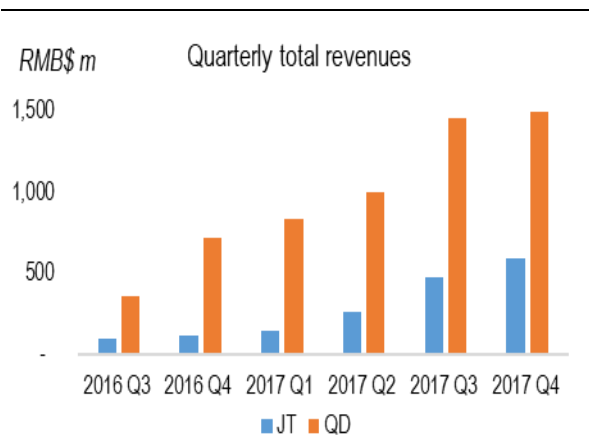




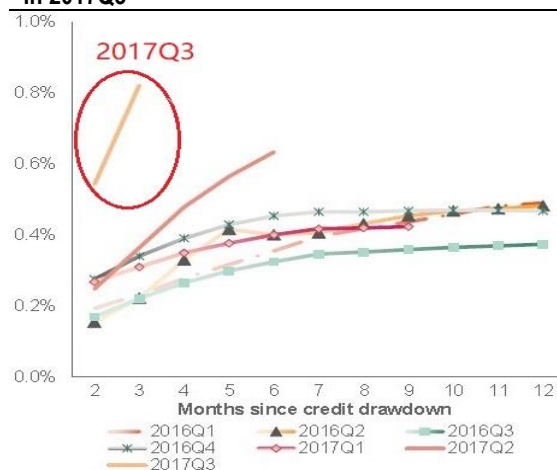
## Chart of the week – Surviving regulatory clampdown

**Figure 1: Jianpu and Qudian both see revenue increase despite unfavorable regulatory landscape**



Source: Company data

**Figure 2: Qudian M1+delinquency rate by vintage: overall strong credit performance but delinquencies up in 2017Q3**



Source: Company data

Jianpu Technology and Qudian have announced their 4Q17 results recently. Amid regulatory clampdowns in online lending industry, both companies managed to grow their revenue qoq, despite a slowdown in growth rate (Figure 1). Qudian has actively shifted its product mix towards online purchase installment loans and car loans, and adjusted loan pricing. It's worth noted that Qudian's delinquencies picked up notably for the 3Q17 vintage (Figure 2) although its overall delinquency rate is still at a relatively low level. This is not surprising as the regulatory cleanup triggered systemic defaults in the payday loan industry. Please see our sector report on the online consumer finance industry [here](#).

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## News of the week

Mar 6, 2018

Jianpu Technology

China

### Jianpu Technology Revenue Soars, Loss Deepens

Jianpu Technology Inc., an online platform that recommends and links financial products to consumers, announced higher-than-expected revenue for its fourth quarter, but a significantly larger loss than analysts had projected.

Source: [01Caijing](#)

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Mar 9, 2018

VCredit

China

### VCredit Files for Hong Kong IPO

Internet finance firm VCredit Holdings is gearing up for its reported initial public offering in Hong Kong as the frontline regulator of companies listed in China's special administrative region released its IPO prospectus.

Source: [01Caijing](#)

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Mar 12, 2018

Qudian

China

### Qudian Net Income Up 275%, Overdue Slightly Increases

Qudian Inc. (NYSE: QD), an online small consumer credit provider in China, today announced its unaudited financial results for the fourth quarter 2017 and full year ended December 31, 2017.

Source: [Yicai](#)

#### Our view

**Qudian has delivered strong results despite tighter scrutiny on online lending last year. The company seems have structurally shifted its product mix toward purchase installment loans and car loans.**

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Mar 6, 2018

2345 Network

China

### 2345 Network Suspected of 'Disguised Initial Coin Offerings'

Chinese payday loan lender 2345 Network Holding Group has released a white paper regarding the Blockchain implementation in the company before Lunar New Year, becoming first one ever to publish blockchain whitepaper in A-share market.

Source: [01Caijing](#)

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Mar 9, 2018

VCredit

China

### Two Chinese Fintech Firms Hong Kong Trading Debut via Backdoor Listing

Two Chinese P2P lenders Jimu and Dafy Finance respectively have completed a so called backdoor listing by taking over a locally listed company in Hong Kong earlier this week, which is a trending market among Chinese fintech startups for fundraising in the capital market.

Source: [01Caijing](#)

#### Our view

**A-share market has profitability requirements so most Chinese fintech start-ups rush to raise funds overseas amid tightened regulations in China. The backdoor listing in Hong Kong is also trending among unprofitable technology firms as it provides a shortcut to list and has relaxed rules to allow dual-class share listings.**

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Mar 12, 2018

Ant Financial

China

### Ant Financial's Consumer lending said to reach \$95b

Ant Financial's consumer lending has reached at least 600 billion yuan (\$95 billion) despite the affiliate of Alibaba Group Holding Ltd. facing a tougher environment for securitizing its loans, people familiar with the matter said.

Source: [Tencent](#)

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Mar 6, 2018

Cybersecurity

### World Economic Forum Leads Creation of Fintech Cyber Security Consortium

The World Economic Forum has led the creation of an industry consortium focused on improving the cybersecurity of financial technology companies, as collaboration between fintechs and financial institutions grows. The consortium's founding members include Citigroup Inc (C.N), online lender Kabbage, the Depository Trust & Clearing Corporation, Zurich Insurance Group (ZURN.S) and Hewlett Packard Enterprise (HPE.N), the companies said on Tuesday. The group will create a framework to assess the security level of fintech companies and data aggregators, whose preparedness against hacks is seen as increasingly important to the stability of the wider financial industry, the companies said.

Source: [Reuters](#)

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Mar 8, 2018

Cryptocurrency

US

### U.S. Regulator Urges Registration of Cryptocurrency Exchanges

The U.S. Securities and Exchange Commission said on Wednesday that many online trading platforms for cryptocurrencies should be registered with the regulator and subject to additional rules. In a statement, the SEC said these "potentially unlawful" platforms may be giving investors an unearned sense of safety. And it said many of these platforms likely need to register with the SEC as a national securities exchange or an alternate trading system.

Source: [Reuters](#)

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Mar 8, 2018

Cryptocurrency

US

### Virtual Currencies Are Commodities, U.S. Judge Rules

Virtual currencies like bitcoin can be regulated as commodities by the U.S. Commodity Futures Trading Commission, a federal judge ruled Tuesday. U.S. District Judge Jack Weinstein in Brooklyn ruled that the CFTC had standing to bring a fraud lawsuit against New York resident Patrick McDonnell and his company Coin Drop Markets, allowing the case to go forward.

Source: [Reuters](#)

#### Our view

**This ruling could have significant impact on cryptocurrency trading as brokers would potentially face stricter oversight if cryptocurrencies are viewed as a commodity. Again, it is important for investors to understand the financial and regulatory risks involved before any investment decision**

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Mar 8, 2018

Cryptocurrency

Japan

### Japan Punishes Seven Cryptocurrency Exchanges over Regulatory Lapses

Japan punished seven cryptocurrency exchanges, ordering two of them to suspend business, in an effort to shore up consumer protection after a \$530 million theft of digital money from Tokyo-based Coincheck Inc earlier this year. The Financial Services Agency (FSA) criticized the exchanges for lacking the proper internal control systems, and ordered them to make improvement in areas from risk management to preventing the criminal use of digital money. The FSA rap on Thursday briefly drove down bitcoin prices.

Source: [Reuters](#)

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Mar 8, 2018

Fintech

Europe

### EU Proposes Crowdfunding 'Passports' in Boost for Fintech

The European Commission has proposed crowdfunding “passports” for the European Union in a draft law that forms part of efforts to boost growth in the financial technology sector. Crowdfunding allows start-ups to collect small sums of money from many individuals as an alternative to a bank loan, still the main source of funding for small and medium sized companies. “An EU crowdfunding license would help crowdfunding platforms scale up in Europe,” the EU’s financial services commissioner Valdis Dombrovskis said in a statement.

Source: [Reuters](#)

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Mar 9, 2018

Cryptocurrency

China

### PBOC Governor Says Bitcoin Not a Legitimate Method of Payment

China does not recognize Bitcoin and other digital currencies as legitimate forms of payment, the central bank governor, Zhou Xiaochuan, said on Friday. “We do not currently recognize Bitcoin and other digital currencies as a tool like paper money, coins and credit cards for retail payments,” Zhou told reporters on the sidelines of the annual parliament session.

Source: [Reuters](#)

#### Our view

China has already taken a series of steps in recent months to clamp down on the cryptocurrency market. But on a positive note, Zhou said authorities are adopting a “dynamic” approach in regulating cryptocurrency, indicating the regulatory approach could ease as the technology becomes more mature.

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Mar 9, 2018

Cryptocurrency

Europe

### EU banking Watchdog Sets Out 'Roadmap' to Regulate Fintech

The European Union’s banking watchdog set out a “roadmap” on Friday to help plug gaps in how the rapidly evolving financial technology sector is regulated, but urged caution in tackling cryptocurrencies. New EU rules from January make it easier for start-ups to offer traditional banking services such as payments. Andrea Enria, head of the European Banking Authority, said the watchdog will analyze the nature of services provided by fintech firms “with a view to ensuring that similar services, entailing comparable risks, are regulated in a consistent way across the EU”.

Source: [Reuters](#)

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Mar 9, 2018

Payment

Hong Kong

### Hong Kong to Launch Faster Payment System in September

The Hong Kong Monetary Authority said a faster payment system will be launched in September this year across 20 banks and eight e-payment operators. The de facto central bank’s announcement indicates the development of the new payment scheme is nearing completion.

Source: [21Jingji](#)

#### Our view

Hong Kong is moving in the right direction but still lagging since many countries have already achieved this sort of real time retail payment system years ago. The authorities may increase R&D spending to promote innovation and technology.

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