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Government Pressure Sinks $1.2bn MoneyGram Deal

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Chinese payments giant Ant Financial has given up on its $1.2bn acquisition of remittance firm MoneyGram, having failed to win support from a US government agency.

MoneyGram announced on Tuesday that the deal has been called off due to "the inability of the companies to obtain the required approval for the transaction from the Committee on Foreign Investment in the United States (CFIUS)".

The CFIUS is an agency within the US government that seeks to protect national security by scrutinising inward investment from foreign individuals or businesses.

Alex Holmes, MoneyGram chief executive, said he was "disappointed" by the acquisition's failure and hinted that the shift towards protectionism under the Trump administration was instrumental in the deal's demise.

"The geopolitical environment has changed considerably since we first announced the proposed transaction with Ant Financial nearly a year ago," he said.

"Despite our best efforts to work cooperatively with the US government, it has now become clear that CFIUS will not approve this merger."

Hangzhou-headquartered Ant Financial already operates Alipay, the largest non-bank payment provider in the world, and is an affiliate company of the Alibaba online marketplace.

Reports have estimated that Alipay's transaction values totalled more than RMB11.5trn ($1.7trn) in 2016, dwarfing those achieved by rivals in the Unted States and Europe.

MoneyGram, which is headquartered in Texas, had previously hoped to gain the regulator's green light for the buyout last year after being overwhelmingly backed by stakeholders.

At the time, however, some senators issued strongly worded statements urging the CFIUS to reject the transaction.

Republican Pat Roberts said the buyout should "trigger no less concern than if a Chinese company were seeking to take control of a large, well-known bank".

Roberts, backed by fellow senator Jerry Moran, also raised fears that security and privacy issues could arise as a result of the deal, and reiterated concerns about the close links that would be forged between MoneyGram and Chinese government investment.

Holmes said MoneyGram and Ant Financial would instead cooperate on initiatives to provide low-cost fund transfer services to customers in China, India, the Philippines and elsewhere in Asia.

"By increasing access to digitally enabled customer wallets on the receiving side, we will be able to reduce distribution costs and improve transaction processing time," he said.

Doug Feagin, president of Ant Financial International, said the company is encouraged by the opportunity for strategic cooperation with MoneyGram despite the failure of the deal.

"While Ant Financial won't have a direct ownership relationship with MoneyGram, we look forward to working closely with the MoneyGram team to make our platform even more accessible — particularly to unbanked and underserved communities globally — and create even better experiences for our customers," he said.

The merger agreement reached last year between the two firms means Ant Financial is now due to pay MoneyGram a termination fee of $30m.

MoneyGram's share price dropped around 8 percent to $12.06 following the announcement.

A spokesperson for the CFIUS said it is prohibited from publicly disclosing information about the attempted acquisition when contacted by PaymentsCompliance.

"CFIUS reviews focus on national security concerns and Treasury takes the role as chair of CFIUS very seriously, to ensure that CFIUS identifies and addresses any national security concerns posed by such foreign investment," they said.

This article was updated on January 3, 2018, to include comments from the CFIUS.

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