

Financial services

Alibaba and Tencent fined for overseas payment breaches

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China tech groups Alibaba and Tencent have been caught up in Beijing's war on capital flight, with both being handed fines for breaches of cross-border foreign exchange payments at their financial services units.

The clampdown on overseas payments by affiliates of the two internet heavyweights follows similar tightening of controls at China UnionPay, the state-owned bank-card network that increasingly competes with Visa and MasterCard overseas. Since 2016, UnionPay has sought to limit the use of its cards to pay for investments in foreign property and insurance.

"In the long term, the government supports these payment groups to expand overseas, but at the operational level, they need to strengthen compliance and monitoring," said Wang Han-yang, fintech analyst at 86Research in Shanghai.

Ant Financial, the financial affiliate of Alibaba, and Tencent's WeChat Pay dominate China's \$16tn third-party mobile payments market, and are increasingly moving overseas — enabling Chinese tourists to pay for everything from shopping to boat trips down the Seine with a swipe of their phones.

But that expansion has also piqued the attention of the State Administration of Foreign Exchange, which man-

ages foreign currency reserves and has been cracking down on capital flight and illicit transfers in the past two years. Safe has issued a steady stream of notices in recent months about its crackdown on illegal money changers, improper forex transactions by banks and fake trade invoices.

The breach by Alipay, run by Ant Financial, is understood to involve payments for Uber rides. While the transactions took place in China — before Didi Chuxing acquired Uber's operations in the country in 2016 — regulators fretted about money going overseas to the ride-hailing app's US headquarters.

According to China Forex, the official magazine of Safe, Alipay was fined Rmb600,000 (\$95,000) for "foreign exchange payment business-scope problems [and] cross-border foreign exchange payment balance of payments statistical reporting problems".

Tencent's payments arm was fined the same amount for "failing to transmit unusual risk report materials to the related departments according to regulation" and "processing cross-border foreign exchange payments for non-residents without making a filing".

Ant Financial said the fine related to forex payments made in 2014 that were in breach of its payment services at the time. "Alipay corrected the irregularities as soon as they were identified," the company said. Tencent did not respond to a request for comment.

Additional reporting by Yizhen Jia

