

# Alipay – all to play for?

## Lending outside the regulated banks in China

Alipay – China’s version of PayPal – has revolutionised the country’s financial system by offering much higher interest rates than traditional banks. This form of “shadow banking” is changing consumer attitudes across China.

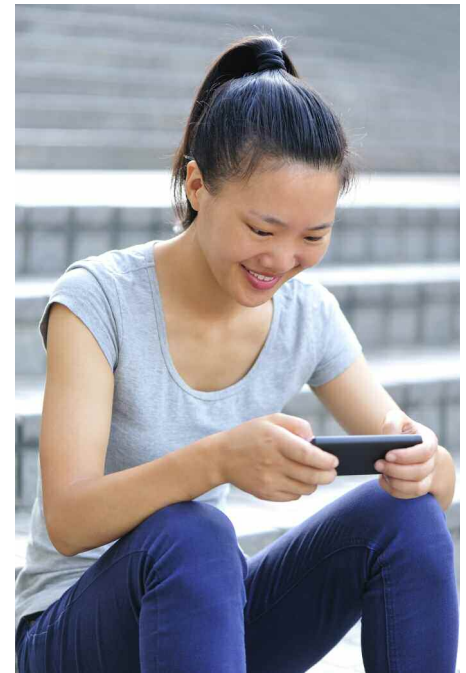
“Everyone in our office – including all the secretaries – is talking about Alipay,” says Partner, Ying White. “They are looking at their smart phones and discussing how to move their money to this online service. Every day they tell you how much money they have made.”

Alipay is part of Alibaba, China’s biggest internet retailer. It was launched as a payments system for internet shopping but has now expanded. It is a savings bank offering up to 17 times higher interest rates than traditional Chinese banks. It’s also an investment house, and a wire service, but most importantly, it’s all done via mobile phone. Users put cash into the Alipay app and can then shop online or in local stores. They can also transfer money to

family and friends, invest in stocks and make cross-border transactions. As Forbes magazine says: “Alipay turns your iPhone into a financial Swiss Army knife.”

Last year Alipay processed \$519 billion worth of digital payments compared with PayPal which processed \$180 billion. Alipay’s 800 million users were encouraged to transfer any money left over in their online shopping account to the company’s money market product called Yu’e Bao, which translates as “leftover treasure.” By February this year, 81 million people had signed up for Yu’e Bao because they don’t have to invest very much to start making money.

And now other Chinese organisations are following Alipay’s lead. “China’s largest online social networking provider Wechat and Baidu, the largest search engine, are also offering online money market funds,” says Ying. “It is expected that more than 30% of the deposits with the state owned



commercial banks will be shifted to these online services. That is a huge number and a phenomenon that is likely to keep on growing.”

## Contact



**Ying White**

Partner

M: +86 106535 2218

E: [ying.white@cliffordchance.com](mailto:ying.white@cliffordchance.com)