

Global FinTech Weekly



Highlight of the week – Time to modernize China Rmb 40trn personal wealth management market?

Figure 1: New product launch by banks WM subsidiaries

	WMPs	Threshold	Features	Asset types
ICBC WM	"Xindeli" Zhihe FOF Close-end Net-worth Product	RMB 1	FOF	Fixed income funds
	"Quanxinquanyi" Win-Win Open-end Net-worth Product	RMB 1	Open-end	Stocks + Fixed income securities
	"Quanxinquanyi" Quantitative Stock and Bond Rotation Strategy Index-linked product	RMB 1	Linked with the Stock and Bond Rotation Index	Stocks + Fixed income securities
	"Xindeli" Global-Rotated Income Continuation 1+4 Years Product	RMB 1	Domestic and overseas placement	Fixed income securities
BOC WM	"Global placement" Foreign Exchange Series	RMB 1	Global placement	Foreign currency assets
	"Wenfu - Fortune, Prosperity, Longevity and Happiness" Pension Product	RMB 1	Pension product	NA
	"Zhifu" Equity investment Product	RMB 1	Actively trading stocks	Stocks + Fixed income securities
	"Dingfu" Private Equity investment Product	RMB 1	Non-public offering	Non-listed company equity, listed company directional additional shares
	Index-linked Products	RMB 1	Passively following the index	Index
CCB WM	"Qianyuan" Great Bay Area Index-linked (with flexibility)	RMB 1	Linked with the Great Bay Area Index	Stocks + Fixed income securities
	"Qianyuan-Ruixin" Technology and Innovation Related Close-end Net-worth Product	RMB 1	Following tech enterprises	Stocks + Fixed income securities
BOCOM WM	"Wenxiang" No.1 Net-worth Product (close-end fund to be open annually)	RMB 1		Non-standard assets, credit bonds

Source: Bank website

China's Rmb 40-50trn personal wealth management market is lagging behind in technology adoption

According to CBRC, the outstanding wealth management products (WMPs) reached RMB32trn at YE18. We estimate the personal wealth management market size to be at about RMB40-50trn, which is currently scattered in bank WMPs, mutual funds, insurance, trusts, P2P, etc. The new asset management rules require the banks to separate their wealth management units from parent banks and launch independent WM subsidiaries by the end of 2020. Among the "Big 6", CCB, ICBC, BOCOM and BOC have already launched their WM subsidiaries; ABC has been approved to open and PSBS has been approved to establish its WM sub. Spin out banks' wealth management business is the first step to break the guaranteed return in WM markets and establish the firewall between the banks' balance sheet and WMPs. By now, there is still a long way to go for WMP product innovation and technology adoption.

AMTD Research

Michelle Li

+852 3163-3383

Michelle.Li@amtdgroup.com

Robo-advisors may empower China's personal wealth management market

Technology adoption is more common in payment and online consumer lending, etc., but there is limited application in China's wealth management, except for micro-investment market dominated by Alibaba's Yu'eobao. After a few years of market hype, robo-advisory has not yet achieved high market recognition. On the one hand, the market acceptance of non-guaranteed return products is still low. Few so-called robo advisory products could really provide customized intelligent recommendations based on big data. In addition, there is not long enough track record. As the post 90s generation approaching their 30s, their needs of stable financial management rise. The market will then need more next-gen WM platforms integrating multi WM accounts and providing services of automated financial planning, expense management, savings planning and pension scheme based on automated custom profiling. ICBC, CMB and BOC each launched their own robo-advisory products. Their robo-advisory helps investors diversify their investment in mutual funds, and currently the combined asset under management is about RMB20bn. Customer comments vary for those products, and the AI algorithms behind remain a black box.

Overseas robo-advisory startups such as Betterment, Wealthfront find B2C model hard to break even

Overseas robo-advisory firms such as Betterment (AUM: US\$16bn) and Wealthfront (AUM: US\$11bn) are known for their automated wealth management and asset diversification solution. These companies use AI and machine learning to tackle fundamental problems in financial advisory – high reliance on human decision, high transaction costs, delayed position adjustment, etc. The management fee is as low as 25bps with high user acquisition cost – this means that a breakeven point requires much larger scale. Betterment thus added a B2B model to empower independent financial advisors to onboard their customers and help grow AUM. As a result, Betterment AUM has surpassed rival Wealthfront.

Banks' WM subsidiaries are launching more non-guaranteed return products

Bank WM subsidiaries' product no longer has minimum investment requirement. Before, this gives opportunities to micro-investment products such as Yu'eobao. Some WMPs have begun to walk out of their comfort zone of fixed income assets, for example, the series "Dingfu" of BOC WM focuses on private equity investment. The mainstream products are quite similar to mutual funds, providing a mix basket of stocks and bonds; some use FOF structure with mutual fund products as underlying assets, some are using passive approach and track a specific index. The rest are built along the infrastructure of the parent bank's fixed income products.

WM subsidiaries present a huge challenge to banks' technology, securities investment, and research capability

Large banks own an incomparable trustworthiness compared to smaller institutions. For small regional banks and non-bank financial institutions, facing pressure from mutual funds and private funds, they need to differentiate themselves in the competition. Quantitative trading, PE/VC, offering robo-advisory could all be their solutions. But all these ways will undoubtedly pose great challenge to the banks' product development, deal sourcing, risk pricing and trading system capabilities.

News of the week

Wealth Management

StashAway Raises USD\$12 million in Series B funding

StashAway, a robo-advisor for both retail and accredited investors, has completed a USD\$12 million (SGD\$16.4 million) Series B round led by Eight Roads Ventures. StashAway is a digital wealth management platform that delivers automated, personalised portfolio management to each client's individual portfolios.

Source: [Finextra](#)

Retail Investing

Trading

Free Stock Trading App Robinhood Raises \$323M

Robinhood, the popular free stock trading app, announced a massive \$323 million round led by DST Global. Robinhood, founded in 2013, has added several new features to its platform to justify the valuation increase, including its own clearing system, Clearing by Robinhood.

Source: [TechCrunch](#)

Payment

VertoFX Raises \$2M for Its African and EM Currency Trading Platform

VertoFX, an Africa and emerging markets-focused currency trading and payment startup, has raised a \$2.1 million seed round, led by Accelerated Digital Ventures. The London-based company, with a subsidiary in Nigeria, has created a platform that allows businesses and banks to exchange and make payments in exotic foreign currencies that don't often convert or trade conveniently across businesses or banks.

Source: [TechCrunch](#)

Payment

AlipayHK Obtained National License

Alipay announced that its Hong Kong version of Alipay - AlipayHK has been licensed, and its mobile payment service will be extended from Guangdong, Hong Kong and Macau to the rest of the country. Alipay said that AlipayHK is the first Hong Kong e-wallet to open services nationwide. In the future, Hong Kong users will be able to travel around the Mainland without a wallet.

Source: [sina](#)

Credit Score

Wiserfunding Launches Credit Ratings for SMEs

Europe's first certified credit rating for SMEs has launched in London. The new SME credit rating, launched by Wiserfunding and modefinance, will enable small firms to demonstrate their creditworthiness to potential investors and lenders, helping to secure the funding they deserve.

Source: [Finextra](#)

Payment

Visa Invests in India-based B2B Payments Platform PayMate's \$25M Round

PayMate, a Mumbai-based startup that helps businesses automate and digitize their payments, is raising \$25 million from Visa in a new round, as it looks to expand its presence within India and in international markets. PayMate develops and offers cloud-based solutions for SME and enterprise customers to help them manage invoices and payments from vendors and customers. It also works with Visa and issuing banks to offer crediting financial options to customers.

Source: [TechCrunch](#)

Challenger Bank

UK Challenger Bank Atom Raises £50M

Atom Bank — which targets mainly millennial-aged consumers with mobile-first savings accounts and mortgages as well as small business loans — has raised a further £50 million in funding.

Source: [TechCrunch](#)

Blockchain

Ping An's OneConnect and UnionBank to Bring Blockchain-based Financing to SMEs

Ping An's OneConnect has partnered with UBX, the wholly-owned fintech subsidiary of Union Bank of the Philippines, to build the country's first blockchain-enabled platform to meet the banking needs of micro, small and medium enterprises. The partnership centres around a financing platform that leverages OneConnect's facial recognition technology, micro-expression interviewing tech, and big data-enabled artificial intelligence to cover business

finance needs, such as multi-channel loan applications, credit assessment, loan disbursement, and anti-fraud checking.

Source: [Finextra](#)

Financial Service

Fintech Firm Zeta's Valuation Climbs to \$300M

Bengaluru-based fintech platform Zeta has raised an undisclosed amount in its Series C round led by France-based Sodexo, valuing the four-year-old startup at over \$300 million. Co-founded in 2015 by Bhavin Turakhia and Ramki Gaddipati, Zeta provides a full-stack neo-banking platform to enterprises, allowing them to issue co-branded debit, credit, and prepaid products to employees.

Source: [livemint](#)

Mobile Bank

US Mobile Bank MoneyLion Raises \$100M

New York City-headquartered MoneyLion, which provides customers both financial advice and access to loans and other services, has raised \$100 million in a new round to accelerate its growth in the U.S. market. MoneyLion, which describes itself as a mobile bank, operates a part lending, part savings and part wealth management app. The all-in-one platform allows users to connect all their bank accounts and credit cards and receive personalized advice on how to better spend their money and also secure loans from within the app.

Source: [TechCrunch](#)

Payroll & Benefits

SMB Payroll Startup Gusto Raises \$200M

Gusto, the payroll platform that helps small businesses take care of their teams, announced that it has raised \$200 million in Series D funding. Launched in 2012, Gusto processes tens of billions of dollars of payroll annually and empowers small employers to provide robust benefits like health insurance, 401(k) retirement plans, and 529 college savings plans--which have traditionally only been available through larger companies. Gusto serves more than 100,000 small businesses across the U.S.

Source: [yahoo](#)

Capital Market

Trading

Wematch Unveils Euro Interest Rate Swaps Matching and Negotiating Platform

Wematch, the global multi-asset-class, web-based matching and negotiation platform, has added Euro Interest Rates Swaps (IRS) to its expanding scope of live products. Wematch IRS is a web-based, dealer-to-dealer platform, giving sell-side human traders greatly enhanced tools and workflow to match and negotiate trades.

Source: [Finextra](#)

Financial Service

Fintech Decacorn Nubank Raises \$400M Led by TCV

Brazil-based Nubank, which offers a suite of banking and financial services for Brazilian consumers, announced that it has raised a \$400 million Series F round of venture capital led by Woody Marshall of TCV. Over the past year, the company has expanded its product offerings to include personal loans and cash withdrawal options as part of its digital savings accounts.

Source: [TechCrunch](#)

Financial Service

Capital One Data Breach Leaves 100 Million Vulnerable

Capital One revealed that 100 million credit card applications had been accessed, resulting in thousands of Social Security and bank account numbers being left at risk. Dubbed one of the largest data breaches to hit a financial services firm, the Capital One hack is expected to cost the company between \$100 million and \$150 million.

Source: [Finextra](#)

Challenger Bank

Taiwan Issues Three Digital Banking Licences

Taiwan's Financial Supervisory Commission has issued virtual banking licences to three consortiums – the latest development in the battle between Asian internet firms and the region's legacy banks for a stronghold over consumer finances.

Source: [Finextra](#)

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AMTD Global Markets Limited

Address: 23/F - 25/F, Nexxus Building, 41 Connaught Road Central, Hong Kong

Tel: (852) 3163-3288 **Fax:** (852) 3163-3289

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