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The rise of Chinese Mobile banking and Mobile payment systems **(Part 1)**

I'm waiting in the checkout line of a modern clothing store on HuaiHai Middle Road. When I'm ready to pay, I pull out enough cash to cover the expenses. The girl looks a little surprised and walks 10 meters to a table on the side that has the only cash counter on this floor, to check whether my cash is real. This is the first time I felt that paying in cash is a thing of the past. All other customers use Alipay, an online payment app that lets you pay by presenting a scannable barcode to the person behind the checkout. Welcome to the world of Mobile banking and mobile payment systems in China.



Alipay (Zhi Fu Bao, 支付宝) is the most popular mobile payment app in China. It is connected to your bank account, which allows you to freely transfer money between your bank account and your Alipay cash balance (a.k.a. Yu'e Bao, 余额宝). Once your bank account is linked to Alipay, you can use it to pay in any store or restaurant that uses Alipay, only your local hole-in-the-wall might not be connected yet. Next to that, you can also send money to friends, top up your phone, pay your utilities, order a taxi, order products on Taobao, make investments, and so forth. Alipay currently has a 74% market share in China and launched an English version with their latest update.

Another well-known mobile payment system is Tenpay, owned by Chinese internet giant Tencent. Tenpay is integrated into WeChat Pay, which is part of the popular

mobile app WeChat (Weixin, 微信). Tenpay currently has a 13% market share. Last week the only domestic card organization in China, China UnionPay, announced that they will release Quick Pass on mobile phones. This allows users to have cashless transactions without the need for an Internet connection. Finally, Apple announced that they will launch Apple Pay in the beginning of 2016 in a partnership with UnionPay.

This development is not limited to China itself. WeChat Pay is taking its cashless in-store payments global by connecting participating stores and restaurants in countries worldwide. With support for 9 different currencies, Chinese customers will be able to pay with their WeChat Pay in connected department stores in London, Tokyo, New York, and so forth. The payment will still be converted back to RMB, so currently it will only be available for people who have a Chinese bank account linked to their WeChat Pay. Alipay is rolling out a similar system for Duty Free shops. While adoption of WeChat outside of China might be negligible at this point, the model can serve as a blueprint for other mobile payment systems that are integrated in popular messaging apps.

Alipay and WeChat Pay have been a disruptive force in the payment industry in the last couple of years. When growth continues and the payment systems become more internationally acceptable, these two players could become industry leaders in a highly competitive field where there is only place for a handful of firms to survive.

In the next part we will discuss how these online payment system providers are seen as 'web-banks' and how they compete with traditional banks for deposits.

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