

AmEx Gets Approval to Issue Cards for Payments in China 2

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AmEx Gets Approval to Issue Cards for Payments in China

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Corrections & Amplifications

China's commercial banks had more than 749 million credit cards in circulation as of March, up 77% from five years earlier, according to data from Wind. A June 15 Markets article about American Express Co. incorrectly said China's commercial banks had 8.5 billion credit cards in circulation, nearly double the total five years earlier. That number referred to the total number of bank cards, which includes ATM and debit cards.

(WSJ July 6, 2020)

(END)

HONG KONG -- China's central bank gave American Express Co. the green light to start operating a card-clearing network that will process transactions in yuan, giving the U.S. card company greater access to the country's spenders.

On Saturday, Amex said it is the first foreign payment network to be licensed to clear domestic transactions in mainland China. The New York-based company has a Chinese joint venture called Express Co. that will run the network and process local-currency payments made with Amex-branded cards. The network is expected to go live later this year.

Stephen Squeri, Amex's chairman and chief executive, said the approval from the People's Bank of China was an "important step forward" in the company's long-term growth strategy. Amex, like many other U.S. financial giants, has long coveted business from China's numerous consumers and merchants and its executives previously told analysts the company was aiming to enter the market this year.

China has long restricted foreign companies' access to its fast-growing financial sector. In its recent trade deal with the U.S., Beijing agreed to remove barriers and help U.S. banks, credit-card companies and other financial-services providers to enter its markets and do more business within its borders.

In November 2018, China's central bank allowed Amex to form a 50-50 joint venture with Chinese financial-**technology** services firm LianLian DigiTech Co. and build the payment network. In January, the PBOC said it had accepted Amex's application for a license to start operating the network; that has now been approved.

Mastercard Inc. and Visa Inc. are also hoping to expand in China. A Mastercard joint venture in February said it received in-principle approval from the central bank to start building a rival card-clearing system and it intends to apply within a year for formal approval to begin operations.

Visa, like its peers, has partnered with the country's two mobile-payment giants, Alipay and WeChat Pay, to enable foreigners holding Visa cards to fund payments on those networks. It also has a co-branded deal with WeChat Pay's owner, Tencent Holdings Ltd., that facilitates payments made by Chinese travelers outside the country.

Express Co, a 50-50 joint venture between Amex and LianLian, plans to join with banks in China to issue Amex-branded cards that can be used for transactions in yuan, the country's currency.

Currently, people in China holding Amex cards can only use the Amex network for foreign-currency payments outside of the country or on overseas websites. Foreign visitors to the country can also use Amex cards at some hotels, restaurants and other venues. The company hasn't disclosed how many cards it has in China, where the dominant network for clearing local-currency transactions is operated by state-backed China UnionPay Co.

The country's commercial banks had more than 8.5 billion credit cards in circulation as of March, nearly double the total five years ago, according to data from Wind. Outstanding short-term household debt in the country topped 13.8 trillion yuan (\$1.95 trillion) that month, versus 8.4 trillion yuan five years ago. While credit-card issuance has swelled, the vast majority of Chinese consumers in recent years have relied heavily on mobile-payment apps that draw funds directly from their bank accounts.

Amex began working with LianLian Group back in 2012, providing **technology** to power a digital wallet that consumers could use to pay bills and purchase products. The U.S. firm also previously made an investment in one of LianLian's payment companies.

LianLian Group, which was founded in 2004, is a relatively small player in China's nearly 60 trillion yuan (\$8.4 trillion) third-party mobile payments industry, where WeChat Pay and Ant Financial Services Group's Alipay have more than a 90% combined market share. LianLian also handles cross-border payments for Chinese exporters that sell goods on marketplaces including Amazon and eBay.

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