



Payment: The Starting Point of Fintech in China

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Payment

**The oldest and most fundamental financial activity:
the first coin minted around 600 BC**

**The basic platform of resource allocation:
Characterized by **technological** and social changes**

Trend 1: More Flexible

Allocating Resources Across Time and Space to Meet The Market Needs



1920 Olympics Theme Card



Prepaid Card

Diners Club



Credit Card

PayPal



Online Payment

Alipay



Mobile Payment

Trend 2: More Inclusive

Merchant Fee

US
3%-4%

China
0-0.6%

Transfer Fee

US
>1.5%

M-Pesa
>2%

China
0%

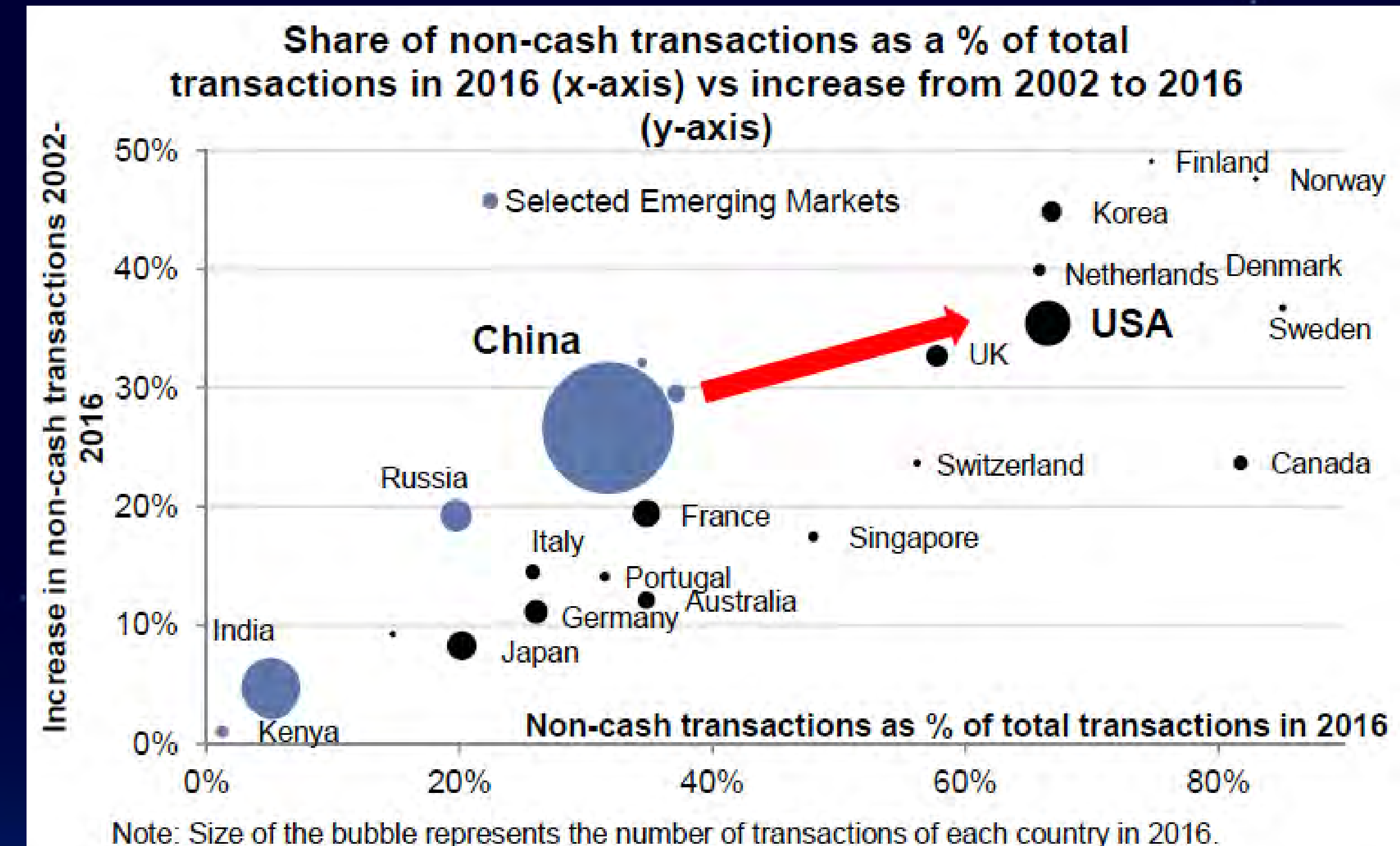
Payment

■ Non-cash Payment

China's digitization of money by 2020E is expected to reach a similar level of US in 2016

By 2020E, 68% of the retail consumption in China would be processed by payment companies, from 40% in 2016

China would accomplish in four years what took US 14 years (2002-2016)



Sources: Euromonitor, Goldman Sachs Global Investment Research

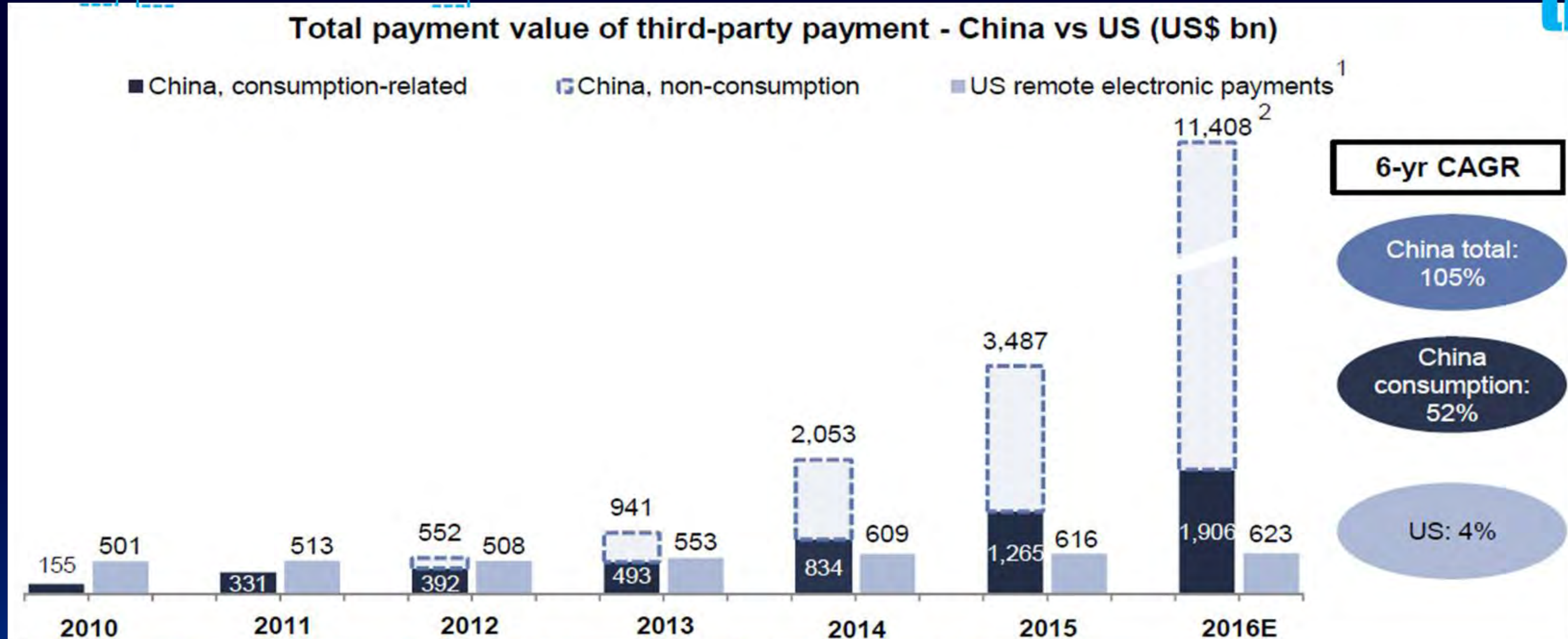
Payment

■ Third-Party Payment

China 11408 2016 USD Billion* **US 623**

2010-2016 China's Speed 2016 China's Structure

\$ 155 bn → **\$ 11408 bn** **56%** → **P2P transfer**



Sources: iResearch, Nilson Report, Goldman Sachs Global Investment Research



Alipay was born to solve the trust issue in online shopping

2004

It bridges the trust gap

between buyer and seller in each transaction

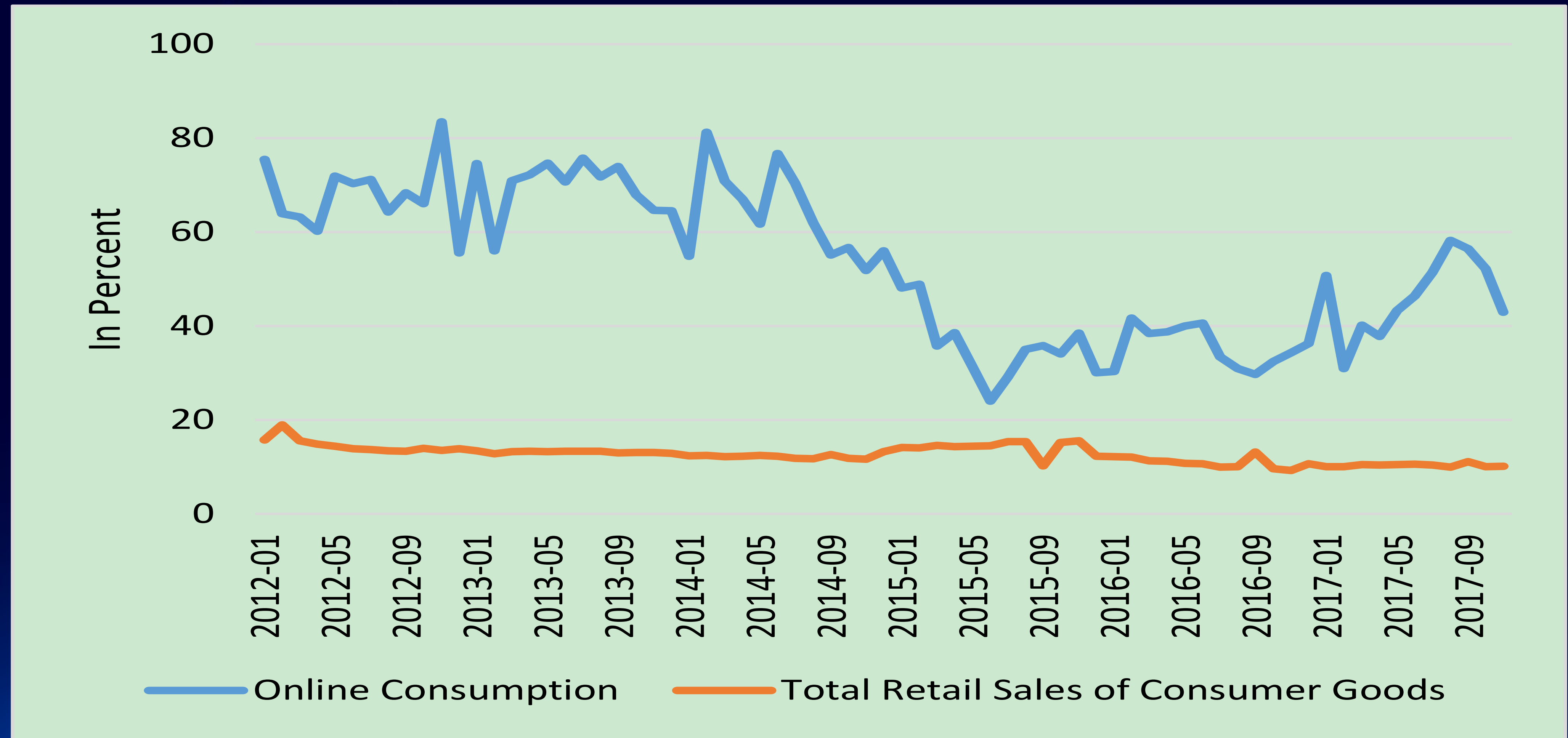
by offering an online **escrow system**

Small and high-frequency payments pushed for the largest cloud computing application in finance



From Payment to Online Consumption

Index Comparison: Online Consumption and Total Retail Sales of Consumer Goods



From Payment to Online Consumption

2017 天猫双十一全球狂欢节

双十一全球狂欢节
GLOBAL SHOPPING FESTIVAL 2017

24:00:00

2017.11.11

Global Shopping Festival GMV is ¥ 168.2 Bn

1682 亿

500m

Users

256,000 trans/sec

Cloud computing supports high-frequency transactions

30-60 times

AI is more efficient than humans

From Payment to SME financing

SME Financing Has Been Made Easier and More Convenient



Customer experience

"310"

Credit loan cost

2.3 RMB per transaction

Traditional cost

2000 RMB per transaction

SME >8 mm

Rural Users >2 mm

Loan balance <30,000 RMB

杨丁霁 23岁 创业者

“大三时，和男友白手起家，开了家影视公司。在实现梦想的路上，是网商银行帮了我十一次。”

From Payment to Green Finance Ant Forest



Banks and firms are not the only participants in green finance

UNDP: replicates China's innovation

Payment as crucial element for fintech development

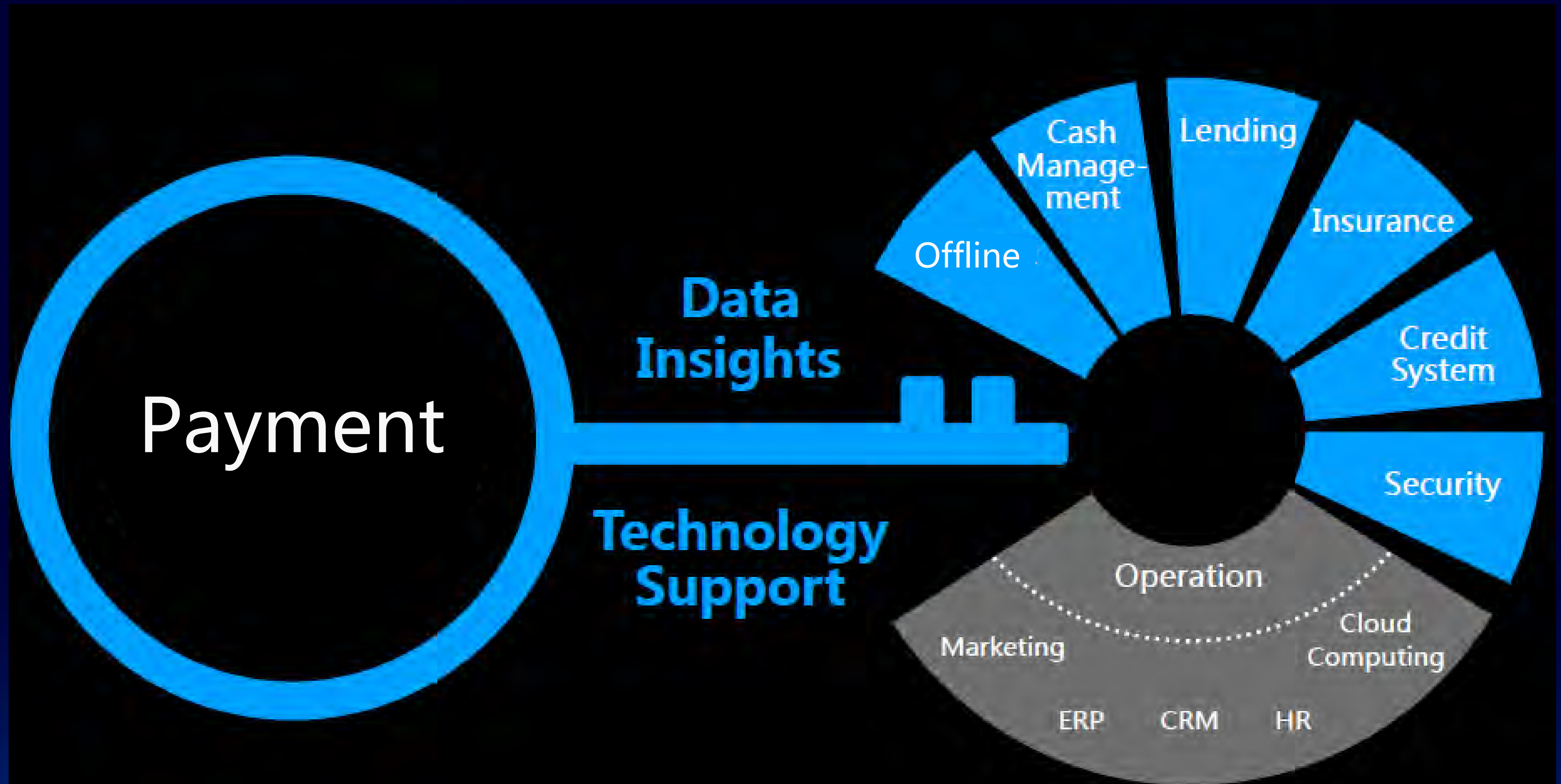
Digital Technology as a breaking point for payment development

Technology reshapes **Payment, Payment** enhances **Fintech**

From Fintech to FinLife



Ecosystem Enabler



Enabling and Proportionate Regulatory Framework for Digital Financial Inclusion

- **Risk-based and flexible regulatory framework.**
 - ✓ Balance the risks and benefits against costs of regulations
 - ✓ Impose necessary entrance requirements
 - ✓ Establish risk-based regulatory approach
- **Promote piloting Fintech innovations.**
 - ✓ E.g. “Sandbox” mechanism in UK and Singapore
- **Encourage the use of technologies in regulation.**
 - ✓ E.g. Transparent payment escrow deposit supervision dashboard for the PBC

*“Promote digital financial services as a **priority** to drive development of inclusive financial systems, including through coordinated, monitored, and evaluated **national strategies and action plans.**”*

G20 High-Level Principles for Digital Financial Inclusion

THANKS

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