

Fintech Regulation in China: Principles, Policies and Practices. By ROBIN HUI HUANG. [Cambridge University Press, 2021. xvi + 298 pp. Hardback £84.99. ISBN 978-1-108-48811-2.]

Financial technology (fintech) has been reshaping the global financial industry over the past decade. The term refers to the application of innovative technologies like artificial intelligence, blockchain, cloud computing and data analytics in the financial institutions and financial markets. Fintech has brought enormous commercial opportunities for both incumbent banks and new start-ups that could leverage on Internet and mobile network to reach billions of customers without efforts. It also offers consumers more affordable, convenient, bespoke financial services through various banking and investment apps on our smartphones. Scholars tend to agree that fintech is creating a more inclusive, intelligent and efficient financial world. Nonetheless, fintech has also posed novel challenges for policy-makers, legislators, and financial regulators, in relation to controversial issues like data protection, anti-money laundering, consumer rights protection and financial stability.

So far, fintech has triggered a series of academic debates regarding how best to regulate the burgeoning sector. Economists and legal scholars attempt to answer meaningful questions like: what is the exact nature and scope of fintech? Shall it be regulated under the same supervisory regime that had been designed for traditional banks and capital markets? What is the ultimate goal when regulators reinvent the financial architecture? And most importantly, how to strike a fine balance between promoting financial innovation, protecting consumer interests and safeguarding financial stability, as we try to avoid the pains that the world economy had suffered from the financial innovations during the 2007–08 crisis?

Against this background, Professor Robin Hui Huang's book, *Fintech Regulation in China: Principles, Policies and Practices*, is a timely work to provide a holistic and in-depth examination of the global fintech sector and its regulatory framework. Although the book is primarily focused on Chinese fintech, it does refer to case studies and regulatory frameworks in key jurisdictions including the US, the UK, the EU, Australia, Canada, Singapore and Hong Kong to offer a truly comparative and transnational perspective of analysis. The book, clearly, sheds some light on finding the optimal regulatory approaches for fintech, as it is well engaged with the ongoing academic discussions and policy consultations in various countries facing the fintech revolution. The potential readership of this book includes researchers, practitioners, and policy-makers whose work relates to the interdisciplinary study of law and finance as well as law and technology.

Fintech Regulation in China has been organised around five major themes based on fintech business segments (i.e. online P2P lending, cryptoassets, mobile payment, robo-adviser and others). The past decade has witnessed the rapid growth of fintech in the US, Europe, and Asia, presenting diverse business models and regulatory obstacles. However, the book suggests that the Chinese fintech sector is unique in the sense that its scale, breadth and depth of application are unparalleled. At present, China has thousands of fintech corporations including Ant Group which is the world's largest fintech corporation with an estimated market value of over \$200 billion and a customer base of 1.3 billion. Aside from summarising the remarkable achievements of Chinese fintech, the book goes further to critically assess the concrete risks exposed in financial innovation. It does a good job in analysing the evolving regulatory approaches adopted by China's central financial authorities, self-regulatory organisation and

local governments. It is the first book of its kind to investigate financial crises caused by fintech, such as the collapse of thousands of P2P lending platforms in China a few years ago and the rampant mining and trading activities of cryptocurrencies that have caused disruption to financial stability. The vivid case studies present valuable lessons for policy-makers and regulators across the globe.

Chapter 1 offers an overview of China's fintech sector and the high-level regulatory framework. The book has pointed out that fintech activities are incredibly different from each other and merit special treatments from the authorities. There is no one-size-fit-all regulatory solution for the fintech sector, and regulation should be tailored based on the exact nature and special characteristics of individual fintech business. This is particularly true for countries like China which have adopted a sector-based regulatory regime for their financial industries. Accordingly, the People's Bank of China (PBOC) is responsible for money-making, financial stability and online fintech payment. The China Banking and Insurance Regulatory Commission (CBIRC) oversees fintech businesses in relation to online lending, online trust, consumer finance and online insurance. The China Securities Regulatory Commission (CSRC) supervises fintech platforms regarding equity crowdfunding and online sale of investment funds. Besides, the fintech policies made by central-level regulators should be supplemented by the work of industry associations (e.g. China Banking Association) and provincial or city-level financial departments to achieve best regulatory effects.

Chapter 2 focuses on the online P2P lending marketplace. It allows individuals and small businesses to raise funds through small contributions from a large pool of investors via online portals. P2P loans are an attractive alternative to bank loans, which have reduced transaction costs, a more streamlined lending model, and less onerous lending criteria. After Zopa, the world's first P2P lending platform, was launched in the UK in 2005, China experienced explosive growth of its online lending sector where there existed 2,388 P2P lending platforms in 2017 with a total lending volume of \$67 billion. The book explains three main factors that collectively contributed to the success of P2P lending: a large number of investors seeking better investment return, the wide coverage of Internet service, and the great demand for small-amount funds. It critically analyses the 2016 Interim Measures on Online Lending, together with three further pieces of regulations, which set out China's first regulatory framework for the online lending sector as it contains parameters regarding platforms' business scope, registration requirement, lending limit, custodian requirement and information disclosure. It marked the tightened regulatory approach for online lending platforms which are supposed to be pure informational intermediaries rather than financial intermediaries. The Chinese approach is consistent with international experience in this area.

Chapters 3 and 4 evaluate the offering and trading of cryptoassets. Chapter 3 focuses on the regulation of Initial Coin Offering (ICO) as the process enabling entrepreneurs to sell blockchain-based digital tokens to raise funds for their businesses, whilst Chapter 4 investigates the 2018 regulatory regime for cryptoassets in Hong Kong. ICOs have gained huge popularity globally, as a total of over \$14 billion was raised in 2018 by the sale of tokens. They have raised regulatory concerns relating to investment frauds, consumer protection and financial stability. The book advocates the economic benefits of ICOs like low financing cost, fewer regulatory requirement, efficient and anonymous procedure, profitability and liquidity, before it cautiously assesses the risks of ICOs such as inadequate regulatory compliance, lack of investor protection and other market risks. Despite the strong development of ICO market in China from 2016–17,

90 per cent of its token sales were said to link with illegal fundraising, financial frauds and Ponzi schemes. This led to an outright ban of all ICOs in mainland China in 2017, which is perceived as an extreme way of regulating cryptocurrencies. The book compares international experience of regulating ICOs, by reviewing the regulatory frameworks in the US, Canada, Australia, Singapore, Hong Kong, the UK and the EU. The book indicates that regulators shall equally value financial innovation and fraud prevention.

Chapters 5 and 6 examine third-party mobile payment and data protection. Nowadays, we enjoy the speediness and convenience of making contactless payments by using Apple Pay, Google Pay and Alipay, especially when more people embarked on digital money during the COVID-19 pandemic. China has become a global leader in this field as the penetration rate of mobile payment has reached 86 per cent, as it could be used from street vendors to luxury department stores. The book explains the key enablers for rising mobile payment and measures various risks that it has presented, including unauthorised transaction, fraud, money laundering, data privacy and security and operational risks. The book explores an array of laws and regulations for mobile payment in China in relation to entry threshold and exit mechanism, management of clients' funds, anti-money laundering measures and consumer protection regime. It then draws on international practices of regulating mobile payment in the US, the UK, Singapore and Hong Kong, to provide constructive policy recommendations. Chapter 6 pays particular attention to the protection of consumers' privacy and data security as mobile payment involves extensive data collection and processing. This topic is of global importance as lawmakers have stressed on the importance of protecting personal data, such as the EU's GDPR regime.

Chapter 7 investigates the regulation of robo-adviser which provides automated investment advice in an online setting by utilising algorithms and information technologies like AI and big data. It is widely used in the wealth management and investment advisory sectors as robo-adviser could offer unbiased and accurate advice based on investors' risk appetite. The book discusses the operating mechanism of robo-adviser and its key benefits and risks, before carrying out detailed analysis of the regulatory framework in China. It evaluates the regulation of traditional advisers, the stock picking software provisions, and the asset management guiding opinions. The book attempts to put forward reform proposals to improve the AI-driven robo-adviser to restore the trust and confidence between investors and their smart advisers, encourage fair competition, strengthen advisers' fiduciary duties and enhance information disclosure.

Chapter 8 continues the study of two further fintech sectors of increasing significance: equity crowdfunding and central bank digital currencies (CBDCs). Equity crowdfunding is distinctive from the debt crowdfunding (P2P lending) that has been discussed in Chapter 2, as investors will get equity interests in the business project. Despite being an innovative way of fundraising for start-ups, it is not permitted by the Chinese Securities Law 2019 which has made strict requirements for the public issuance of securities. The book considers various modes of equity crowdfunding and their respective legal frameworks, as well as the case *Feidu v Nuomiduo*. It then assesses the Digital Currency Electronic Payment (DC/EP) project launched by the PBOC. The state-backed CBDCs help central banks maintain their status and influence over the financial system. The book critically analyses the advantages of DC/EP by comparing its design features with privately issued cryptocurrencies like Bitcoin and Libra. It also addresses the regulatory concerns over DC/EP, such as the impact on monetary policy, anonymity, infrastructure reliability and cross-border payment issue.

Chapter 9 draws a solid conclusion as it recaps the successes and pitfalls of China's fintech sector and consolidates the policy recommendations made in each chapter. Despite the protean nature of fintech businesses, the book identifies certain common threads for setting regulatory strategies. For example, regulators need to facilitate financial innovation and market growth on the one hand, while ensuring risk control and proper investor protection on the other. The regulation of fintech must be a dynamic and adaptative process as authorities have to constantly monitor this fast-moving industry and devise up-to-date solutions based on latest market conditions. Also, enforcement is of equal importance to rule-making. The suggestions made in the book are highly useful and thought-provoking.

Fintech Regulation in China is filling a major gap in the existing literature of financial law and regulation. First, it makes a substantial contribution to the study of innovative finance and its regulation, pushing forward the boundary of law and finance scholarship which is traditionally centred on banks and capital markets. Second, it notably expands the scope of scholarly work in post-crisis financial regulation, most of which investigate financial systems in Western jurisdictions (e.g. the US, the UK and the EU), to include China which has one of the largest and most dynamic fintech sectors in the world. Clearly, it is a must-read for legal scholars and practitioners who are interested in tomorrow's tech-driven and borderless financial world.

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