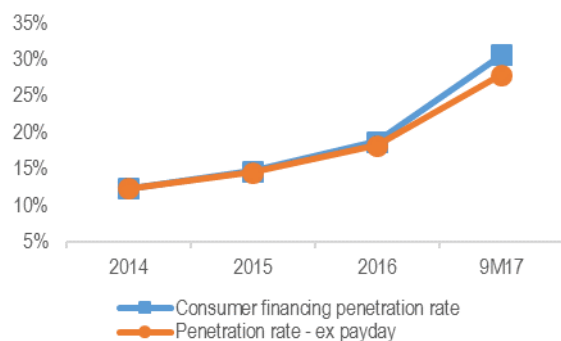




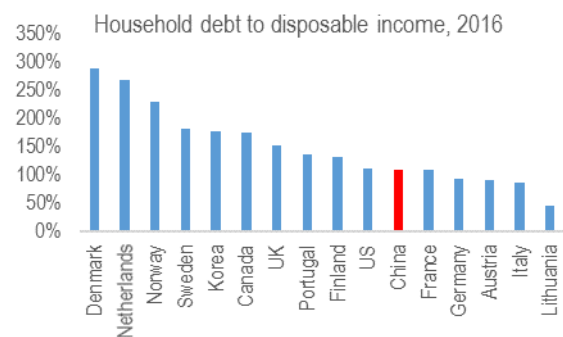
Chart of the week – What is the potential for online consumer finance in China?

Figure 1: China consumer finance penetration rate – new consumer credit to national retail sales



Source: PBoC, China National Statistical Bureau, China UnionPay, Wangdaizhijia, AMTD estimates

Figure 2: China household debt level not high compared to other developed countries



Source: OECD, AMTD estimates

In our [China Online Consumer Finance Industry Report](#), we find out that the consumer finance penetration rate in China is fast rising, thanks to commercial banks' push for credit card installment loans as well as the proliferation of online consumer lenders. China household debt currently stands at 111% of household disposable income, and majority of it is mortgage loans.

We still see potential for consumers to enjoy increasing choices of consumer finance products and there is room for the household to further increase their leverage. In fact, the new generation of consumers (post-80's, post-90's and post-00's) are very used to the idea of credit backed consumptions. This is at the backdrop that corporate debt and local government debt in China have limited room to expand.

AMTD Research

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News of the week

Jan 8, 2018

ICO

Telegram Plans Multi-Billion Dollar ICO for Chat Cryptocurrency

Encrypted messaging startup Telegram plans to launch its own blockchain platform and native cryptocurrency, powering payments on its chat app and beyond. According to multiple sources which have spoken to TechCrunch, the “Telegram Open Network” (TON) will be a new, ‘third generation’ blockchain with superior capabilities, after Bitcoin and, later, Ethereum paved the way.

Source: [Techcrunch](#)

Our view

Telegram has more than 100 million monthly active users globally. We see potential for mainstream adoption and payment services with a native cryptocurrency embedded in the chat service.

Jan 5, 2018

Alibaba

China

Ant Financial’s ABS Put on Hold amid China’s High Leverage Concern

A boom in asset-backed securities issued by micro-lenders aiming to expand in China’s fast-growing online credit market looks set to slow this year amid growing regulatory scrutiny.

Source: [Sina](#)

Our view

The e-commerce affiliated online lenders has been relying on ABS to offload their loans off-balance sheet. However, according to the new requirement by PBOC, the off-balance sheet assets should be included when calculating the microloan lenders’ leverage ratio. This could lead to significant slowdown of the online consumer loans that are funded by ABS.

Jan 4, 2018

Cryptocurrency

Israel

Israel Proposes Ban on Trading Shares of Cryptocurrency Companies

Israel may ban from trading on the Tel Aviv Stock Exchange companies whose main business revolves around bitcoin and other cryptocurrencies, the Israel Securities Authority (ISA), the country’s markets regulator, said on Thursday. The regulator has proposed an amendment to exchange rules that would prohibit it from listing shares issued by companies that mainly invest in, own or mine cryptocurrencies.

Source: [Reuters](#)

Our view

We have seen similar regulations in South Korea that prevent financial institutions to invest in cryptocurrencies.

Jan 4, 2018

Cryptocurrency

US

NASAA and SEC Warn Investors about Crypto and ICOs

The North American Securities Administrators Association (NASAA) released a warning for Main Street investors regarding the risks associated with cryptocurrencies and Initial Coin Offerings (ICOs). The warning was promptly followed by a statement from the US Securities and Exchange Commission (SEC) that commended and reiterated the NASAA's message. The NASAA statement encouraged investors to look "beyond the hype" when considering cryptocurrencies and their derivatives, in order to better understand the associated risks.

Source: [Cointelegraph](#)

Jan 6, 2018

Cryptocurrency

Venezuela

Venezuela to Issue Oil-Backed Cryptocurrency in 'Coming Days'

President Nicolas Maduro on Friday said Venezuela in the coming days will issue 100 million units of an oil-backed cryptocurrency known as the petro, which will be worth the price of one barrel in Venezuela's oil basket

Source: [Bloomberg](#)

Our view

It is unclear if this new cryptocurrency would save the country from a deep economic crisis and bring in foreign exchange inflows. The petro is pegged the country's oil, gas, gold and diamond reserves which is different from typical cryptocurrencies whose valuation is not pegged to anything.

Jan 7, 2018

Cryptocurrency

Vietnam

Vietnam Expedites Cryptocurrency Legal Framework – Ready End of January

The government of Vietnam has taken steps to accelerate the adoption of cryptocurrency regulation that will affect Bitcoin. The executive power in Hanoi has insisted that the framework should be ready by the end of January. Amendments to the tax code are expected to help tap into proceeds from "virtual property and digital money".

Source: [Bitcoin News](#)

Jan 3, 2018

Alibaba

US

U.S. Shoots Down MoneyGram's Sale to Ant Financial

A U.S. government panel rejected Ant Financial's acquisition of MoneyGram International Inc (MGI.O) over national security concerns, the companies said on Tuesday, the latest Chinese deal torpedoed under the administration of U.S. President Donald Trump.

Source: [Reuters](#)

Our view

Payment could be a sensitive area for foreign investment.

Jan 3, 2018

Bitcoin

Merrill Lynch Bans Its Clients, Advisors from Trading Bitcoin

Merrill Lynch financial advisors cannot buy bitcoin-related investments for their clients. The ban prevents the financial giant's roughly 17,000 advisors from pitching investments related to bitcoin and executing client requests to trade Grayscale's bitcoin investment trust (GBTC).

US

Source: [CNBC](#)

Jan 3, 2018

Tencent

Tencent Earns Third-party Fund Sales License

The greenlight for fund sales followed the official nod for Tencent to run insurance agent business last October, expanding the company's presence in the financial sector, ranging from payment to wealth management and microloan businesses.

China

Source: [Xinhua](#)

Our view

Tencent has been lagging Alibaba in financial product distribution. To further enhance its financial product offering would further strengthen its financial ecosystem.

Jan 4, 2018

Alibaba

Ant Financial Apologizes for Opting in Users for Credit Scoring System

Ant Financial has apologized for making the opt-in to its social credit scoring service the default when users opened a new report in the app, a move that angered some people who felt the company was misleading them into handing over their data.

China

Source: [SCMP](#)

Jan 4, 2018

China

China to Launch First Unified Personal Credit Platform for Online Lending

The new company, under the name of Baihang Credit Scoring, will be backed by Alibaba and Tencent, among others, according to the People's Bank of China on Thursday. With 36 percent of the company, the National Internet Finance Association of China will be the largest shareholder. Baihang will have a registered capital of 1 billion yuan (more than 150 million U.S. dollars). Eight credit firms including Zhima Credit and Tencent Credit will each have shares of 8 percent.

Source: [Xinhua](#)

Our view

The absence of a centralized personal credit bureau hampered the growth for online lending industry. This new credit bureau could serve to help the financial institutions and online lenders to better manage and price personal credit risks.

Jan 4, 2018

Insurance

Cybersecurity

How Insurers and Startups Are Targeting the Growing Cyber Insurance Market

While cyber direct premiums written hit just \$1.34B in 2016, it's estimated that cyber coverage could increase to \$7.5B to as much as \$20B by 2020. The spike in potential growth has resulted in both insurers jockeying for position as well as the formation of a host of new startups. CB Insights gives a look back at major happenings across the cyber insurance landscape in 2017.

Source: [CB Insights](#)

Jan 5, 2018

Bitcoin

China

Bitcoin Miners Are Shifting Outside China Amid State Clampdown Rumor

Bitmain, which runs China's two largest bitcoin-mining collectives, is setting up regional headquarters in Singapore and now has mining operations in the U.S. and Canada, Wu Jihan, the company's co-founder, said in an interview. BTC.Top, the third-biggest mining pool, is opening a facility in Canada and ViaBTC, ranked No. 4, has operations in Iceland and America, their founders said. Also, the People's Bank of China has put to rest a rumor that it would order a domestic shutdown of bitcoin mining activities, according to a local media outlet.

Source: [Bloomberg](#), [Caixin](#)

Our view

The reduced computing power could benefit overseas miners. However, the largest miners are actively moving their facilities oversea. The mining machine makers may instead the export their machines.

Jan 5, 2018

Cryptocurrency

UK

Bank of England Has 'No Plans' to Launch Cryptocurrency

The Bank of England has dropped plans to launch its own digital currency amid concerns about its impact on the financial system.

Source: [CoinDesk](#)

Jan 5, 2018

Bank

Banks Face Challenges Acquiring Fintech Firms

Top officials at global banks have trouble gauging fintech targets' earnings power, and many find that there may not be a cultural alignment. What's more, some technology solutions of the firms viewed as "disruptors" do represent fresh approaches, but may not suit the highly regulated large institutions.

Source: [Forbes](#)

Our view

Banks acquire fintech startups to obtain their technology. However, a top-down determination from the management is required for the banks to adopt the technology and encourage an innovation culture which is typically challenging for the banks. This would be the opportunities presented to fintech firms to overtake some of the smaller banks.

Jan 5, 2018

Cryptocurrency

Europe

Visa Cracks Down on Bitcoin Debit Cards in Europe

Visa, the payments giant, terminated a card issuer's membership on Friday, causing cryptocurrency debit card providers to suspend their services, according to three of the affected companies. Bitcoin payments processor BitPay announced in a statement that its European card issuer, WaveCrest Holdings, Ltd., had been told by Visa to close its accounts. The company will refund any remaining balances, as well as card order fees for anyone who purchased a card after Dec. 1, 2017.

Source: [CoinDesk](#)

Jan 5, 2018

Blockchain

Overstock Gets \$100 Million from Soros Fund for Blockchain and More

Overstock.com just got a hefty chunk of change from one of the biggest names in finance, and CEO Patrick Byrne says much of it will fund the company's blockchain work. The company disclosed in a Securities and Exchange Commission (SEC) filing this week that the holder of a warrant had exercised its right to buy \$100 million worth of shares. Although the filing did not identify this investor, Byrne told CoinDesk it was the Quantum Fund, managed by billionaire George Soros.

Source: [CoinDesk](#)

Jan 5, 2018

Facebook

Blockchain

Zuckerberg to Study Crypto in Quest to Fix Facebook

Facebook CEO Mark Zuckerberg announced Thursday he plans to study cryptocurrencies and other decentralizing technologies as part of a larger bid to improve the social networking service he co-founded. Aply in a Facebook post, Zuckerberg outlined what he called personal challenges for the year ahead, noting that one is to study the "positive and negative aspects" of cryptocurrency and encryption.

Source: [CoinDesk](#)

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