

Research on the Risk and Supervision System of Cross-Border e-Commerce Payment in China

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Keywords: Cross-border e-commerce, Payment risk, Safety, Regulatory mechanism

Abstract: Cross-border e-commerce payment business is a key link of cross-border e-commerce, which involves the exchange rate changes between different currencies in different countries, whether it is universal, and whether huihong exchange and other related business issues. From the perspective of the current international market environment changes, although China's cross-border e-commerce business is in a period of rapid rise, it is also affected by the complex international environment. E-commerce payment faces the risks of transaction authenticity recognition, cross-border payment transaction credit, and online payment security, which is not conducive to the steady development of China's cross-border e-commerce trade. In view of this, in view of the current risks facing cross-border e-commerce payment business in China, we propose the corresponding prevention mechanism and improve the supervision system, which are conducive to the steady progress of cross-border e-commerce trade.

1. Introduction

Under the background of the “Internet +” strategy, cross-border e-commerce has achieved rapid development, and the overseas penetration rate has been continuously increasing. Under this good development trend, China's cross-border e-commerce payment market has more development opportunities. At present, the payment channels used by China's cross-border e-commerce mainly include third-party payment platforms, professional remittance institutions, commercial banks, etc. These platforms or institutions can meet users' convenience and security needs for cross-border remittance, so they are favored by overseas consumers. Therefore, the international business expansion of China's third-party payment platform has effectively promoted the further improvement of cross-border e-commerce payment, and turned the cross-border e-commerce trade towards a rapid development trend. However, at the same time, China's cross-border e-commerce payment still faces many payment transaction risks in the complex international transaction environment, which is not conducive to the further expansion of the scale of cross-border e-commerce transactions.

2. China's Cross-Border e-Commerce Payment Mode

(1) Commercial banks

Take China's cross-border e-commerce foreign exchange collection and payment as an example. Overseas consumers choose their favorite products by browsing the e-commerce platforms. After completing the payment, domestic merchants will deliver the goods through international express delivery. If a commercial bank is selected to complete the offline payment, overseas consumers need to go to the bank counter and complete the payment through traditional international settlement methods (such as remittance, collection and letters of credit).

The collection method is based on commercial credit, applicable to old customers with large transaction amount and good reputation; letter of credit is a traditional settlement method based on bank credit, high bank charges and cumbersome procedures, applicable for traditional import and export of large goods. The above two methods are rarely used, generally use the remittance method, and the wire transfer is used. Consumers go to the bank counter according to the requirements of the merchant, fill in the application for wire transfer, and entrust the local bank to remit the order amount to the designated account of the merchant. There is no limit on the remittance amount and the identity of the remitter. Compared with the collection and letter of credit, the operation is simpler and the settlement speed is much faster.

(2) Professional remittance company

Cross-border capital transfers can also be made through professional remittance companies, such as westernunion, moneygram, the world's largest international remittance companies for Western Union. Among them, Western Union is the world's leading express remittance company, which has the world's largest and most advanced electronic exchange financial network, with agency outlets in nearly 200 countries and regions. At present, many Chinese banks are cooperating with it. Compared with ordinary international remittance, professional remittance companies have obvious advantages, they do not require the payee to open a bank account, business under \$10,000, the payee need not pay any remittance fees, borne by the remittance, fees are lower than the bank ordinary international remittance fees; there is a global security electronic system to ensure the recipient; each remittance can be transferred within 10 minutes. The use of cross-border e-commerce payment is that merchants collect money and deliver goods first, which is the most beneficial to merchants.

(3) Third-party payment institutions

With the development of cross-border electricity, offline payment increasingly cannot meet payment demand, at present, our cross-border electricity payment mainly through domestic or overseas third-party payment institutions, in China, for example, overseas consumers through electricity platform, choose the corresponding products, electronic orders, pay domestic currency to the corresponding third-party payment account, finally by the third party payment institutions foreign exchange to cooperative bank, will transfer to merchants. At present, the mainstream third-party payment platforms include international Alipay, Financial Pay, PayPal, etc.

PayPal is the world's largest third-party payment platform and a wholly-owned subsidiary of eBay Inc. Users are all around the world, with secure funds and convenient payment. Many Chinese e-commerce platforms use this payment platform. The cross-border third-party payment market of tens of billions of dollars per year is mainly occupied by PayPal and other overseas payment companies. In 2013, 17 third-party payment institutions, including CaiPay and Alipay, were officially approved by the Foreign Exchange Bureau to carry out cross-border e-commerce payment business. In recent years, China's third-party payment institutions have gradually occupied the share of China's cross-border e-commerce third-party payment market.

3. The Development Status of Cross-Border e-Commerce Payment in China

(1) Cross-border e-commerce payment methods are becoming increasingly diversified, effectively promoting the development of e-commerce trade

At present, China's cross-border e-commerce payment methods are becoming increasingly diversified. In terms of third-party payment, China's cross-border e-commerce platform adopts international Alipay collection, which is compatible with credit card, T/T bank remittance, Moneybookers, debit card and other types. In this payment method, the funds will directly send the funds collected and paid to the seller's domestic account or bank card through the US dollar channel or RMB channel, which has the advantage of low cost and relatively high safety factor. In terms of international credit card tools, China's cross-border e-commerce platforms such as Dunhuang Network and Aliexpress, eBay, Huicong Network mostly adopt V/MA, PayPal and other online payment methods. In addition, overseas local payment is also the foreign payment method of China's cross-border e-commerce independent website docking. Through diversified cross-border e-commerce payment methods, the rapid development of China's cross-border e-commerce trade has been promoted.

(2) Cross-border e-commerce payment business has been deeply connected with the international market and achieved good results

Since its development, China's cross-border e-commerce payment business has increased with the growth of cross-border e-commerce trade, which has further deepened its connection with the international market. In May 2018, Dunhuang Network announced a full partnership with the Russian online payment platform YANDEX Money. Buyers can pay using electronic wallet, bank transfer, credit card and other ways, which can provide more convenient payment methods for Russian and Far East customers. In addition, the cross-border payment carried out by China Heli Bao Pay Company mainly involves cross-border e-commerce, international air tickets, hotel booking, study abroad payment, international logistics and other fields, and has made certain achievements in development. On March 19, 2018, Mr. Zhang Kai, President of Heli Bao Pay, communicated with President of the Thai Congress, Prince Han Sanglin and other government officials, effectively promoting the implementation of cross-border e-commerce cooperation projects between the two sides. Therefore, China's cross-border e-commerce payment business has been deeply connected with the international market, and has achieved good results.

(3) The function of cross-border e-commerce payment has been gradually improved, laying a foundation for the development of cross-border e-commerce transactions

The rapid development of Internet finance has promoted the gradual improvement of the function of cross-border e-commerce payment business in China. For example, at the beginning of 2018, China Everbright Bank cross-border e-commerce payment system of China successfully launched the cross-border support function of cross-border settlement of third-party payment companies. This function meets the variety of transaction needs of cross-border e-commerce trade, and solves the difficulty, long time and low efficiency of overseas foreign exchange collection of payment institutions.

(4) The supervision policies of cross-border e-commerce payment have been gradually improved to further ensure the sound development of cross-border e-commerce

In recent years, China has issued a series of regulatory policies on cross-border e-commerce payment in order to effectively solve the multiple problems of cross-border e-commerce payment environment. For example, in 2015, the State Administration of Foreign Exchange issued the State Administration of Foreign Exchange on Payment Institutions Pilot Cross-border Foreign Exchange Payment Business and other documents pointed out that cross-border payment institutions with a payment license and including the Internet payment business scope, can provide cross-border e-commerce foreign exchange funds collection, payment and settlement business. On April 13, 2018, the General Administration of Customs issued the Notice on standardizing the registration and

management of cross-border e-commerce payment enterprises, noting that cross-border e-commerce payment enterprises need to submit a copy of the Financial License issued from the China Banking and Insurance Regulatory Commission; non-bank payment institutions should submit a copy of the Payment Business License issued by the Bank of China. Since the implementation of these regulatory policies, some cross-border e-commerce payment institutions have been punished for their lack of relevant documents.

4. China's Cross-Border e-Commerce Payment Risk

(1) Credit risk

Cross-border e-commerce parties belong to different countries, buyers and sellers usually do not meet, there are certain credit risks for both parties. Even if the third-party payment platform is used to complete cross-border payment, it is difficult for the third-party platforms to do a detailed and accurate review of the identity of each trader, and it is difficult to supervise the actual transaction situation. Both parties should bear the risk of default of the other party. Moreover, if China's cross-border e-commerce export enterprises use overseas third-party payment platforms, once cross-border payment disputes occur, their own interests are more difficult to guarantee once cross-border payment disputes. Because our country enterprises often do not understand these platform terms, their strength is not strong, enterprises also lack of understand international legal talent, plus the third-party payment platform intends to protect the interests of local consumers, China's cross-border electricity sellers face frozen account, capital back or even account funds is cleared huge risk.

(2) Network risks

If cross-border e-commerce payment is completed online, it will be used to the Internet channels, and it will face network security problems in the process of transaction. The ratio system was hacked, information transmission system failure or computer failure, various viruses and Trojan programs, etc. Once these problems arise, a large amount of personal and payment information may be lost, leaked or tampered with, money from both parties to the transaction, etc. At the same time, using the third-party cross-border payment platform, the payment related content should be transmitted between buyers and sellers, relevant banks and third-party payment platforms in different countries. As long as problems occur in a certain link, it will also cause information leakage and damage the interests of both parties.

(3) Capital risks

In cross-border payment business, if the third-party cross-border payment platform is used, the consumer will first remit the money to the third-party account, and then the seller delivers the goods through cross-border logistics and customs declaration procedures, and finally the third-party payment into the merchant account, the funds is to stay in the third-party payment institutions, in order to save the withdrawal amount, then the funds will stay in the third-party payment institutions, the risk of capital retention. For example, third-party payment institutions can easily misappropriate funds from virtual accounts and engage in some financial activities. Once there is not timely fund scheduling and wrong fund operation instructions, they will cause risks; in addition, other illegal acts such as money laundering, cash laundering, etc. are not ruled out.

(4) Rates and foreign exchange loss risk

At present, in China's cross-border e-commerce payment methods, international Alipay, PayPal, visa credit card and other payment methods need to deliver a certain handling fee. For example, PayPal transaction fees are generally 2.9% -3.9%, with additional charges required if cross-border transactions generate a 0.5% per cross-border fee. The cross-border e-commerce delivery services provided by third-party payment, banks and other institutions are about 1%, and the overall

charging level is high. According to the Analysys database, in the first half of 2017, it took 3-5 days for a cross-border e-commerce exporter in Shenzhen to collect funds through foreign financial enterprises, and to pay an additional 3% -6% fee, while the transnational trade profit was only about 10%. At the same time, in the process of China's cross-border e-commerce payment, before merchants receive the payment, the international exchange rate change will directly affect the actual purchase power of funds. After receiving the funds, the payment institution will close and sell foreign exchange on "T+ 1" working days. However, consumers are not satisfied with cross-border e-commerce goods. In the process of goods return, there is a risk of insufficient exchange of shopping funds. For example, in March 2017, an overseas customer paid a mobile phone with US \$260 through China's cross-border e-commerce platform. At this time, the current purchase price of Bank of China was US \$631.61 yuan and 100 yuan. Six days later, the customer was not satisfied with the merchant goods and was ready to return them, when the current purchase price is \$628.81, \$100. So the customer lost 7.28 yuan in shopping. This process shows that overseas customers have exchange rate changes causing the loss of transaction funds, which affects the purchase enthusiasm of customers to a certain extent.

(5) Risk of capital transfer

In the process of cross-border e-commerce payment and settlement in China, due to the cumbersome procedures and the different time of capital payment, it is easy for overseas enterprises to face the risk of insufficient capital turnover. Generally speaking, when overseas consumers spend money in China's cross-border e-commerce platform, the funds will not arrive at that time, but need 7-10 days. At the same time, due to the complex cross-border business such as customs clearance and tax rebates, overseas buyers' payment currency cannot be directly converted into RMB, and the capital withdrawal of enterprises is faced with exchange problems, which leads to greater risks of capital turnover. According to Sohu Finance Network, China's cross-border e-commerce enterprises have established cooperation with Kyrgyzstan "ISCO" Company, mainly to provide them with machinery accessories and other hot products from China. However, with the expansion of business scale, the cross-border e-commerce payment problem has become an important factor hindering the "IS-CO" capital turnover. Among them, the use of Western Union or bank transfer procedures are complicated, it takes 5-7 days to account. To facilitate payment, the company stored a large number of reserves on its accounts and transferred them to Chinese merchants with online banking and Alipay. This caused great financial pressure, capital turnover gap reached hundreds of thousands of yuan.

5. China's Supervision System of Cross-Border e-Commerce Payment Risk

(1) Improve the laws and regulations of payment business to ensure the authenticity of cross-border e-commerce payment business

In the face of the complex overseas payment environment, China's cross-border e-commerce payment faces risks in transaction authenticity, anti-money laundering and other aspects, which requires relevant laws and regulations to regulate this. In this regard, from the perspective of legislative form and legal technology, the rights and obligations of cross-border e-commerce traders should be clarified, and specific implementation rules are formulated to standardize the content of cross-border e-commerce traders, so as to solve the current situation that supervision cannot be relied on. At the same time, the legislature should be third-party payment institutions authenticity audit, market access conditions, account opening and use, and capital transaction nature refinement, strengthen the control of payment risk, standardize the third-party payment business process, put an end to money laundering, network gambling risks, in order to enhance the legal status of cross-border e-commerce payment trading system.

(2) Establish a payment security guarantee system to reduce the security risk of cross-border e-commerce payment

The establishment of a safe and reliable cross-border e-commerce payment system is an important measure to reduce the security risk of China's cross-border e-commerce payment. To this end, strengthen the all-round security certification of cross-border e-commerce payment. Improve the software and hardware environment of payment by means of identity authentication, password authentication and location authentication, so as to improve the anti-virus and anti-attack ability of cross-border e-commerce payment system, and effectively protect important payment data and documents from being tampered with or stolen. At the same time, a terminal security mechanism is set up in the cross-border e-commerce payment system, and a unified and open framework is adopted to users to standardize the security standard of data use of both sides of cross-border e-commerce transactions, and improve the transaction processing process. In addition, relevant institutions also need to analyze cross-border e-commerce transaction behavior, transaction terminals and users, so as to establish a targeted data control system and strengthen the security of China's cross-border e-commerce payment environment.

(3) Flexible adjust denominated currencies and share exchange rate risks, so as to effectively handle currency losses in a timely manner

In order to effectively deal with the foreign exchange damage caused by the rate changes, cross-border e-commerce enterprises can timely deal with the two aspects of adjusting denominated currencies and coordinated sharing of exchange rate risks. On the one hand, flexible adjustment of collection-denominated currencies. When reaching transactions with consumers, cross-border e-commerce should first consider reasonable denominated currency, international market prices and other factors, and try to use stronger collection currencies, such as US dollars, Australian currency, euro, etc., so as to reduce the exchange rate loss. On the other hand, the buyer and sellers coordinate to bear the exchange loss. Cross-border e-commerce can make it clear in the commodity trading contract that after the two parties determine a certain currency valuation, they can add the foreign exchange risk sharing clause to the additional clause. If the selected currency exchange rate of the payment changes, the buyer and seller can share the losses caused by the exchange rate change. In adopting this method, it is necessary to determine the reference currency, clarify the two currency rates, and then calculate the price of adjusted goods on the maturity date.

To sum up, in order to defuse the international payment risks of cross-border e-commerce and promote the development of cross-border e-commerce business, it is necessary for all parties to take corresponding measures to ensure cross-border transactions. First, from the point of view of the buyer and seller. Both parties can take some measures to identify the credit status, such as the merchant can analyze the buyer's purchase behavior and purchase intention through the platform, verify the receipt address, the buyer can query the reputation of the merchant, etc.; both parties should have network security awareness, be alert to unknown procedures, do not land on the unknown site, regularly antivirus the computer system; second, from the perspective of e-commerce platform and payment platform. Big data information technology should be used to verify the identities of both parties, introduce a third party credit certification or their own credit evaluation; cooperate with insurance agencies for cross-border transactions; strengthen network risk prevention, use new security technology, such as firewall, filtering and encryption technology, network usage technology; and third, from the government perspective. We will actively build a cross-border credit guarantee system, improve corresponding laws, and formulate a dispute settlement mechanism for cross-border e-commerce payment. Cooperate with multiple regulatory authorities to realize information sharing, comprehensively monitor e-commerce platforms and third-party payment institutions, standardize their operating procedures, and solve the problems of the authenticity and legality of cross-border e-commerce transactions.

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