

Research on securities trading and its impact on risk level

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Abstract: In China's financial system, the securities industry plays an important role in financing, resource allocation, wealth management and so on it plays an irreplaceable role. Due to the characteristics of the industry, securities companies are facing various problems with diverse forms and complex nature risk, whether the risk can be effectively managed has become an important factor affecting the survival and development of the company. Securities in China the company has a short history of development. After years of comprehensive improvement, risk management and internal control can be improved the strength is improved. However, with the rapid development of various new businesses and changes in the environment, some securities companies are at risk the construction of management and internal control lags behind, and the resulting risk events have seriously affected the normal development of the company. The supervision of external institutions and the construction of internal risk management are the two guarantees for the risk prevention and healthy development of securities companies. However, external supervision often has high information cost and weak pertinence. For securities companies, it is necessary to strengthen their own risk management and internal control are the fundamental measures.

1. Introduction

Securities credit trading is mainly in the form of credit economy in the securities market. Carry out financing and trading, and form a phase between the capital markets according to the special operation concept and ensure the balance and stability of securities prices. [1]The earliest securities credit transaction originated in western countries, it is a mature trading method in the securities market. Certificate in China in the securities market, although the law prohibits securities credit trading, it is restricted by the securities market under the influence of demand, securities credit trading is still carried out in a special form. In order to improve our country. It is necessary to study the operation system of the securities market.

2. Basic overview of securities credit trading system

2.1 Concept of securities credit trading system

Securities credit trading system mainly trades on the basis of credit in different countries.

At home, there is no need to define securities credit trading. Securities credit delivery from the perspective of law the definition of Yi has broad and narrow meanings.[2] From a broad point of view, securities credit delivery yi refers to the mutual credit given by the buyer and the seller in the transaction process, but in a narrow sense, Securities credit transaction refers to the loan or loan securities traded in the securities market business. This paper mainly discusses the securities credit trading system from the perspective of narrow definition, to explain the trading forms of margin trading in the securities market.

2.2 Legal operation of securities credit trading system

In terms of the operation process of law, securities credit trading mainly includes the following three steps, the first step is to sign the contract for securities firms and investors, and open the securities credit account after signing the contract; the second step is to pay the deposit, the payer is the investor and the object of payment is the securities firm. After paying the insurance, after the deposit, the investor shall specify the securities he wants to buy, and then the securities firm shall advance the remaining funds buy the securities. In the whole process, securities firms have the right to control investors' securities power. [3]If the securities that investors choose to buy fall, investors need to make up within a certain period of time deposit; The third step is that during the financing period, investors can choose to buy securities ,securities are sold, and the capital obtained from the sale is used to purchase the principal and interest of the purchased securities bank repayment. In the above steps, if the investor fails to replenish the capital in time, the certificate will not be issued securities companies can choose to close their positions.

2.3 Legal relationship of securities credit trading system

Securities credit trading system mainly involves three types of laws in the trading process legal relationship. The first is the principal-agent relationship. The principal-agent relationship is between investors and securities firms,a typical legal relationship between investors and securities firms. If investors entrust securities firms to conduct securities transactions,in case of any breach of contract in the course of trading, the principal or securities firm shall have the right to claim corresponding compensation from the other party,at the same time, the defaulter shall bear the corresponding legal consequences; [4]The second is the combination of borrowing and lendingThis kind of legal relationship belongs to civil legal relationship, which is beneficial to investors and securities firms the rights and obligations between investors, such as investors' choice to buy through securities firms the securities have the right to use; The third is the pledge guarantee relationship, which refers to the investor through securities for the securities purchased by the securities firm, the securities firm shall enjoy the pledge right on the margin, and obtain funds when the securities are sold ,after, the fund shall also be pledged at the securities firm.

Case analysis

(1) Xiangfan SHANGZHENG case

On the evening of September 16, 1993, when the Shanghai Securities Business Department of Xiangfan trust and investment company of Agricultural Bank of China negotiated business with the business personnel of Shenzhen Bao'an Huayang health care products company, it was said that Bao'an Huayang would buy a large number of shares of Shanghai Yanzhong Industrial Co., Ltd. (stock code: 600601, and the company is now renamed Peking University Founder Yanzhong Technology Co., Ltd.), After learning of this insider information, Xiangfan SSE purchased 627300 shares of Yanzhong industrial stock in three self-supporting ways from September 17 to September 27, and sold all the other stocks at a high price on October 7, with a profit of 16711808 yuan.

(2) Bao'an company case

On September 29, 1993, Shenzhen Bao'an group company and its affiliated enterprises Bao'an Shanghai company, Bao'an Huayang and Shenzhen Longgang Baoling electronic lighting company held a total of 10.65% of Yanzhong shares. On September 30, three affiliated enterprises of Shenzhen Bao'an group company bought and sold Yanzhong shares again without fulfilling the obligation of information disclosure, increasing their total holding ratio to 17.07%, Baoan Huayang and Longgang Baoling sold a total of 1147700 Yanzhong shares they held to Baoan Shanghai company through the Shanghai stock exchange system, and 246000 shares to other shareholders. While announcing the validity of Yanzhong shares held by Bao'an Shanghai company, the CSRC found that 246000 shares sold to the public violated the prohibition of short-term trading in Article 38 of the Interim Regulations on the administration of stock issuance and trading, so it decided to return the profits to Yanzhong.

The of credit business under the new situation Characteristics and new pain points

Under the new situation, the number of listed companies is rising in the era of registration system, but the quality is uneven. Under this background, securities companies carry out credit business, showing some new business characteristics and risk characteristics.

(1) The volume of guaranteed securities plummeted

The sharp decline of stock price and the uncontrolled risk of account concentration will lead to substantial risks in the financing business in the securities credit business. For example, the continuous sharp decline of guaranteed securities Rendong holdings and Jimin pharmaceutical in 2020. From the historical data statistics, the sharp decline of individual stock price will occur every year, not an example or a black swan. For the shrinking and plummeting companies in the whole market, we selected 599 bad samples for sampling and statistics, of which 63 bad samples are the two financial target companies. The results show that the average number of days of the company's decline limit in the whole market is 3.32 days, and the average number of days of the company's decline limit in the two financial targets is 3.33 days. Through the study of the decline samples, it is found that: 1) 57.1% of the bad samples have the phenomenon of decline in the company's performance before the collapse; 2) 33.3% of the bad samples fell sharply due to special events: such as suspected violation of law, policy impact, agreement signing and project termination; 3) Before the crash, 23.8% of the bad samples announced the failure of major asset restructuring or the termination of equity acquisition.

Table 1 limit days of companies with sharp decline in volume contraction in the whole market

particular year	Number of samples	Overall average limit days	Samples with a falling limit greater than 3 days	Proportion of samples whose daily limit is greater than 3 days
2017	111	3.324041812	27	24.32%
2018	309	3.315878378	118	38.19%
2019	68	3.337412587	16	23.53%
2020	73	3.303691275	14	19.18%
2021	38	3.310463122	10	26.32%

Table 2 Sample of companies with sharp decline in the whole market

Securities code	name	Contraction slump date	Limit days	Cause of thunderstorm
002450.Sz	Kang detui	2021/4/14	25	Major shareholders occupy funds of listed companies
002647.Sz	Rendong Holdings	2020/11/25	14	The banker was controlled, causing the financing market to stampede

002252.Sz	Shanghai Laishi	2018/12/7	10	Participate in the Clarice asset plan and the kegilles asset plan,Lead to equity pledge thunderstorm
603222.SH	Jimin pharmaceutical	2020/12/16	10	On the market, some people use wechat group, QQ group and live broadcasting room to sell shares Min recommends buying Jimin pharmaceutical shares
000673.Sz	*Stcontemporary	2018/8/2	9	The controlling shareholder asked about the lending storm
002219.Sz	*StHengkang	2018/6/29	9	Continuous performance losses, and the actual controller is deeply in the debt quagmire
002676.Sz	Shunwei Co., Ltd	2018/1/16	9	Major shareholders were criminally detained on suspicion of manipulating the securities and futures market
300176.Sz	Derivative technology	2019/4/1	9	The actual controllers are suspected of illegally absorbing public deposits
300266.Sz	Xingyuan environmet	2018/7/2	9	Withdrawal from an M & a project due to lack of funds after Liu Yonghao took over blood transfusion

3. Risk and characteristics of securities companies

As an important part of the financial system, securities companies have always been an important organizer and participant in the securities market participants. Its daily business activities cover brokerage business, issuance intermediary, asset management, self operated investment and other industries business, wide range, large amount of funds, and obvious professionalism. The high-risk characteristics of the financial industry are in the securities company the performance of the company is obvious. There are many types of risks and complex relationships, and different risks affect and intertwine with each other. Specifically, the main risks of securities companies include market risk, credit risk, liquidity risk and operational risk insurance, legal risk and system risk. Because the securities company is a special industry, its risk also has a certain degree the characteristics of are mainly reflected in the following aspects:

(1)The risks of securities companies are public. Compared with the asset liability ratio of general industrial and commercial enterprises different, securities companies have the characteristics of high leverage, and most of the asset liability ratios of large securities companies in the world above. As a non bank financial institution operating special commodities, the working capital of securities companies is not only to from the general public, a considerable part of short-term capital comes from interbank lending and short-term bonds in the money market the issuance of bonds has formed a debt creditor relationship involving a wide range of groups. In addition, once the securities company goes bankrupt,the securities positions it holds or participates in trading will also be impacted, and the participants in securities trading will face the risk of loss, which is very easy to cause the spread of market panic. [5]One or several securities companies go bankrupt at the same time, which is easy to produce domino effect and affect the stability of the whole financial market and the development of social economy.

(2)The risks of securities companies are cyclical. The operation of any financial institution is inseparable from the impact of the national monetary policy. Due to the cyclical economy, the adjustment of monetary policy can be divided into easing and tightening. In the period of loose liquidity, the trading in the securities market is more active and the stock price rises. Securities

companies benefit from trading to increase the commission income and investment income brought by the rise of stock price, and the profit situation is ideal. On the contrary, the tightening of monetary policy has reduced the market liquidity. It is estimated that there has been a continuous decline and cold trading, which has brought great impact to securities companies. Since the previous boom, the contradictions covered up gradually emerge. In, China's securities market prospered. The Shanghai composite index broke through a breakthrough point, and the net profit of the whole securities industry reached billion yuan. However, in, the stock market continued to be depressed, and the net profit of the securities industry in the whole year was only billion yuan, a significant decrease compared with that in. Securities companies should pay special attention to preventing the profit risk of the industry downturn.[6]

(3)The risks of securities companies are highly conducive. Securities companies are established on the basis of credit, involving different subjects The multilateral credit network of (enterprises, investors, banks, etc.) infiltrates into other industries, and any risk loss in any link may be transmitted to the whole securities market and financial system through the diffusion of the network, affecting the normal operation of other departments. For example, the risk of securities companies will first affect the spread of prudence in the securities market, resulting in the cold market transactions However, the inactivity of secondary market transactions will increase the cost and difficulty of financing through the securities market, affect the normal business activities, and seriously lead to liquidity problems,banks and other debtors also face the risk of loan repayment, and are more conservative in issuing loans, which further aggravates the tight market liquidity, which is not conducive to the normal operation of the real economy.

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