

Payments powerhouses in China and India face regulatory crackdowns

Article

The news: Central banks in two large markets tightened their grips on major payment providers.

Tencent's WeChat Pay is facing a potential multimillion yuan fine over an alleged violation of anti-money laundering and know your customer (KYC) rules, a source familiar with the matter told the Wall Street Journal.

- In an inspection that ended in late 2021, regulators discovered that, in some cases, WeChat Pay failed to enforce KYC and know your business rules, which are customer and merchant identity verification checks meant to prevent financial crimes. WeChat Pay was reportedly also found to have allowed transactions related to gambling and other illicit activities.
- The Chinese government has been [cracking down](#) on major internet and financial providers, including **Ant Group**-operated mobile wallet **Alipay**. The probe into WeChat Pay—which this year is expected to account for nearly 39% of China’s mobile wallet users, [per](#) Boku and Juniper Research—could result in a record fine, sources told the Journal.

India-based Paytm Payments Bank was reportedly banned from taking on new customers because of an alleged breach of data-sharing regulations, a source familiar with the matter told Bloomberg.

- Sources say that an annual inspection by the Reserve Bank of India (RBI) found that the bank’s servers were sharing data with some entities located in China. For context, consumer privacy laws in India require all payments companies to store user data on local servers.
- Although these China-based entities were said to indirectly own a stake in Paytm Payments Bank, sources said the firm failed to maintain proper documentation meant to separate the firm and its assets from its owners. Additionally, Paytm Payments Bank reportedly onboarded thousands of users without proper KYC documentation.
- The RBI allegedly asked Paytm to bring in a technology auditor. The firm is said to be taking steps to comply with rules. As one of the largest payment providers in India—it says it has over 100 million customers—Paytm may want to avoid additional regulatory heat to maintain its standing in the market.

What this means: As competition intensifies and technology advances, fintechs are expanding their networks to become consumers’ one-stop-shop for financial services—the ongoing rise in [super apps](#) is one example of this.

Providing a wide array of digital financial services adds consumer appeal, especially in countries with high populations of unbanked people who can benefit from such offerings. This in turn helps bolster fintechs’ power and influence, which may draw greater regulatory attention.

Going forward, tighter oversight and new regulation may make it difficult for major providers like Tencent and Paytm to grow their presence. But it does give smaller fintechs a better

chance at competing for market share.

Mobile Wallet Users in China, by Provider, 2020-2025

millions

	2020	2021	2022	2023	2024	2025
Alipay	1,212.0	1,224.1	1,236.4	1,248.7	1,261.2	1,273.8
WeChat Pay	1,010.0	1,020.1	1,030.3	1,040.6	1,051.0	1,061.5
Mi-Pay	3.2	3.3	3.5	3.6	3.8	4.0
Other	246.9	311.3	384.9	460.2	554.8	668.7
Total	2,472.1	2,558.9	2,655.0	2,753.2	2,870.8	3,008.1

Source: Boku and Juniper Research, "Mobile Wallets Report 2021," July 8, 2021

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