

# \$14 Billion Ant Financial Deal Propels Fintech Investment in Asia to Massive Record High

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## **\$14 billion Ant Financial deal propels fintech investment in Asia to massive record high**

Ant Financial's record-shattering \$14 billion Series C funding round in Q2'18 lifted Asia's mid-year fintech investment to a massive \$16.8 billion compared to \$5.4 billion in all of 2017. The single deal accounted for over half of the \$23 billion in VC fintech funding seen globally during the 6-month period.

Excluding this massive outlier deal, Asia still saw strong fintech investment, with quarter-over-quarter increases in overall fintech investment in India, Australia and Singapore from Q1'18 to Q2'18. The number of deals in Asia also rose at each deal stage during both Q1 and Q2'18.

### *Fintech market in China thriving — setting pace for Asia*

Fintech investment in China strengthened in the first half of 2018 compared to the end of 2017. In addition to Ant Financial's massive deal, China saw four other \$100 million+ megarounds — including \$290 million to Dianrong, \$160 million to WeCash, \$130 million to Meili Jinrong, and \$100 million to Tiantian Paiche.

The majority of banks in China have been expanding their focus to digital and developing transformation strategies. This has led to an increase in B2B focused fintechs able to enable banking transformation. Banks have invested in myriad areas, including blockchain, big data and AI.

### *Southeast Asia becomes target for fintech growth and global expansion*

After achieving success domestically, a number of large fintechs — primarily from China — have set their sights on countries within Southeast Asia as the next step in their growth agenda. With a large population, relatively similar macroeconomics, large underbanked populations and a significant number of Chinese people overseas, the region is seen as a strong stepping stone to further global expansion. At the same time, a number of China's biggest companies are already making investments globally. In the first half of 2018, for example, Tencent invested in German challenger bank N26.

Within Southeast Asia, Singapore continued to drive regional collaboration — including the development of a regional fintech innovation sandbox. The MAS continued to focus on financial inclusion, but also started to intensify its focus on encouraging insurtech innovation.

### *Financial services regulations continuing to evolve in Asia*

During the first half of the year, China's central government announced plans to combine the banking and insurance regulators into a single entity. This new authority will take ownership of much of the oversight related to alternative financing and micro-lending, which previously had been managed provincially. Because of the changes, the government has delayed the deadline for P2P regulatory filings until the end of the year.

Hong Kong (SAR) also saw some changes during the first half of the year, particularly in the area of IPO exits as a result of new regulations allowing for different shareholder rights. The changes pave the way for more companies to qualify for an IPO on the HKSE. Poor performance of China's stock exchanges in recent months, however, could temper IPO activity somewhat.

*Regtech slowly gaining traction in Asia*

During the first half of 2018, regtech continued to gain slow traction in Asia, particularly in Australia and Singapore where regulators have been strongly supportive of fintech innovation and in India where technologies are required to enable the shift to a primarily cashless society.

Much of the regtech focus in Asia has been around KYC and fraud prevention. One of the more mature regtechs — 6-year old Australia-based KYC company Encompass expanded into Hong Kong early in 2018.

While India has seen the introduction of a number of KYC-focused companies, such as SIGNZY — an AI-driven real-time authentication platform, it has also seen a number of more traditional regtech startups, including Fintellix — which leverages existing data infrastructure to address local regulatory reporting requirements.

From a regulatory standpoint, in February, Commonwealth Bank of Australia reported on the success of a regtech pilot project it conducted in collaboration with ING. The UK's Financial Conduct Authority acted as an observer on the project in order to gain greater understanding of how AI and regtech can be used to help organizations with managing compliance.

*The excerpt was taken from the publication entitled The Pulse of Fintech 2018: Biannual global analysis of investment in fintech.*

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