

On the Innovation Model of Trust Business in China

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Abstract: Taking China's financial trust industry as the research object in recent ten years, this paper first introduces the development and changes of trust business, and then analyzes the challenges faced by trust business, including external competition and internal business. At present, it is an important property management system in many developed countries. from the perspective of trust business innovation, this paper puts forward the methods to solve the trust problems, and puts forward feasible suggestions. Quarter by quarter slowdown in China's macroeconomic growth, under the background of continued deleveraging, strict regulatory fold tightening credit for capital markets jittery, further by multiple regulatory policy advice into materiality ground and implementation phase, especially on the specification of financial institutions in the asset management business guidance, “the release of the . The entire asset management industry into the “new era”. With the weakening of trust “channel advantage” and the continuous explosion of capital market risk events, trust innovation business has also been greatly affected, but the trend of business innovation transformation and upgrading is irreversible, and new breakthroughs are constantly being explored. It is undoubtedly of great significance to explore how to develop China's trust industry in the new century.

1. Introduction

Trust originated in Britain in the 11th century. It is known as the four pillars of the financial market together with banking, insurance and securities. Since the reform and opening up, China's trust industry, as the product of economic and financial reform, has been restored and developed, and has played a certain role in promoting economic development. On October 4, 1979, China International Trust and Investment Corporation, China's first trust and investment company, was established with the approval of the State Council. However, in a strict sense, the real trust business accounts for only a small part of the business of China's trust institutions. At the same time, China's trust and investment companies have been mixed for many years and accumulated certain problems and risks, Last year's “fund scandal” made the trust industry face a crisis of trust. In view of the problems existing in the trust industry, the government has carried out four major rectifications, which have effectively maintained social and economic order, but the results are not ideal. At present, the fifth nationwide rectification is being carried out.

Asset securitization serves the real economy by improving the allocation of resources, improving the operation efficiency of funds and promoting the optimization of economic structure. Therefore, it has been encouraged and supported by regulators for a long time. And with the competition of major financial institutions, the scale of asset securitization market is also continuously surging. In recent years, strong trust supervision and advocating the regression of the trust origin industry development background, the trust company either active or passive, all have to face the stern challenge, colleagues also have to start to change the passive to active, open arms to change, according to its own resources endowment, the trust companies began to gradually explore the suitable for their own development path. Driven by policy guidance and market demand, asset securitization business has become the strategic focus of trust companies' transformation. According to the statistical data of Wind System, by the end of 2020, a total of 16 domestic trust companies issued 156 trust products of credit asset securitization, involving a total amount of 932.335 billion yuan, an increase of 56.11% compared with 2019. It can be said that trust companies achieved remarkable results in asset securitization business in 2020.

2. Development Status of Trust Business

Over the past three decades, with the acceleration of China's marketization process and the increasing demand for funds in economic development, the traditional bank led financing institutions have been difficult to meet the market demand for funds. The strict listing conditions in the capital market have inhibited the development of direct financing. As an intermediate industry connecting the banking market and the securities market, the trust industry, Development is of serious urgency[1].

Due to historical reasons, the trust industry has always been a highly banking mixed operation in terms of institutional positioning. The trust business is mainly limited to financial products formed based on bank assets, but the inherent asset management and financing functions have not been brought into play. With the development of the financial industry and the improvement of laws and regulations, in 2001, China successively promulgated the measures for the administration of trust and investment companies and the trust law of the people's Republic of China, which comprehensively constructed the legal relationship of trust business, that is, trust relationship, and laid the legal foundation for the operation of trust business. Since then, the trust company began a new period of development.

3. The Role of Trust Industry in National Economy

3.1 Broaden the Investment Channels of Investors

The operation mode of trust determines the attribute of its agent financial management. The trust gathers idle funds and is invested and managed by professional investment institutions to increase the value of assets[2]. At present, the income of trust is more than 5 percentage points higher than that of general bank deposits, which has become the first choice for investors with strong financial strength.

3.2 Financing Serves the Economy

The high yield and high stability of trust make it have great financing advantages and create a good financing environment for enterprises to raise funds. Trust can easily convert savings funds into

production funds, invest in industry or equity through trust loans, and promote the development of national economy.

3.3 The Role of Improving the Social Security System

At present, the government and regulatory authorities are investigating the feasibility of trust management of pension funds. In fact, managing social security funds through trust can effectively maintain and appreciate the value of funds. The establishment of various charitable trusts can support the development of science and technology, education, culture, sports, health, charity and other undertakings in China.

4. Innovative Model of Trust Business

After analyzing the foreign developed financial markets, we can find that trust assets often have the nature of private investment funds, which can be invested in the equity market, and the bond market can maintain and increase the value[3]. The author believes that although China's trust institutions also have categories of equity investment in terms of business types, they often appear in the form of equity pledge loans in practical application, with relatively concentrated risks, Therefore, it is necessary to introduce the private equity investment model and seek the cooperation of funds and other institutions to achieve a win-win situation.

4.1 Personal or Family Trust Integration

According to the 2013 China wealth report jointly released by the Hurun Research Institute and the group think tank, by the end of 2012, the number of millions of Chinese billionaires in the Chinese mainland had reached 1 million 50 thousand, of which 64 thousand and 500 were billionaires. Obviously, private wealth management has become a huge market, and trust is the most suitable institutional arrangement for private wealth management because of its flexibility of trust purpose, independence of trust property and diversity of allocation methods[4].

4.2 Integration of Trust and Private Equity Funds

In foreign mature markets, trust is essentially a private fund, which can carry out equity investment, M & A integration, bond purchase and other businesses. Although there are similar business regulations in China, it is carried out very slowly. Taking Zhongyuan trust as an example, the businesses approved by the CBRC include fund trust and chattel trust; Real estate trust; Securities trust; Engaging in investment fund business as a promoter of an investment fund or fund management company; From the perspective of business type, it almost covers investment banking, funds, all businesses and some businesses of banks. However, in practice, it tends to prefer similar banking businesses, and other businesses are carried out slowly. Since the second half of 2012, the integration of the financial industry has increased the development risk of this single business model, and the trust industry has to find new profit growth points, The transition to private equity funds can be said to have inherent advantages.

First of all, after nearly a decade of development, the trust has accumulated a large amount of capital and profits and is fully capable of equity investment. However, the way of raising funds is consistent with that of private equity funds, which greatly facilitates the development of fund business[5]. It

should be noted that trust companies often lack investment experience, and how to operate the fund is a problem. In addition, the risk control system is generally created for loans, which needs to be reconsidered.

Venture capital funds often invest in start-up companies for a long time. They grasp the trend of the industry more accurately and can accurately grasp the investment opportunity. Relevant talents have strong business ability and can sensitively capture investment opportunities. Trust companies can divide work and cooperate with venture capital enterprises and adopt the “limited partnership” model. The former is responsible for the establishment of trust plan and fund raising, while the latter makes specific investment and agrees on income distribution. Trust companies as limited partners and venture capital funds as general partners, which helps to spread risks and improve management efficiency. Venture capital funds can also be introduced by introducing investment advisers.

4.3 Trust and Fund Integration

The CBRC has issued relevant policies to support the transformation from trust to fund. In June 2008, the CBRC issued the operation guidelines for private equity investment trust business of trust companies. In 2009, the notice on issues related to supporting the innovative development of trust companies (Exposure Draft) issued by the CBRC once again clarified that trust companies participate in private equity investment business. What needs to be done next is the construction of supporting systems. The solution of these problems requires the multi-directional transformation of the government and the market, which is a long-term process. The single exit mechanism and other problems require the corresponding changes of the government tax mechanism and the optimal construction of the capital market.

We should have to trust, to be legally binding trust products such as medium and long-term loans to public funds and all kinds of good economic projects more directly, in a more transparent legal and interests will be the trustee and the trustee, investment project, for public money to seek higher-yielding under real hard constraints, While achieving the optimal utilization of social resources, it also achieves the maximization of people's economic interests. Therefore, we should greatly strengthen the expansion of trust business, and boldly reform the traditional system and regulations that seem reasonable but actually do not meet the requirements of market economy. When the government's behavior gradually fades out from the direct economic activities, and the administrative command is gradually away from the legitimate business activities, the opportunity for the survival and development of trust industry will come. Some current regulatory systems separate public welfare purposes from business activities, and even the tax law limits social donations to after-tax expenditures. To some extent, this is not conducive to the rapid development of social public welfare undertakings while commercial activities achieve greater development. At present the country in terms of public welfare funds into a few for many reasons, among them one of the important reasons is that there is no set up a channel, will generate the interests of the business activities associated with the development of public welfare undertakings, so much so that some companies to invest in public welfare undertakings, and through a variety of ways to force the government to give preferential tax and other. The practice has even become a breeding ground for some corruption.

Due to the long-term operation of banking business in the trust industry, the risk control system is closer to the bank. For example, loans need fixed assets mortgage or equity pledge. However, the development of equity investment fund business puts forward new requirements for the risk control of trust companies. Companies investing in different stages need different risk preparations. Once the

investment fails, How to protect the rights and interests of investors and maintain the operation of trust companies have brought great challenges to trust companies. Therefore, we should introduce a mature risk management system and use the way of portfolio to reduce the risk as much as possible. When implementing the minimum standards stipulated by the regulatory authorities, specific assets shall be analyzed to prevent risk overflow and uncontrollable risk.

5. Conclusion

To adhere to the concept innovation, we must first take serving the public investment as the basic purpose of the business development of trust and investment companies. One view of trusts is that they are a game for the quasi-rich, with high entry standards and restrictive measures to exclude the majority of the population. This reflects the decades-long tradition of valuing investment only by the government and state-owned enterprises and ignoring investment by ordinary people. In fact, our management department for many years in investment products management ideas always with national interests and state interests as the center of gravity, it was nothing wrong, but the problem is that the traditional policy guidance are overblown, so much so that in practice how to provide enough for ordinary people, diversified, and the problems of attractive investment products have been ignored. Paper answers in addition to the government's proprietary national debt, then there is not a sound risky stock market, even through continuous part cut interest rates to squeeze savings of ordinary citizens to the stock market, it is a biased way of thinking, in a sense is independent investment rights have intention to not intentional of restrictions to the public, should seriously reflect on. This paper discusses the development and challenges of the trust industry. In recent ten years, the trust industry has made great progress, the asset scale has been expanding, and the profit level has been improving. It has become the second largest financial sector after banks. Trust business plays a great role in promoting the development of the national economy, which is mainly reflected in: broadening the investment channels of investors, financing serving the economy, perfecting the role of the social security system, and helping to build a social credit system.

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