))

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10 Mar 2020

Payment

Ant Financial

### Alipay to accelerate digital transformation of the service industry

Ant Financial launched a three-year strategy to open up Alipay to third parties, enabling 40 million service providers to digitalize their offerings. Ant Financial aims to build Alipay into a one-stop digital lifestyle platform for users, and accelerate the digital transformation of the service industry. In response to the coronavirus, Alipay brought out an incentive program that motivates developers to create mini-programs that can assist people who are working from home. Over 1,200 developers jumped on board and devised 181 mini-programs with "contactless" solutions across China. (Source: [Pymnts](#))

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9 Mar 2020

Digital banks

Standard Chartered

### Standard Chartered revealed details for the new virtual bank Mox in HK

Virtual bank Mox, backed by Standard Chartered Bank, PCCW, HKT and Trip.com, will be launched later this year. Mox will be the first Asian bank to partner with Mastercard to launch the first numberless physical bank card, Mox Card, which has no printed card number, expiry date and CVV. Users could only get access to the information from its app. The new virtual banking service will offer a comprehensive suite of retail financial services, as well as unique telecom, entertainment and travel products. Mox is currently in beta testing stage. (Source: [Hong Kong Business](#))

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8 Mar 2020

Digital banks

Revolut

### Revolut to apply for UK banking licence

Revolut is preparing to apply for a UK banking license to offer FSCS-protected deposits and lending services for customers. The digital bank plans to secure the license before the end of this year. Revolut now works with banks such as Barclays to hold deposits — an arrangement that means customers are not covered by the Financial Services Compensation Scheme, which protects amounts of up to £85,000. Revolut also relies on a partner, Lending Works, to offer fast credit to customers. A UK licence would allow Revolut to hold deposits on its own balance sheet and to make direct loans, helping to boost returns. (Source: [Times](#))

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7 Mar 2020

Personal finance

Pine Labs/ZestMoney

### Pine Labs partnered ZestMoney to offer instant credit

Pine Labs has teamed up with ZestMoney, a leading consumer lending Fintech firm based in India. Through the partnership, the companies will offer in-store digital equated monthly installment (EMI) options to "new-to-credit" customers via Pine Labs' Plutus and Plutus Smart PoS devices. ZestMoney EMI on Pine Labs devices will be available at over 20,000 outlets across 100 cities in India within 2021. (Source: [CrowdfundInsider](#))

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7 Mar 2020

Digital banks

Tandem

### British digital bank Tandem raised GBP\$60mn

British digital bank Tandem has raised GBP\$60mn from investors including Qatar Investment Authority. It is also buying a lender that helps consumers buy solar panels. Tandem provides credit cards and savings accounts to more than 800,000 customers in the UK. The bank struck a GBP15mn investment deal with Hong Kong-based financial services group Convoy Global Holdings in Nov 2018 for further expansion. In late 2019, it announced plans to launch in Hong Kong by the end of 2020. (Source: [Reuters](#))

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5 Mar 2020

Payment

Yes Bank

### Yes Bank takeover brought concerns over third party FinTechs

The Reserve bank of India (RBI) has seized control of Yes Bank to prevent a loss of confidence in the financial system. RBI replaced Yes Bank's board and placed a cap on withdrawals by customers of INR50,000 during a one-month moratorium. Yes Bank was the country's fourth-largest private lender. The takeover has had a ripple effect on third party FinTechs who rely on the bank for payments processing through the country's UPI. (Source: [FT](#))

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4 Mar 2020

Personal finance

Ant Financial/Klarna

### Ant Financial acquired minority stake in Klarna

Ant Financial has bought a minority stake in Klarna for an undisclosed amount, representing under 1% of ownership. The transaction was via a mix of new and existing shares, and valued Klarna at slightly more than US\$5.5bn. It's part of a global e-commerce partnership between the two firms. Alipay had already been working with Klarna, embedding its payment platform in AliExpress to offer financing to the e-commerce website's users. (Source: [FT](#))

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4 Mar 2020

Digital banks

Nubank

### Nubank to launch its Nu credit card in Mexico

Nubank is launching its Nu credit card in Mexico – a country where the unbanked population counts around 36 million people. The company hopes its no-annual-fee credit card will help free Mexicans from the complexity and bureaucracy beleaguering their banking experience. Mexico was the first market Nubank expanded to outside of Brazil. (Source: [BusinessInsider](#))

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4 Mar 2020

Cryptocurrencies

Facebook

### Facebook is rethinking its plan for Libra

Facebook is rethinking its plans for its own digital currency Libra after resistance from regulators. It is now considering a system with digital versions of established currencies, including the dollar and the Euro. The Libra Association will continue its work and the plan will include Libra. The social network's digital wallet is now expected to launch this autumn. (Source: [BBC](#))

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4 Mar 2020

Payment

TerraPay

### TerraPay is acquired and got cash injection of US\$9.6mn

TerraPay, a Dutch payment infrastructure services provider, has been acquired by a number of investors, including Prime Ventures, Partech Africa and management for an undisclosed amount. The same entities, joined by IFC, have invested US\$9.6mn into the company to aid with expansion. Since its launch in 2015, TerraPay has acquired more than 25 licenses to operate in over 60 countries in Africa, Asia and Europe and is developing globally. (Source: [Pymnts](#))

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3 Mar 2020

Digital banks

Ping'an/V3

### **Ping An's OneConnect partnered V3-led digital bank consortium**

Digital banking consortium Beyond, which is gunning for a digital banking license in Singapore, has selected OneConnect Financial Technology as a strategic technology partner. OneConnect bowed out of the digital banking race in Singapore before. Beyond is led by V3 Group. OneConnect and Beyond will jointly develop digital banking products and services for Singapore's SMEs and their workforce. (Source: [BusinessTimes](#))

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3 Mar 2020

Digital banks

Brex

### **Brex opened its first international office in Vancouver**

Brex opened its first international office in Vancouver, as the city has a deep pool of both local and global talent. The office will house about 40 employees who will focus on software engineering and customer experience. Brex plans to expand this focus over time as it looks to scale its operations. Brex is a company providing corporate card specifically designed for startups. (Source: [Yahoo](#))

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2 Mar 2020

Personal finance

OPPO

### **OPPO launched financial service app OPPO Kash**

After Xiaomi and Realme, OPPO has now made its debut in the fintech space with OPPO Kash. Kash will be available on Android and iOS and enable users to purchase mutual funds, insurance and access loans. The app will come with UPI integration and one can also buy smartphones and other products on EMIs. The company has partnered banks and accredited third party lenders for providing loans. (Source: [Entrepreneur](#))

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2 Mar 2020

Payment

Saudi Arabia

### **SAMA issued four licenses for FinTech payment companies**

The Saudi Arabian Monetary Agency (SAMA) issued four licenses for four FinTech payment companies, including STC Pay, Geidea, Halalah, and BayanPay. The e-payment processes in the kingdom grew strongly with a market share of 36.2% by mid-2019, which exceeded its 2030 target of 28%. SAMA also announced the final version of the regulations of payments' services providers related to prompt payments among banks. (Source: [AAWSAT](#))

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28 Feb 2020

Digital banks

Revolut

### **Revolut to make crypto available in 50 US states**

Digital bank Revolut is aiming to make crypto available for its users in 50 U.S. states. Revolut allows users to buy and sell Bitcoin, Ethereum, Litecoin, Bitcoin Cash and XRP for 29 fiat currencies. Crypto is a major source of Revolut's revenue and an important driver for its user acquisition. Its main U.S. rival Square's Cash app offers its users only Bitcoin. (Source: [CoinTelegraph](#))

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27 Feb 2020

Solutions

Jumo/GS

### **Goldman Sachs joined a US\$55mn funding round in Jumo**

Jumo has raised US\$55mn in debt and equity funding. Existing investors including Goldman Sachs, Odey Asset Management and Leapfrog Investments as well as new unnamed investors joined this round. It brought Jumo's total funding raised to nearly US\$150mn. Jumo operates in five African countries to offer lending, savings and insurance services. It has disbursed US\$1.8bn in loans since launched and has now served 15 million customers. (Source: [CNBC](#))

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26 Feb 2020

Personal finance

Klarna

### **Klarna UK hit 7 million customers and 1.6 million app downloads**

Klarna, a leading global payments and shopping provider, announced its latest figures showing sustained growth both in the UK and globally. The year on year global volumes and revenue increased by 32% and 31% respectively. Since launch, over 7 million customers have now used Klarna in the UK, an increase of 2x compared to last year. Meanwhile, Klarna reported its first-ever annual loss of SEK1.1bn due to the fast expansion this year. (Source: [Klarna](#))

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25 Feb 2020

M&A

JPMorgan

### **JPMorgan to pursue aggressive M&A strategy due to Big Tech competition**

The chief Jamie Dimon said JPMorgan Chase will pursue an aggressive M&A strategy to see off the threats posed to its business by Big Tech giants and smaller fintechs. The targets would be anywhere in financial services and technology - with the exception of another deposit-taking bank, which would be prohibited by regulators. Dimon told investors to expect takeovers in adjacent business lines, much like its recent acquisitions of InstaMed and WePay. (Source: [Bloomberg](#))

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24 Feb 2020

Digital banks

TONIK

### **TONIK raised US\$6mn to launch the 1<sup>st</sup> digital bank in Philippines by 2020**

TONIK has closed a US\$6mn funding round led by Insignia Ventures Partners and Credence Partners. The funds collected will be used to finance the launch of the first digital bank in Philippines by 2020. TONIK has selected BPC as its exclusive payment partner, leveraging BPC's payments processing center and its SmartVista solution. TONIK will focus on retail banking products ranging from deposits to consumer loans. (Source: [DealStreetAsia](#))

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