Foreword

FinTech, or financial technology, is fundamentally changing financial services (FS) and providing new opportunities for UK growth and consumer benefit. The UK is a leading location for FinTech development: in 2015 the UK’s FinTech sector generated over £6.6 billion in revenue and employed over 61,000 people. From alternative finance, to payments services, online-only banks and blockchain, FinTech is disrupting established processes to enhance the competitiveness of the UK’s FS sector and provide more choice for consumers. The UK has world leading FinTech talent which is supported by a progressive regulator in the Financial Conduct Authority and a Government committed to promoting competition and innovation in FS.

This year began with the publication of the EY “UK FinTech on the cutting edge” report which confirmed the UK’s position as the leading global FinTech hub. The FCA introduced their regulatory sandbox which aims to create a ‘safe space’ for businesses to test their innovative products and services in a live environment. In addition, HM Treasury working with the Department for International Trade and the FCA have established FinTech Bridges with priority markets, including Singapore and the Republic of Korea. By enhancing ties between government, regulators and the private sector, these FinTech Bridges reduce the barriers to entry for FinTechs looking to scale-up internationally. The Government will continue to work with our international partners through initiatives, such as Bridges, to further strengthen our FinTech sector.

One such key international trading partner is China. With the world’s largest consumer base, China too is successfully riding the tide of FinTech innovation. According to latest industry ranking, four of the top five FinTech firms in the world are Chinese firms, including the world’s largest: Ant Financial. The massive potential in China has attracted international capital and talent. Some of the UK’s most ambitious FinTechs have now proactively started to explore opportunities in China. Similarly, we have seen leading Chinese FinTech giants developing products to meet the increasing demand for FS between our two countries.

That is why this Guidebook is important and timely. It is a useful tool to help deepen commercial FinTech collaboration, growth and partnerships between the UK and China. It will provide FinTech firms, investors, regulators and traditional FS firms with a deeper understanding of the quickly evolving industry landscape in each market, their regulatory frameworks, and opportunities for business growth and partnerships.

I welcome this Guidebook and look forward to it encouraging even greater Chinese FinTech investment in the UK market and UK FinTechs’ successful entrance into China over the coming years.

Simon Kirby
Economic Secretary to the Treasury
About this guidebook

As a recognised global capital for FinTech, the UK is home not only to a vibrant FinTech sector, but a well-rounded FinTech ecosystem. To build upon this position, the UK is actively engaging with leading FinTech centres around the world, including China, to explore mutually beneficial FinTech opportunities. To facilitate this activity, the UK Government commissioned EY to produce this guidebook to foster greater collaboration, investment, and cross-border activity across the FinTech sectors in the UK and China.

At EY, our objective is to help FinTechs scale-up, and we therefore understand the importance of international expansion to drive growth. Given the depth of FinTech innovation and world-class capabilities in the China and UK FinTech sectors, there are several opportunities for cross-border expansion and/or investment across mature and emerging FinTech sub-sectors alike. The purpose of this guidebook is to provide a landscaping of the China and UK FinTech sectors, and identify some of the potential opportunities for trade and investment.

We hope this report will be used by policymakers, investors and FinTechs in China and the UK to further support their respective vibrant FinTech sectors. We also hope that the insights offered will be helpful to all broader stakeholders in the UK and Chinese FinTech ecosystems, and foster further cross-border collaboration and investment between the UK and China.

The analysis, views and recommendations expressed in this report were produced by EY and informed by interviews held with stakeholders across the FinTech ecosystem. We are very thankful to those who contributed their time and insights to this effort.

Imran Gulamhuseinwala
EY Global FinTech Lead

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1. Executive summary

The UK is recognised as a global capital for FinTech, with its FinTech sector generating c.£6.66 in revenue in 2015.1 With a well-served and well-functioning FinTech ecosystem, the UK has a particular competitive advantage from its world leading FinTech policy environment.

In recent years, China has also emerged as a leading FinTech centre. From a near standing start, China’s FinTech sector has grown rapidly, with four of the top five FinTech 100 now located in China.2

Given the depth of FinTech innovation and strong capabilities in these two leading FinTech sectors, there are several opportunities for cross-border expansion and investment opportunities between China and the UK. We provide a summary assessment of the China and UK FinTech ecosystems, the UK has a competitive advantage in capital, with investment in FinTech estimated to be c.£6.5b in 2016.3 China has strong access to investment at all stages of FinTech maturity, supported by significant state-owned investment across more than 750 government-guided funds, and access to an active IPO market.

The strength of the UK’s FinTech ecosystem is underpinned by its world leading FinTech policy environment. This stems from the supportiveness of regulatory initiatives (e.g., Project Innovate, regulatory sandbox), tax incentives and government programmes designed to promote competition and innovation.

China’s FinTech sector is personified by a handful of tech giants, such as Ant Financial, Tencent, Baidu and JD which provide FinTech solutions across a variety of subsectors. In contrast, the UK FinTech sector is borne out of the UK’s long-standing strength as a global financial centre.

Both China and the UK’s FinTech sectors benefit from strong FinTech ecosystems (i.e., strength across core attributes including talent, capital, policy and demand).

In China, while talent, policy and demand are relatively strong, it has a competitive advantage in capital, with investment in FinTech estimated to be c.£6.5b in 2016.4 China has strong access to investment at all stages of FinTech maturity, supported by significant state-owned investment across more than 750 government-guided funds, and access to an active IPO market.

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On a subsector basis, the Chinese FinTech sector is particularly strong in payments and alternative finance, where in 2015, over 10.3bn consumers used mobile payments and online lending totalled $15bn. These world-class capabilities are complemented by an emerging focus on digital challenger banking, InsurTech and blockchain.

Similar to China, the UK’s FinTech sector is also highly focused on the alternative finance and payments subsectors, which collectively attract c.90% of FinTech investment in the UK. The UK also excels in areas such as advanced analytics and digital challenger banking. The UK complements these mature capabilities with a growing presence in areas such as open banking, blockchain, capital markets FinTech and RegTech.

China and the UK’s respective world-class capabilities and emerging areas of focus result in potential cross-border opportunities for UK FinTechs looking to enter the Chinese market and vice-versa. For instance, three areas where the UK has strong existing and emerging capabilities include blockchain, RegTech and foreign exchange (FX) trading. On the basis of the relative nascenty but growing interest in these subsectors in China, there could be an opportunity for UK FinTechs to export this capability cross-border.

For Chinese FinTechs, we believe there could be opportunities in the UK market relating to payments solutions to serve the vast number of Chinese tourists and students coming to the UK each year, which account for over c.£30bn in spend annually.5 In addition, we believe there could be opportunities for Chinese FinTechs in leveraging the UK’s regulatory initiatives such as the sandbox to test and develop new ideas for the UK market. Equally, we believe it could be interesting for Chinese FinTechs to participate in the UK’s open banking initiative as a way to develop more fully integrated payments, e-commerce and social media propositions for Chinese and UK consumers.

Lastly, in terms of investment opportunities, we believe there are considerable opportunities for Chinese investors to bolster access to capital in the UK, particularly at growth (i.e., £5m-£100m) and pre-IPO stages (i.e., £100m+) where current access appears constrained relative to early-stage investment. By investing directly into venture capital (VC) funding rounds, partnering with UK VCs or investing into their funds, Chinese investors could gain access to a range of established and emerging FinTech subsectors in the UK market.

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3. CB Insights
4. EY analysis, UKCISA
2. The FinTech ecosystem

The strength of a nation's FinTech sector is dependent on a wide range of attributes and factors within its broader ecosystem. Before profiling the China and UK FinTech sectors, we believe it is important to first consider the attributes of their FinTech ecosystems, and from this, draw conclusions and comparison of where the Chinese and UK FinTech ecosystems excel and/or are challenged.

As detailed in EY and HM Treasury’s global FinTech benchmarking report, “On the cutting edge”, a well-functioning FinTech ecosystem is built on four core ecosystem attributes (“Attributes”):

1. **Talent**: the availability of technical, FS and entrepreneurial talent.
2. **Capital**: the availability of financial resources for start-ups and scale-ups.
3. **Policy**: government policy across regulation, tax and sector growth initiatives.
4. **Demand**: end-client demand across consumers, corporates and financial institutions (FIs).

Figure 1 highlights how these four Attributes interconnect and the network of stakeholders.

In the proceeding pages, we leverage this framework to provide an overview of the Chinese and UK FinTech ecosystems respectively.
### An emerging world-class FinTech ecosystem

China has emerged as one of the fastest growing FinTech sectors, with the world's largest consumer base providing the foundation for an increasingly active FinTech market. Potential for FinTech disruption is enhanced by access to vast capital, as well as strong talent and an encouraging policy environment.

#### Talent

- **China's FinTech market** is supported by a large pool of FS talent, complemented by technical and entrepreneurial talent.
  - From a tech developer workforce of c.61,000,13 over 25% of the population are FinTech users, with payments a primary driver: as of 2015, 358m Chinese customers used mobile payments.
  - 2016. The Chinese Government has been very active in commissioning innovative initiatives; China's banking regulators’ involvement has been moderate, though increasing.
  - The availability of tech talent stems from the presence of international tech giants and top ranking STEM (Science, Technology, Engineering and Mathematics) universities, and benefits from a 20% rate in experienced overseas “returnees.”
  - In regards to entrepreneurial talent, Premier Li’s emphasis on the importance of mass entrepreneurship and innovation has enabled a rapidly growing pipeline of entrepreneurial talent.

#### Capital

- **FinTech investment in China** is now world leading and estimated to be c.€6.5b, driven by a fundraising round of c.€3b by Ant Financial in 2016.6 To support early-stage and growth investment, the Chinese Government operates more than 750 government-guided funds, and in 2015 raised £152b to fund start-ups.
  - 7 China also benefits from an active IPO market, completing more IPOs in the past 10 years than the leading US and UK exchanges.
  - 8 On a regional level, Beijing is particularly important; in the first half of 2015, investment into Beijing totalled c.65% of all Chinese FinTech investment.

- **An overarching policy to limit foreign competition and investment has played a significant role in building China’s massive e-commerce market (accounting for c.47% of global digital sales)10 and digital economy — two key enablers for China’s FinTech sector.**
  - Chinese SMEs have historically been underserved by the traditional banking sector, and generate c.60% of the country’s GDP.15 With 11 of top 50 banks (by asset size) being based in China, this creates a significant base of financial institutions to generate corporate demand for FinTech solutions.
  - Over 25% of the population are FinTech users, with payments a primary driver: as of 2015, 358m Chinese customers used mobile payments.

#### Policy

- **China's FinTech sector** is enabled by the world’s largest consumer base, and complemented by a large number of underserved SMEs.
  - Tax policies supporting FinTechs and start-ups include policies where “New High-Tech Enterprises” are taxed at 15% compared to regular 25% rates.11 Notable Government and regulator-led innovation initiatives include commissioning of the Social Credit System (a system to assign a credit score to every citizen and business), as well as the Emerging Industry Innovation Fund (£3.9b)10 to promote digitisation.

#### Demand

- **The high availability of capital in the Chinese market, largely by domestic investors, provides investment for FinTechs of all maturities.**
  - The UK generated c.£554m of FinTech investment in 2015, with c.90% directed to the banking, payments and lending sectors. The UK has robust access to early-stage investment, enhanced by the effectiveness of UK tax initiatives, such as Seed Enterprise Investment Scheme (SEIS) and Enterprise Investment Scheme (EIS).
  - The UK’s FinTech ecosystem is good for early-stage investment, yet an opportunity exists to better support growing and mature FinTechs through investment.

### A world-class FinTech ecosystem

In recent years, the UK has emerged to be the global FinTech capital. Much of the recent success of the UK’s FinTech sector can be attributed to a well-served and well-functioning ecosystem; evidenced by the UK attracting c.£554m in investment and representing c.£6.6b in revenue.13 While access to talent, capital, and demand is strong, it is in its FinTech policy environment that the UK has a particularly strong competitive advantage relative to other leading FinTech hubs.

#### Talent

- **The UK’s FinTech ecosystem** is supported by the strong availability of technical and entrepreneurial talent, and exceptional access to FS expertise.
  - Across its total FinTech workforce of c.61,00014, the UK is able to draw considerable FS expertise from a pool of c.1.2m employees working in FS.14 The availability of tech talent in the UK is strong, drawing from a tech developer workforce of c.71,000.16 The UK is also the favoured European headquarters of many international tech firms. Similarly, the UK benefits from a vibrant entrepreneurial community, evidenced by a top 10 Global Entrepreneurship Index score.16

#### Capital

- **The availability of capital is good for early-stage investment, yet an opportunity exists to better support growing and mature FinTechs through investment.**
  - The UK’s policy environment benefits significantly from a supportive regulatory regime. Notable initiatives from the Financial Conduct Authority (FCA) include:
  - Project Innovative: developed to support the authorisation of innovative businesses, having recently passed the 300 mark for number of firms approved.
  - FCA regulatory sandbox: the first regulatory initiative of its kind, the sandbox is a ‘safe space’ where businesses can test innovative products and services without immediately incurring normal regulatory consequences of pilot activities.

#### Policy

- **The UK has a world leading FinTech policy environment noted for its simplicity, transparency and industry-led approach.**
  - Consumer adoption of FinTech is becoming increasingly mainstream in the UK, with c.14% of digitally active consumers identifying themselves as FinTech users, rising to c.25% in London.
  - With the largest number of SMEs in Europe (c.5.2m)18, the UK represents a large market with a demonstrated willingness to embrace FinTech solutions. In terms of large financial institutions, the concentration of FS activity, particularly in London, represents an exceptional platform for FinTech solutions.

#### Demand

- **FinTech demand in the UK is robust, driven primarily by demand originating out of London across consumers, corporates and large financial institutions.**
  - 11 China Ministry of Finance
  - 10 PSF
  - 6 CB Insights
### 3. Profiling the China and UK FinTech sectors

#### FinTech enablers: a comparative view of China and the UK

China’s macro-economic, FS and FinTech specific metrics indicate the vast scale and potential for its FinTech sector. While the UK is naturally a smaller market than China, it benefits from stronger enabling factors such as GDP per capital, mobile penetration and strength of the FS sector.

<table>
<thead>
<tr>
<th></th>
<th>China</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Macro-economic factors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population</td>
<td>c.1.4b</td>
<td>c.65m</td>
</tr>
<tr>
<td>GDP in Total</td>
<td>c.£7.2t</td>
<td>c.£1.9t</td>
</tr>
<tr>
<td>Exports</td>
<td>£1.6t</td>
<td>£512.5b</td>
</tr>
<tr>
<td>GDP per Capita</td>
<td>£5,214</td>
<td>£28,772</td>
</tr>
<tr>
<td>Corporate Tax Rate</td>
<td>25%</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Adoption indicators</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile penetration</td>
<td>41%</td>
<td>64%</td>
</tr>
<tr>
<td>Mobile banking penetration</td>
<td>63%</td>
<td>28%</td>
</tr>
<tr>
<td>Unbanked</td>
<td>21%</td>
<td>2%</td>
</tr>
<tr>
<td>FinTech adoption</td>
<td>27%²⁶</td>
<td>14%²⁶</td>
</tr>
<tr>
<td><strong>Scale of FinTech sector</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alternative Finance market size</td>
<td>£98.7b²⁶</td>
<td>£3.2b²⁷</td>
</tr>
<tr>
<td>No. of Unicorns</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>FinTech investment (2015)</td>
<td>£2,055m</td>
<td>£554m</td>
</tr>
<tr>
<td>Investment growth (’12 –’15)</td>
<td>c.200%</td>
<td>c.150%</td>
</tr>
<tr>
<td><strong>FS environment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of Top100 Universities</td>
<td>4</td>
<td>18</td>
</tr>
<tr>
<td>No. of world’s top 50 banks (asset size)</td>
<td>11</td>
<td>5</td>
</tr>
<tr>
<td>FS as a % of GDP</td>
<td>9%³²</td>
<td>11.8%³³</td>
</tr>
<tr>
<td>No. of FS employees</td>
<td>7.6m³⁴</td>
<td>1.2m³⁴</td>
</tr>
</tbody>
</table>

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24. FIS Bim, 2016, Average of Payments and Lending figures  
25. EY FinTech Adoption Index, 2014  
26. ABI, 2016  
27. “Pushing the boundaries,” Nesta, 2016  
28. CB Insights, 2015  
29. CB Insights and EY Analysis  
30. QS, 2016  
33. Gov.uk  
34. Sohu Finance, 2016
The large tech-giants have differentiated themselves from one another by focusing on different core businesses or customer target groups:

• **Alibaba**: as the largest e-commerce platform in the world, Alibaba has cross-sold and built FS propositions on its consumer and SME customer bases, such as Ant Financial and Alipay; integrating logistics with payments, and with merchants to consumer trade.

• **Tencent**: Tencent has positioned its widely used social-messaging app WeChat to offer peer-to-peer (P2P) payments on its services with applications such as ‘red envelope’. It is now also developing cross-border money transfer services.

• **Baidu**: the internet search engine has diversified into FS through investments, allowing users to purchase one of Baidu’s own funds, including a RMB 3b big-data based mutual fund that sold out within three days of launch in 2014.

• **JD**: the second largest e-commerce platform in the country has built a consumer finance business subsidiary, JD Finance. Originally focused on credit lines for products sold through the e-commerce platform, the subsidiary provides consumer and SME financing options, among other financial products and services.

China’s FinTech sector’s exponential growth and success has been heavily driven by these tech businesses entering the FS market, leveraging their huge customer bases to gain significant traction. This has allowed them to quickly invest in building and acquiring FS functions to generate further growth and expansion.

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**China’s FinTech sector is particularly strong in payments and alternative finance**

China is emerging as a global FinTech powerhouse, having gained maturity in several subsectors, with emerging subsectors and technologies gaining rapid traction.

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### China and UK FinTech — Unlocking opportunity

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**Subsidiary running FinTech business**

<table>
<thead>
<tr>
<th>Group</th>
<th>Alibaba</th>
<th>Tencent</th>
<th>Baidu</th>
<th>JD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Financing</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Wealth Management</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Insurance</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Securities</td>
<td>✓</td>
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<tr>
<td>Banking</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Credit Scoring</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Crowdfunding</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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</tbody>
</table>

**Valuation**

- **Ant Financial**: $60b
- **WeChat**: $38b
- **Baidu Financial**: < $3b
- **JD Financial**: $7b

**No. of registered users**

- **Ant Financial**: c.500m
- **WeChat**: c.400m
- **Baidu Wallet**: c.65m
- **JD Financial**: c.100m

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**Statistics**

- **China’s GDP**: £2.3t, 35% of total
- **China’s FinTech market**: £98.7b, 2015
- **Internet of Things (IoT)**: officially listed as one of China’s five emerging strategies as detailed in the government’s “Made in China 2025” report.

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**New wave FinTech Subsectors**

<table>
<thead>
<tr>
<th>Subsector</th>
<th>Description</th>
<th>Example activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital Challenger Banks</td>
<td>New banks employing technology-enabled business models (i.e., branchless) to create customer-centric propositions.</td>
<td>By 2015, the government had granted licenses to five privately operated banks that focus on online-only services.</td>
</tr>
<tr>
<td>InsurTech</td>
<td>New technology enabled underwriting (risk) techniques, online distribution channels and claims management processing.</td>
<td>Chinese InsurTechs raised over £7.5bn between 2010 and 2016.</td>
</tr>
<tr>
<td>Blockchain</td>
<td>A public-distributed ledger technology; particularly focused on transacting cryptocurrencies (i.e., bitcoin).</td>
<td>70% of global bitcoin transactions go through four Chinese companies.</td>
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<tr>
<td>Internet of Things (IoT)</td>
<td>Everyday ‘connected’ products joined via a network to exchange data and provide real-time insights and business value.</td>
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**World class FinTech subsectors**

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| Payments | The processing and transfer of local and foreign currency through fully-integrated social media and e-commerce platforms. | Mobile payments were used by 358m customers in 2015, with an annual growth rate of 64.9%.
| Wealth Management | Technology-enabled business models for investment advisory services; providing ‘trading’ market access to the mass market. | The value held in wealth management products totalled £2.3t, 35% of China’s GDP, by the end of 2015. |
| Alternative Finance | Alternative funding methods for consumer and SME segments, primarily provided by P2P or payments platforms. | China experienced £96.7bn in online lending in 2015, the highest in the world. |
| Data Analytics | The use of big data to draw upon alternative data sets to improve risk assessments and better serve financial service offerings. | The government granted licenses to 8 private enterprises in 2015 to develop credit scoring systems. |

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| Alternative Finance | Alternative funding methods for consumer and SME segments, primarily provided by P2P or payments platforms. | China experienced £96.7bn in online lending in 2015, the highest in the world. |
| Data Analytics | The use of big data to draw upon alternative data sets to improve risk assessments and better serve financial service offerings. | The government granted licenses to 8 private enterprises in 2015 to develop credit scoring systems. |

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**New wave FinTech Subsectors**

<table>
<thead>
<tr>
<th>Subsector</th>
<th>Description</th>
<th>Example activity</th>
</tr>
</thead>
</table>
| Payments | The processing and transfer of local and foreign currency through fully-integrated social media and e-commerce platforms. | Mobile payments were used by 358m customers in 2015, with an annual growth rate of 64.9%.
| Wealth Management | Technology-enabled business models for investment advisory services; providing ‘trading’ market access to the mass market. | The value held in wealth management products totalled £2.3t, 35% of China’s GDP, by the end of 2015. |
| Alternative Finance | Alternative funding methods for consumer and SME segments, primarily provided by P2P or payments platforms. | China experienced £96.7bn in online lending in 2015, the highest in the world. |
| Data Analytics | The use of big data to draw upon alternative data sets to improve risk assessments and better serve financial service offerings. | The government granted licenses to 8 private enterprises in 2015 to develop credit scoring systems. |
## China FinTech subsector deep dive

### Payments

**Focus areas**
- Social platform integration
- Daily ‘consumption activity’ integration

**Enabling factors**
- China is the world’s largest and most developed retail e-commerce market — accounting for c.47% of global digital sales, thus providing an immediately large customer base to penetrate.
- Internet penetration rates have risen from c.2% in 2000 to c.52% in 2016, acting as a key catalyst for increasingly digitised payments, with the traditional conservative culture becoming increasingly comfortable with digital propositions.
- As of March 2015, 270 third-party payments companies had been issued payment licenses.

**Example players**
- Alipay (Alibaba)
- Tenpay (Tencent)
- UnionPay
- JD pay (JD)
- Bestpay
- 99Bill
- ICBC e-wallet

### Alternative Finance

**Focus areas**
- P2P lending
- Customer and supply chain financing

**Enabling factors**
- SMEs receive only 20-25% of bank-disbursed loans while accounting for 60% of China’s GDP.
- 20% of retail customers are under-served by the consumer banking system.
- Traditional banks offer less flexibility in their financial products.

**Example players**
- Lufax (PingAn)
- DianRong
- China Rapid Finance
- JD Finance (JD)
- Gome Finance
- QiuFenQi
- RenrenDai

### Wealth Management

**Focus areas**
- Digital financial management platforms
- Stock trading and social trading
- Robo-advisors

**Enabling factors**
- A large population of “low-income” (annual disposable income < 100,000 RMB) customers unable to meet the investment threshold for traditional wealth management products offered by banks.
- Economic progress has led to an exponential increase in size of the Chinese middle class, whereby c.75% of the population is expected to be mass or upper-middle class by 2022.

**Example players**
- Yu’ebao (Alibaba)
- CreditEase
- Xueqiu
- Baidu Financial Services
- JD Finance
- Shenzhen JFZ Capital Management Co.

### Data Analytics

**Focus areas**
- Credit scoring

**Enabling factors**
- Three out of five citizens in China lack a credit history, as only 300m citizens have records with the China Credit Reference Center (CCRC).
- A strong focus from the Chinese Government with new programs, such as commissioning of the Social Credit System platform.

**Example players**
- Sesame Credit (Alibaba)
- Tencent Credit
- Qianhai Credit
- Rong360
- WangDaZhiJia

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46. EY analysis
47. Sohu Finance, 2016
48. iResearch, 2015
49. Fortune, 2016
50. Financial Times, 2015
51. China Credit Reference Center, 2016
Regional FinTech hubs in China are concentrated in the main cities including Beijing, Hangzhou, Shenzhen and Shanghai. However, recent government support has attracted FinTech activity in further cities including Chengdu, Chongqing and Suzhou. All provinces in China also have provincial industrial funds allocated to encourage technology investment, from which the FinTech sector naturally benefits.

Shenzhen
Overview
Ranched China’s ‘Silicon Valley’ due to the density of local high tech giants (Huawei, Tencent and ZTE). Shenzhen has also been designated as a Special Economic Zone, benefiting from its proximity to Hong Kong’s financial centre.
Enablers
Shenzhen invested c. £447m in 2016 to attract global tech ‘elites’. The city’s access to talent is enhanced by its proximity to Hong Kong University of Science and Technology. Shenzhen is also the base of leading commercial banks Ping-An Bank and China Merchants Bank.
Incubators & Accelerators
Access to Finplus (China’s first angel fund for FinTech) and a high concentration of VCs and incubators in Shenzhen. The Science and Technology park of the Nanshan district is also ranked first for its attraction of high-tech innovation.
FinTechs
Tencent, Yiqiniu

Hangzhou
Overview
The city is home to internet giants Alibaba and NetEase, and ranks first in the Inclusive Finance Index. Hangzhou is renowned for its hosting of the annual Hangzhou Internet-Finance Exposition.
Enablers
Home to advanced research institutions, such as Zhejiang University (AIF) and Aliresearch.
Incubators & Accelerators
A high concentration of start-up hubs (Ckerhome) and tech-focused VC firms (Sequoia, Tisiwi, Banyanvc).
FinTechs
Ant Financial, RoyalFlush Information Network, Voca

Beijing
Overview
Beijing is the headquarters of a number of foreign and local multinational corporations, as well as FinTech regulators, including the China Banking Regulatory Commission (CBRC) and the People’s Bank of China (PBC).
Enablers
Top ranked universities for technology and engineering (Peking University and Tsinghua University). Further, the Zhongguancun technology park attracts high technology companies to the area.  
Incubators & Accelerators
A strong network of VCs and incubators including Innovation Ventures, Ckerhome, DRC, Peking University Start-up Incubation Park and Tsinghua K-lab.
FinTechs
Baidu, JD Finance, CreditEase, Rong360, Jimubox, Qufenqi, RenrenDai

Shanghai
Overview
An international financial centre with a high concentration of global financial institutions.
Enablers
A high density of leading research institutions with world-class research capabilities (Fudan University, Shanghai Jiao Tong University).
Incubators & Accelerators
SuperCharger and Startupbootcamp accelerators.
FinTechs
Lufax, Bestpay, WangDaiZhiJia
In the UK, alternative finance and payments are leading subsectors

Unique FinTech market enablers have positioned the UK as a world leader across a number of FinTech subsectors, while developing strong potential across a number of new wave FinTech areas.

### World class FinTech Subsectors

**Alternative Finance**

An umbrella term covering a range of different lending models outside of traditional channels (i.e., P2P, crowdfunding and invoice trading).

### Example activity

In 2015, the alternative finance sector grew 84% in 2015, totalling £3.2b in investments and loans. 56

### Payments

The processing and transfer of payments and currency locally, cross-border and across digital or mobile channels.

### Example activity

The UK FinTech market for online payments and FX is £2.5b. 57

### Advanced analytics

The analysis of structured and unstructured data sets via sophisticated quantitative methods for credit reference, insurance and capital markets offerings.

### Example activity

The UK market for financial data and analytics was estimated to be c.£3.8b48 in 2014.

### Digital Challenger Banks

New banks employing technology-enabled business models (i.e., branchless) to create customer-centric propositions.

### Example activity

In 2015, a record 29 businesses applied to the FCA for a banking licence. 59

### New Wave FinTech Subsectors

**Open Banking**

The use of open APIs to enable third-party access to data traditionally held by incumbent financial institutions.

### Example activity

In August 2016, the Competition and Markets Authority (CMA) mandated Open Banking to be in place by early 2018, opening up access to customer data.

**Blockchain**

Blockchain is a technology that enables a shared ledger to be maintained by multiple parties and updated simultaneously.

### Example activity

In January 2016, the Bank of England announced it will look at blockchain as part of a plan to modernise the UK’s payments settlement system.

**Capital Markets FinTech**

Technology innovation to enhance the front-, middle- and back-office of capital markets firms.

### Example activity

Capital markets accounted for £2.2b49 of the financial data and analytics market in 2014.

**RegTech**

The application of new technologies to resolve regulatory and compliance business issues.

### Example activity

RegTech is a priority area for the FCA, who held their first RegTech-related hackathon, TechSprint, in April 2016. 59

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57. EY analysis
59. FCA, 2016
## UK FinTech subsector deep dive

### Alternative Finance

<table>
<thead>
<tr>
<th>Focus areas</th>
<th>Enabling factors</th>
<th>Example players</th>
</tr>
</thead>
<tbody>
<tr>
<td>P2P lending</td>
<td>Loans to consumers and businesses (SMEs) whereby numerous lenders contribute to a single loan.</td>
<td>Zopa, Funding Circle, CrowdCube, Seeds, Syndicate Room, Iwoca, Borro, MarketInvoice, ezbob, ThinCats, Platform Black, LendInvest, Trade River, Landbay, Funding xchange, Funding Options</td>
</tr>
<tr>
<td>Crowdfunding</td>
<td>Sold of a stake to a number of investors in return for investment, facilitated by an online platform.</td>
<td>Zopa, Funding Circle, CrowdCube, Syndicate Room, Iwoca, Borro, MarketInvoice, ezbob, ThinCats, Platform Black, LendInvest, Trade River, Landbay, Funding xchange, Funding Options</td>
</tr>
<tr>
<td>Invoice trading</td>
<td>The auctioning of invoices (for immediate payment at a discount) through online trading platforms.</td>
<td>Zopa, Funding Circle, CrowdCube, Syndicate Room, Iwoca, Borro, MarketInvoice, ezbob, ThinCats, Platform Black, LendInvest, Trade River, Landbay, Funding xchange, Funding Options</td>
</tr>
</tbody>
</table>

### Advanced Analytics

<table>
<thead>
<tr>
<th>Focus areas</th>
<th>Enabling factors</th>
<th>Example players</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identity</td>
<td>The use of multiple data sources and API architecture to expedite traditional KYC processes, through a single point of integration.</td>
<td>Ravelin, Behavox, ClearScore, Suade, Sybenetix, Qumram, Duco, PassFort, Aire, Cleamrics, OpenGamma</td>
</tr>
<tr>
<td>Underwriting data</td>
<td>Aggregation from alternative data sources to generate improved and near real-time credit decisions.</td>
<td>Ravelin, Behavox, ClearScore, Suade, Sybenetix, Qumram, Duco, PassFort, Aire, Cleamrics, OpenGamma</td>
</tr>
<tr>
<td>AI &amp; Machine learning</td>
<td>Advanced data analysis providing tangible business value through iterative insight models.</td>
<td>Ravelin, Behavox, ClearScore, Suade, Sybenetix, Qumram, Duco, PassFort, Aire, Cleamrics, OpenGamma</td>
</tr>
</tbody>
</table>

### Payments

<table>
<thead>
<tr>
<th>Focus areas</th>
<th>Enabling factors</th>
<th>Example players</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-border/FX</td>
<td>Low-cost international money transfers and exchange with superior customer experience.</td>
<td>TransferWise, Azimo, Currency Cloud, WorldRemit, Ebury, GoCardless, AccessPay, Revolut, Curve, Kantox, Skrill, Ringpay</td>
</tr>
</tbody>
</table>

### Digital Challenger Banks

<table>
<thead>
<tr>
<th>Focus areas</th>
<th>Enabling factors</th>
<th>Example players</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer journey</td>
<td>Improved customer engagement through a personalised service.</td>
<td>Tandem, Atom, Starling, Oak North, Monese</td>
</tr>
<tr>
<td>Digital only</td>
<td>Branchless approach to banking, with digital only channel access.</td>
<td>Tandem, Atom, Starling, Oak North, Monese</td>
</tr>
<tr>
<td>Transparency</td>
<td>In pricing and communications, increasing consumer adoption and engagement.</td>
<td>Tandem, Atom, Starling, Oak North, Monese</td>
</tr>
</tbody>
</table>

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60. EY analysis, 2016
61. EY analysis, 2016
Regional FinTech hubs in the UK

FinTech activity in the UK is focused in London, due to a concentration of global leading financial institutions and capital, and strong access to financial, technical and entrepreneurial talent.

Regions outside London have historically benefitted from government initiatives aiming to attract commerce to the area, lower costs of living, high availability of talent (particularly from university partnerships) and subsector specialisations.

Manchester
- **Overview**: Strong digital and creative capabilities (£3.5b invested to-date).67
- **Enablers**: 100,000 students makes it Europe’s largest city. The UK base of IT centres for banks (Lloyds and Barclays).67
- **Incubators & Accelerators**: Recent investment into large co-working spaces (Neo, The Vault); some accelerators (Innovate Finance) and active regional investors (North West Fund, GMF, MIDAS).
- **FinTechs**: AccessPay, DueCourse

Edinburgh
- **Overview**: Growing tech scene (Skyscanner and Fanduel) and second largest FS centre in the UK (Headquarters for RBS, Bank of Scotland, Standard Life, TSB and Virgin Money).
- **Enablers**: Strong academic institutions: Best place to live in the UK (e.g., affordable living costs, high salaries and fast broadband).62
- **Incubators & Accelerators**: Co-working spaces (TechCube), accelerators (Codellbase), with a large angels base (Archange), some VCs (Scottish Equity Partners).
- **FinTechs**: FreeAgent, MiiCard, Money Dashboard

Bristol
- **Overview**: Named by the former Chancellor George Osborne as one of the six English “Science cities” with a £300m science park and Europe’s largest robotics laboratories.63 FS sector employs 99,000 in the city.64
- **Enablers**: The city’s balanced economy and high GDP per capita (third highest in England)66 contribute to it being the fourth highest ranked English “global city”.66
- **FinTechs**: Moneyhub, Fundsurfer

Oxford/Cambridge
- **Overview**: Referred to as “Silicon Fen”, due to the density of high-tech businesses and technology incubators such as ARM, Abcam, Oxford Instruments and Sophos.
- **Enablers**: Home to two of the world’s best universities with leading research capabilities and strong ability to attract skilled talent.
- **Incubators & Accelerators**: Access to the Alan Turing Institute (collaborative data science research), Cambridge Science Park and Oxford Science Park.
- **FinTechs**: Insignis, Stockpieda

London
- **Overview**: Global FS hub with the largest concentration of global institutions and a world leading presence in forex, OTC derivatives and lending. According to the GFCI, London ranks first as a global financial centre, illustrating high financial institutional demand.68
- **Enablers**: London has a strong pool of talent, through access to a growing tech community (e.g., Silicon Roundabout), a high concentration of leading business schools and access to financial expertise as a global financial hub. Furthermore, London provides a concentration of available capital, with a significant global and local investor network.
- **Incubators & Accelerators**: Co-working spaces (TechCube), accelerators (Codellbase), with a large angels base (Archange), some VCs (Scottish Equity Partners).
- **FinTechs**: Azimo, Ebury, eToro, FundingCircle, Invoxe, Noom, TransferWise, Zap and many more.
4. Opportunities for trade and investment
Matchmaking
Cross-border opportunities for UK FinTechs

Whilst the size and scale of the Chinese FinTech sector is undisputed, the flurry of activity in recent years has been dominated by domestic players. Past examples of foreign entrants trying to access the market have had varying success, limited by government restrictions and fierce competition. However, the size and scale of China’s FinTech sector provides too big an opportunity to ignore, with the world’s largest, and increasingly digitally-savvy consumer base to target.

As covered in section 3 of this guidebook, the UK has strong capabilities in three areas, blockchain, RegTech and FX. These areas are still relatively nascent in China, providing a market opportunity for UK FinTechs.

Blockchain
- In China, blockchain initiatives have largely been associated with academia and research institutes, with a focus on crypocurrency. Local blockchain start-ups are still in the early-stages of development, where major banks have only just started to commission proof of concepts and pilot projects on blockchain applications.
- In the UK, incoming regulations such as MiFID II have motivated corporations to invest in exploratory technologies such as blockchain to transform their operating models. This has resulted in the emergence of well-funded blockchain outfits, the mobilisation of talent from industry to blockchain-related start-ups and the maturing of technology solutions (e.g., underlying blockchain architecture platforms). We believe that UK FinTechs can leverage these innovations, capabilities and expertise to develop the Chinese blockchain market further.

RegTech
- China’s regulatory entities, such as the PBOC and CBRC, have in recent years become increasingly focused on FinTech, evidenced by the release of the Guiding Opinions on Promotion of Healthy Development of Internet Finance (“Guiding Opinion”) in 2015 - the first regulation issued by the Chinese Government in the FinTech space. Guiding Opinions was subsequently followed by regulation focused on FSP lending, and non-banking online payment service providers.
- As China continues to be more hands-on from a regulatory standpoint, FS players will likely benefit from the availability of RegTech solutions to lower the complexity and costs of maintaining regulatory compliance.
- The UK is home to a number of RegTech firms that have developed solutions related to compliance, advanced data analytics and risk evaluation. These techniques and knowledge could all be leveraged in the Chinese marketplace to great effect as its FinTech sector and regulatory frameworks mature further.

Foreign Exchange (FX)
- China is the third largest money transfer/remittance market globally (c.£360b), thus creating an inherent need for payments platforms that can enable trade across multiple currencies and the settlement of transactions internationally.
- In this regard, the UK is home to a number of FX-focused payments platforms, which serve as the payments engines for notable money transfer FinTechs and traditional financial institutions alike, a service which could also serve remittance providers in the Chinese market.

Following Chinese consumers
- Each year a vast number of Chinese students (c.90,000), tourists (c.270,000 visits) and immigrants (c.50,000) enter the UK, in aggregate, yearly spending from tourists and students is in excess of £30bn.
- With such significant traffic between China and the UK, there is likely a strong need to meet the payments needs of Chinese consumers while they are abroad. As such, Chinese FinTechs (primarily payments platforms) should look to partner with UK-based retailers, acquirers, and financial institutions to develop cross-border payment propositions to serve this sizeable market.

Leveraging the UK’s supportive regulatory environment
- The FCA is leading the way amongst global regulators in promoting innovation and competition throughout the FS sector. This is exemplified by initiatives such as Project Innovate, the regulatory sandbox and the dedicated robo-advice unit.
- The FCA has now opened up its regulatory sandbox to all firms, providing a safe space for testing innovative products and services, in addition to Project Innovate’s tailored authorisation process and individual firm guidance.
- The sandbox and the FCA’s support to foreign innovations provides an ideal platform for Chinese FinTechs to trial their propositions in a safe environment, and working with the regulator to effectively navigate the UK market.

Participating in the UK’s Open Banking initiative
- In 2016, the CMA mandated that UK retail banks will have until 2018 to develop an open API standard and create open APIs to facilitate data sharing in the UK banking industry.
- This will create a new environment where consumers take control of their financial data and can share this information with third-parties in return for value added propositions, providing an opportunity for FinTechs to leverage previously unavailable consumer data sets (e.g., historical transaction data).
- This opportunity is particularly significant for Chinese social media businesses, who have expanded into Fintech in China. In this regard, open banking could be leveraged by these players to develop more fully integrated payments, e-commerce and social media propositions for Chinese and UK consumers.

Matchmaking
Cross-border opportunities for China FinTechs

With strong ambitions to globalise, Chinese FinTechs are seeking to diversify revenue streams and reduce their home-ground reliance by entering into new markets.

In this regard, the UK FinTech ecosystem, with its world leading FinTech policy environment, strong access to skilled talent, and robust demand for FinTech products and services is an ideal market to realise these growth ambitions.

There are three distinct opportunities we believe Chinese FinTechs can realise in the UK market; providing FinTech solutions (primarily payments) to Chinese visitors coming to the UK, leveraging the UK’s supportive regulatory environment, and participating in the UK’s Open Banking initiative:
**Investment**

**FinTech investment in China and the UK**

The significant growth and magnitude of FinTech investment into China is underpinned by robust access to capital, both through public and private sources of funding. The Chinese Government operates more than 750 government-guided funds nationwide and in 2015, and raised £1.52bn to fund start-ups, in addition to the £4.3bn in government grants, tax breaks and subsidised technology parks pledged for start-ups by the Chinese Premier.\(^{74}\)

Private funding has also substantially supported early-stage and growth investments, with a large number of funds competing to invest in a limited pool of financially viable ideas. For late-stage FinTechs, Chinese FinTechs also benefit from an active IPO market, completing more IPOs in the past 10 years than the leading US and UK exchanges.\(^{74}\)

In the UK, access to capital appears to be strongest for early-stage investment, where later-stage growth capital appears constrained, as shown in figure 4.\(^{75}\) As per EY and HM Treasury’s report, “On the cutting edge”, weaker growth financing in the UK is partly due to the generally low risk appetite exhibited by the UK venture funds, which tend to represent institutional money rather than the reinvested proceeds of successful entrepreneurs.\(^{76}\)

In recent years, China has emerged as a leading FinTech hub not only based on level of activity within the sector, but also in terms of investment.

As shown in figure 3, when compared to other leading FinTech centres, FinTech investment in China was second only to California in 2015, with over £2bn of investment, compared to £554m in the UK. In 2016, however, FinTech investment in China has more than tripled to an estimated £6.5bn, driven by Ant Financial’s £3bn fundraising round.\(^{74}\)

The availability of seed funding in the UK is also bolstered by an expansive network of incubators and accelerators, particularly in London.

Relative to seed capital, growth capital appears to be more constrained. While tax initiatives such as Venture Capital Trusts (VCT) scheme and EIS are in place to promote growth investment, general consensus amongst the UK FinTech community is that the UK lacks the depth and scale of funding available in regions such as China or the US.

Growth funding in the UK, however, is still sizeable, accounting for c.80% of total FinTech investment.

The London Stock Exchange (LSEG) is the third largest exchange globally, and the largest in Europe.\(^{75}\) Despite being roughly half the size of the NYSE in terms of IPO proceeds raised, the LSEG’s profile has continued to gain prominence within the FS sector, with several notable listings over the past two years.

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74. CNBC, 2016
75. Dealogic based on total proceeds at IPO over the last 10 years, 2016
76. EY and HM Treasury, 2016; “On the cutting edge”
**Investment Opportunities for Chinese investors**

On the basis of China’s strong access to capital, and current market dynamic whereby domestic sources are more than meeting the demand for FinTech capital, we see relatively modest opportunities for foreign investors to aggressively pursue the Chinese market.

In the UK, however, we believe there is opportunity and appetite for Chinese foreign investment to bolster access to capital, particularly at growth (i.e., £5m–£100m) and pre-IPO stages (i.e., £100m+) where current access to capital appears limited relative to early-stage investment.

We see this as having a potentially strong benefit to the UK FinTech ecosystem, whereby further growth capital could assist UK-based FinTechs to more successfully scale up.

Investment into the UK market could take the form of Chinese investors investing directly into UK FinTechs as part of VC financing rounds. Alternatively, Chinese investors could seek to form partnerships with local VC firms, or invest directly into their funds.

In terms of specific FinTech subsectors, we believe there are potentially interesting investment opportunities for Chinese investors in two main areas, namely: i) FinTech subsectors which are mature in China; and ii) FinTech subsectors which are still emerging in China.

1. FinTech subsectors which are mature in China: As documented in section 3 of this guidebook, subsectors in which China already excels include alternative finance, and payments; FinTech areas which are also well-established in the UK. As such, the appeal for Chinese investors could be two-fold: investing in an established growth market in the UK, while still investing in an area which is well-trodden in the Chinese market.

2. FinTech subsectors which are emerging in China: Chinese investors may also find opportunities to “invest to learn” as being attractive. Potential subsectors of interest in this regard could include blockchain, RegTech, and digital challenger banking - all of which are relatively nascent in China relative to the UK. As such, Chinese investors may be attracted to such opportunities which are small, but still relevant to existing domestic business interests.

**Accessing the China market**

In March 2015, the Chinese Government launched the “Internet Plus” initiative to promote further growth in mobile internet, cloud computing, big data and the IoT in China, as part of a wider effort aimed at stimulating the economy.

Building on “Internet Plus”, 10 government regulators jointly released the Guiding Opinions on the Promotion of the Healthy Development of Internet Finance (“Guiding Opinions”) in July 2015. This was the first comprehensive FinTech regulation issued by the PRC government. In addition to regulatory and government entities, several trade bodies, programs and incubators have also been established to support both domestic and foreign FinTechs (figure 5).

**Figure 5: Regulatory, Government and Trade-related entities**

<table>
<thead>
<tr>
<th>Entity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOFCOM (Ministry of Commerce, People's Republic of China)</td>
<td>The primary regulator in China for the development of domestic and foreign trade and international economic cooperation. MOFCOM is responsible for drafting laws and regulations governing trade, foreign investment in China and foreign assistance.</td>
</tr>
<tr>
<td>PBOC (People’s Bank of China)</td>
<td>PBOC is the central bank of the People’s Republic of China (PRC), responsible for managing liquidity through monetary policy and the regulation of financial institutions in mainland China. PBOC is also in charge of third-party payment governance and license issuance.</td>
</tr>
<tr>
<td>CBRC (China Banking Regulatory Commission)</td>
<td>CBRC is a regulator authorised by the State Council to formulate supervisory rules and regulations for the governing of banking institutions and to regulate market entry and operation. Online debit and credit and consumer finance businesses are under the supervision of CBRC.</td>
</tr>
<tr>
<td>CIRC (China Insurance Regulation Commission)</td>
<td>CIRC is a regulator authorised by the State Council to conduct the administration, supervision and regulation of the Chinese insurance market. Any insurance company that sells products through the internet must be supervised by CIRC.</td>
</tr>
</tbody>
</table>

**Association Entities**

<table>
<thead>
<tr>
<th>Entity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Internet Finance Association of China</td>
<td>A national membership-based organisation that plays a crucial role for the healthy development of China’s FinTech market. Also responsible for the regulation of association members’ financial conduct in accordance with FinTech specific governmental policy.</td>
</tr>
<tr>
<td>Beijing P2P Association</td>
<td>A NGO industry association of P2P companies and related institutions which aims to increase industry transparency, enhance internal risk management and promote the development of the P2P market by meeting required regulation and policy requirements.</td>
</tr>
<tr>
<td>Financial Blockchain Shenzhen Consortium</td>
<td>A blockchain-focused consortium of financial institutions and technology providers that provides a forum for blockchain discussions. It also exists to advance opportunities for members, encouraging collaboration on group-wide blockchain projects.</td>
</tr>
<tr>
<td>Shanghai Finance Information Association</td>
<td>An independent, not-for-profit membership-based association mainly serving financial institutions (including FinTechs) for assistance with regulation compliance, enabling a forum for information-sharing and idea generation.</td>
</tr>
</tbody>
</table>
Accessing the China market

The process for foreign FinTechs wishing to pursue opportunities in China involves going through several issuing authorities including the CBRC, MOFCOM, PBOC, as shown by figure 6. However, a move to an updated version of regulation for setting up foreign-invested enterprises suggests that the majority of traditional barriers could be diminished in the future.77

Government initiatives provide a supportive environment for foreign FinTechs wishing to benefit from China’s emerging FinTech market. Incubators and accelerators have widened access to capital and industry expertise, as noted in figure 7.

**Figure 6: Overview of approval/registration procedures**

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step One</td>
<td>Businesses must obtain project approval from the National Development and Reform Commission for heavily regulated areas of business, including FS. Preliminary consent is also needed from the relevant regulatory authority (e.g., CBRC and PBOC are the key regulators for setting up a bank).</td>
</tr>
<tr>
<td>Step Two</td>
<td>FinTechs wishing to set up in China need to obtain ‘foreign-invested enterprise establishment’ approval. MOFCOM is responsible for handling the approval application process, with the FS subsector concerned and the amount of investment involved determining the length of the application process (between 1-3 months). Additional approval is required from FS regulators (PBOC, CBRC, CIRC).</td>
</tr>
<tr>
<td>Step Three</td>
<td>The registration process for foreign enterprises involves gaining relevant approval letters, certificates and other related documents, all of which are dealt with by local branches of the AIC (Administration for Industry and Commerce). AIC also issues business licences to enable a company to commence with selling goods and services.</td>
</tr>
<tr>
<td>Step Four</td>
<td>Additional registration procedures exist with various government departments (including the applicable tax bureau, FX authority, labor bureau, finance bureau, etc.)</td>
</tr>
</tbody>
</table>

**A summary of authorisation steps**

**Note:**
- The process for setting up foreign-invested enterprises is under review for simplification, with a view to stimulating the set up of FinTech businesses in China.79
- In October 2016, the Chinese government decided to streamline the administration approval for foreign investment. Foreign investors are now only required to produce business plans to local regulators as long as their business is not on a “negative list”78, i.e., part of a specific industry that is closed to foreign investors.

**Figure 7: Programs and initiatives to support and attract foreign FinTechs**

<table>
<thead>
<tr>
<th>Resource</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet Plus</td>
<td>The notion of “Internet Plus”, introduced by Premier Li Keqiang, is seen as a sign of China’s increasing emphasis on internet-based industries. China is developing the “Internet Plus” initiative to integrate mobile internet, cloud computing, big data and the IoT with modern manufacturing, to encourage the healthy development of e-commerce, industrial networks, and internet banking.</td>
</tr>
<tr>
<td>Free Trade Zones in Shanghai, Guangdong, Tianjing, Fujian</td>
<td>China’s pilot ‘Free Trade Zones’ mark a major milestone in the nation’s commitment to further promote domestic reforms and the opening of Chinese business to global markets. These zones aim to stimulate cross-border cooperation, to promote economic restructuring and to ensure effective and stable growth within the country. The Free Trade Zones also exist to pioneer innovative policies that can be later applied in other parts of the country.</td>
</tr>
<tr>
<td>FinPlus</td>
<td>FinPlus is the first Angel Fund for FinTech VC in China, FinPlus imports overseas FinTech innovation enterprises into the Chinese market and has developed FinTech entrepreneurship programs in China.79</td>
</tr>
<tr>
<td>Peking University Start-up Incubator</td>
<td>An incubator sponsored by Peking University that focuses on innovation transformation, incubation counselling and the wider advancement of entrepreneurial FS. This incubator also provide various social and business resources to Peking University alumni.80</td>
</tr>
<tr>
<td>Tus-Holdings</td>
<td>Tus-Holdings is a large integrated enterprise established with Tsinghua University. As the flagship product of Tus-Holdings, TusPark has attracted a range of global corporations as a location to set up their R&amp;D headquarters.81</td>
</tr>
<tr>
<td>Zhangjiang Hi-tech Park</td>
<td>Zhangjiang Hi-tech Park is one of China’s first state-level high-tech zones. The Park launched the Zhangjiang cloud mobile application incubator earlier this year to carry out work pertaining to the “Internet of Things” and “Smart City” initiatives.82</td>
</tr>
</tbody>
</table>

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77. MOFCOM  
78. Norton Rose  
79. FinPlus  
80. Peking University Start-up Incubator  
81. Tus-Holdings  
82. Zhangjiang National Innovation Demonstration Zone
Accessing the UK market

In order to facilitate investment and cross-border FinTech initiatives, the UK provides a supportive policy environment to assist foreign FinTechs. This assistance includes designated regulatory and government entities to simplify the regulatory process and provide tailored assistance. In addition, several trade bodies, as well as incubators and accelerators exist to enable integration into the wider FinTech ecosystem. Several regulatory and industry entities that are involved in supporting foreign FinTechs are found in figure 8.

As a necessary starting point, FinTechs wishing to operate in the UK will likely have to be registered and/or regulated with the FCA, PRA or both for authorisation to carry out business. An overview of this process is found in figure 9.

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### Figure 8: Regulators and government entities

<table>
<thead>
<tr>
<th>Entity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regulators and government entities</strong></td>
<td></td>
</tr>
<tr>
<td>FCA (Financial Conduct Authority)</td>
<td>The primary conduct regulator for FS in the UK, the FCA plays a key role in providing license and authorisation to domestic and foreign FS firms seeking to operate in the UK.</td>
</tr>
<tr>
<td>PRA (Prudential Regulation Authority)</td>
<td>The PRA is responsible for the regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. FinTechs operating in these subsectors must gain PRA approval to operate in the UK.</td>
</tr>
<tr>
<td>BoE (Bank of England)</td>
<td>The Bank of England is the UK's central bank. Through the PRA, it is responsible for issuing banking licences.</td>
</tr>
<tr>
<td>DIT (Department for International Trade)</td>
<td>Formerly UK Trade &amp; Investment, the DIT promotes British trade globally. DIT helps overseas companies locate and grow in the UK, providing guidance on investment opportunities, tax, employment and visa advice. The DIT is particularly active in pursuing foreign FinTechs, with roadshows in a number of locations (including Singapore, Hong Kong and Australia).</td>
</tr>
</tbody>
</table>

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### Figure 9: Overview of FCA authorisation process

**FCA authorisation**

The process for FCA authorisation can take c.6–12 months depending on the type of FS being offered. FinTechs, however, can apply to Project Innovate for application support, thereby potentially accelerating the application process to a c.3-6 months completion timeline. Regulated activities include accepting deposits, issuing e-money, the administration of insurance contracts and dealing in or managing investments, amongst others.

| Step One | Deciding what permissions are needed, using the FCA handbook as a reference point and existing business profiles for guidance. |
| Step Two | Preparing a business plan to present to the FCA, including a background to the business, objectives, and potential business/conduct risks. |
| Step Three | Filling in additional forms as required for specific business requirements e.g., for fund managers. |
| Step Four | Submitting the final application to the FCA via the online ‘connect’ system. |

**FCA registration**

In addition, as an alternative option, FinTechs could, under certain circumstances look to become an Appointed Representative (depending on the regulated business requirements), authorised under the umbrella of a firm which is already directly authorised by the FCA. This results in a need to register, and not to be authorised. Exceptions and exclusions for appointed representatives, professional firms and other services also require a need to register only.

**PRA authorisation**

Firms wishing to carry on one or more PRA-regulated activities (i.e., accepting deposits, effecting or carrying out contracts of insurance) are required to apply to the PRA for authorisation to do so. This involves a further application through the PRA.
**Accessing the UK market**

In the UK, various government schemes exist to assist FinTechs with set up and regulatory authorisation, with incubators and accelerators providing access to capital and expertise for early-stage FinTechs. These are included in figure 10.

<table>
<thead>
<tr>
<th>Resource</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government</strong></td>
<td></td>
</tr>
<tr>
<td>Innovation Hub (FCA’s Project Innovate)</td>
<td>As part of the FCA’s Project Innovate, the Innovation Hub assists FinTechs in understanding the UK’s regulatory framework and facilitating the entry of innovative overseas firms to the UK. International co-operation agreements have also been set up with the Australian Securities and Investments Commission (ASIC) and Monetary Authority of Singapore (MAS).</td>
</tr>
<tr>
<td>Regulatory sandbox (FCA’s Project Innovate)</td>
<td>The FCA’s regulatory sandbox is a ‘safe space’ in which businesses can test innovative products, services, business models and delivery mechanisms without immediately incurring the usual regulatory consequences of pilot activities.</td>
</tr>
<tr>
<td>Tech Nation</td>
<td>A report and online interactive tool for businesses wanting to learn more about the UK. Ecosystem, analysing the clusters and capabilities empowering the UK digital economy.</td>
</tr>
<tr>
<td>HQ-UK</td>
<td>A programme operated by UK Government and Tech City UK to showcase why foreign digital companies should set up their headquarters in the UK.</td>
</tr>
<tr>
<td>Global Entrepreneur Programme, DIY</td>
<td>A programme that provides assistance to overseas entrepreneurs and early-stage tech businesses or start-ups that want to relocate their business to the UK.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Incubators &amp; Accelerators</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>L39</td>
<td>Europe’s largest FinTech-focused incubator, providing office space, mentoring, networking and events to start-ups.</td>
</tr>
<tr>
<td>Seedcamp</td>
<td>Launched in 2007, a UK-based venture-capital accelerator offering seed funding to innovative European start-ups.</td>
</tr>
<tr>
<td>Startupbootcamp</td>
<td>An accelerator that partners with incumbent FS institutions to provide exposure, APIs and a network of professionals for early stage FinTech start-ups.</td>
</tr>
<tr>
<td>Barclays Accelerator</td>
<td>A 15-week program designed to accelerate FinTech start-ups by giving them access to the bank’s network and mentorship.</td>
</tr>
<tr>
<td>Accenture Innovation FinTech Lab</td>
<td>A 12-week mentoring programme to enable start-ups to work with potential future customers and perfect propositions, gaining unique insights into the banking industry.</td>
</tr>
</tbody>
</table>

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**Figure 10: Programs and initiatives to support and attract foreign FinTechs**

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