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Analysis of Financial Supervision under the Supervision of Mixed Operation

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Abstract: Today, China is in an era of major financial changes, and the reform of financial supervision has attracted much attention. The financial industry has also shown a booming trend under the influence of the state and the market. Since the establishment of the China Banking Regulatory Commission in 2003, China has implemented a 16-member financial supervision system with a history of 15 years. In March 2018, it formed a mode of one committee and two sessions, representing the transition from separate supervision to mixed supervision in China. At present, China’s financial supervision still exists. Many problems, such as the lack of systems and the uneven quality of employees, have seriously affected the development of China's financial industry. Starting from the theory and practice of financial supervision, this paper first explains the research background and the domestic and international views on financial supervision under mixed operation, and analyzes the status and trend performance of financial market subject supervision under mixed operation in China. Secondly, it summarizes the status and problems faced by China's financial supervision, analyzes and draws on the excellent experience of financial supervision systems in several developed countries, and proposes the basic suggestions for improving China's financial supervision system under mixed operation according to China's basic national conditions. First of all, we should improve the financial supervision mechanism, improve the information disclosure system and play a role in market restraint, and strengthen the joint supervision and standardization of financial holding companies. Secondly, the standardization of financial holding companies and the legislation of subsidiaries should be strengthened. Third, build an effective risk rating, early warning and exit mechanism. Finally, the international cooperation of financial regulatory institutions should be strengthened.

1. Xu theory

1. 1 Research Background and Significance

1. 1. 1 Research Background

As we all know, finance is becoming an increasingly important role in global development. It not only provides the necessary financial support for the real economy, but also is a stabilizer for a country's stable economic development[1]. In the environment of economic globalization, China's financial industry also follows the international development trend, increasingly prominent status at home and abroad, with our financial market and international standards and the rich products and the breadth of market development, the financial industry has quite strong service the strength of the real economy[2], even has the strength of the macro economy. However, because of the long-term implementation of separate business management mode, the degree of marketization is relatively low, which seriously restricts the further development of our country. Therefore, China is currently actively trying to change from separate management to mixed management[3].

1. 1. 2 Study Significance

China's financial market is becoming more and more international, and gradually integrated into the international financial market. To effectively spread out the financial risks, The banking, insurance and securities industries are constantly expanding their businesses, narrowing the line between them[4]. But our economy The system is still unreasonable, can not well respond to the change of business model. China is now in the transformation of the business model At the critical period of change, laws and regulations are not perfect, and some financial institutions carry out mixed business is also a stone Crossing the river, the regulatory duplication and regulatory gap between the regulatory agencies have buried hidden dangers for China's financial industry. In this period, China must stabilize its economic development and face up to the problems. Therefore, to study the financial supervision problems under the mixed management in China It has an important theoretical significance[5].

China has long implemented the system of separate operation and separate operation supervision. But now China is trying to change to the mixed operation, there are a lot of mixed operation of financial institutions in China, the state has also issued some regulatory regulations. But after all, this is only a preliminary attempt, in the transition stage, but according to very little experience, so there are still many problems[6]. Different from many other countries with decades of mixed business experience, our country for some levels of risk management concept is insufficient, after mixed management will have new risks and new problems, and will be more complex, may appear, but with the advent of the era of financial mixing, these problems are must face. Therefore, through analyzing and discussing the above problems, this paper studies the financial supervision innovation of other countries under the mixed operation, analyzes the development of China's financial supervision in China, and puts forward some corresponding suggestions, hoping to do their best to provide some reference for the supervision of China's mixed operation[7].

1. 2 Research Status at Home and Abroad

1. 2. 1 Foreign Research Status

Some foreign scholars have an earlier history on the financial supervision system of mixed operation. Song Wei (2012) pointed out that there are many reasons for the change of financial supervision mode, mainly including factors such as reducing risks and improving their own economic interests[8]. With the more and more fierce competition in the outside market, China's financial regulatory system involves more and more businesses. China's financial supervision system is mainly aimed at scope economy and cost control. With the rapid development of the world economy, the mixed operation system began to be implemented on a large scale. In view of the rapid development of mixed operation research, most studies point out that compared with separate operation, mixed operation can better improve the efficiency of capital use and promote the profitability of financial institutions[9].

Most foreign scholars believe that the mixed profit of commercial banks is far greater than the harm. Jordi Canals (1997) believes that the mixed operation of commercial banks can effectively disperse risks. The mixed operation of financial institutions is due to the development of information technology and the fierce competition[10]. San-tomero (2001) also pointed out that the mixed operation of commercial banks can bring range economy, commercial banks are useful to a lot of customer information, when promoting insurance products to customers can also promote bank products, which not only reduces marketing costs, but also improves work efficiency, kill two birds with one stone[11].

Foreign scholar Wallman (1999) believes that not all financial regulators can bring about effective economies of scale. If complex and diverse goals are forced to merge, they can only cause conflicts, let alone achieve economies of scale. Gary H. Stern and Ron J. Feldman (2009) disagreed with the financial holding group, saying that the agency blindly pursues large-scale operations without taking steps to guard against risks.

1. 2. 2 Domestic Research Status

Although China has only begun to try to change from separate operation to mixed operation since 1999, many domestic related scholars have studied the financial supervision issues under mixed operation, and these studies also have certain reference value. The research mainly starts from three perspectives.

Law is a necessary condition for financial development. Only with a perfect set of laws and regulations can we establish a financial supervision system suitable for China's national conditions. Domestic scholar Wu Yunfeng (2011) believes that China should establish a single regulatory system to speed up the legislation of financial holding companies in controlling the risks of mixed operation, another domestic scholar, Zhang Junqiang (2016), said that the law should be ahead of the financial market, so that mixed operations can have laws to follow, rather than making up for the problems. Perfect law is the prerequisite for the realization of mixed operation. Only with healthy laws can mixed operation carry out steadily and control the occurrence of risks.

With the development of China's financial market, mixed operation will definitely enter the stage of rapid growth, but the research on mixed operation in China is still relatively shallow, and the research on the financial supervision mode under mixed operation can not be well combined with the current situation of China. Domestic scholar Du Mingming (2017) believes that only adopting separate supervision or unified supervision cannot fully meet China's current development needs, and thus cannot find any hidden risks. Only with the combination of unified supervision and separate business supervision can we adapt to the development of China's financial market. Domestic scholar Xiao Pu (2013) believes that the current top priority is to strengthen legislation to minimize the risks that mixed operation may bring to China.

1. 3 Study Contents and Methods

1. 3. 1 Study Content

This paper first expounds the research situation of financial supervision under the domestic and foreign mixed operation, and then analyzes the problems existing in the mixed operation of financial regulatory institutions in China. Fully learn from the excellent and successful experience of some developed countries. Under the background of the reform of China's financial supervision system from the separate operation to the mixed operation system, the problems existing in the mixed operation of China's financial regulatory institutions are analyzed, and effective suggestions and measures are provided for improving the adaptability of the mixed operation of China's financial regulatory institutions. Finally, the full text is summarized and put forward.

1. 3. 2 Research Methods

First, consult relevant books, newspapers and research papers, sort out the collected data, summarize its characteristics and can be used for reference. The background, current situation, and the views of domestic and foreign scholars were summarized, and the problems existing in China's financial supervision were found. By comparing the characteristics of financial supervision in different countries, we find the differences between financial supervision in different countries, and finally, the suggestions and prospects are put forward for the future development of financial supervision in China by learning from the experience.

2. Theoretical Basis of the Research

2. 1 The Nature of Financial Regulation

As there are still some problems in China's financial market, the Chinese government needs to strengthen the supervision of financial institutions. At present, there are many theoretical research results in economics, which provide scientific theories for strengthening the supervision of financial market. Negative externalities refer to how the bankruptcy of financial institutions has a series of negative effects on the market, mainly on economic growth, and through credit and monetary tightening. Externalities can reduce the economic damage caused by the bankruptcy of financial institutions by levying tax revenue. However, due to the huge leverage effect of financial institutions, the economic interests of some financial institutions are in conflict with the overall social and economic interests. Analyzing the externalities from the perspective of transaction costs will not reduce the negative effect of financial institution bankruptcy on economic growth because of the flexible market. First, promoting a fair and effective financial system to the general public can effectively promote economic development, because every one added person in the society enjoying the benefits of the financial system does not increase the cost budget. Therefore, the financial system has obvious characteristics of public goods, promoting good social and economic development, the western capitalist government departments mainly from the external management and supervision, and the private sector is the main body of the financial system, the cooperation to strengthen the healthy development of the financial system, to promote the financial system of social and economic development, increase economic growth, bring more economic benefits.

2. 2 Related Theories

2. 2. 1 Special Interest Theory

Special interest theory because of the theory of public interest, and on the basis of its, the theory points out that the government loopholes in financial market regulation, only to protect several interest groups, not effectively guarantee the overall economic interests of the society, the government in the process of financial market regulation, can be controlled by large interest groups, cannot effectively guarantee the interests of the public.

2. 2. 2 Financial Risk Theory

The financial industry is a high-risk industry, and the theory comes from the "financial instability" hypothesis that a series of risks brought by the financial industry affect the stability and development of the macro economy. The special nature of financial risks also determines that there must be a regulatory agency to supervise the financial industry in the financial sector, so as to deal with the risks in the financial market and maintain the security and stability of the entire financial system, which also shows the necessity of financial supervision.

2. 2. 3 Economic Monitoring Theory

This theory, also known as regulatory economics, is so far an accurate one, proposing reasonable assumptions and some reasoning of partnership logic. According to the view of regulatory economics, the reason why regulatory demand exists is because the status of interest groups can be improved to a certain extent through national supervision. Economic monitoring theory believes that government supervision mainly occurs in the environment of market failure, aiming to protect the interests of the public and improve the welfare of the public.

3. Status and Problems of Financial Supervision of Mixed Management in China

3. 1 The Current Situation of Financial Supervision in China

3. 1. 1 Performance of the Mixed Operation Trend in China

To the extent that laws and regulations can work, we can adjust our business model in a variety of ways, including strengthening communication and cooperation between banking, securities and insurance-related industries. In recent years, many emerging institutions in the market have involved cooperation and innovation by banks, securities and insurance companies, and these businesses have crossed the boundaries of separate operations. Among them, the massive emergence of financial holding companies in China, which can be said to lead the direction of China's future mixed operation. As a new financial management system, financial holding companies have unprecedented advantages compared with other systems. It has a combination of independent operation and mixed operation, allowing it to operate cross-types of financial businesses and products. However, different subsidiaries need to operate different types of financial business. These subsidiaries are relatively operational and legally independent, have their own balance sheets, are not unified with their parent company, and are regulated by different institutions in China's "two sessions" model. In this way, the subsidiaries of financial holding companies can effectively avoid the risk from spreading to each other.

3. 1. 2 Legal Recognition of the Supervision of Financial Market Entities in China

The Management Method of Stock Pledge of Securities Companies issued in 2000 pointed out that securities companies are allowed to mortgage their own funds and stocks when making loans to Chinese banks, thus effectively helping the funds held by banks to enter the stock market reasonably. In October of the same year, the "Open-ended Fund pilot Measures" basically eliminated the previous gap between China's commercial banks and other securities companies. The Interim Provisions on the Intermediate Business of Commercial Banks were promulgated in July of the following year, giving commercial banks certain rights to issue various financial products and bonds, and effectively helping banks to expand their business to the securities and insurance industries[12]. The Measures for the Administration of Securities Companies were promulgated by the CSRC in March 2002, which states that within the scope permitted by the law, large securities companies can establish subsidiaries, and the head office accounts for more than 51% of the equity of the branches. The regulation provides the direction and effective basis and experience for the establishment of financial holding companies. In 2004, China's new commercial banking Law was promulgated, which abolished the prohibition of mixed operation of commercial banks, which not only provided a broader development space for commercial banks, but also was a signal of China's transformation to mixed operation. In October of the same year, the China Banking and Insurance

Regulatory Commission formulated the Interim Regulations on the Management of Stock Investment in Insurance Institutions, which provided opportunities for insurance funds to enter the stock market.

3. 2 Problems Facing the Supervision of China's Financial Market Subjects

3. 2. 1 Poor Regulatory Mechanism

China's imperfect financial supervision mechanism is mainly reflected in the following two aspects:China's laws and regulations have a vague definition of related parties, a lack of effective evaluation procedures in practice, and the responsibility is unclear. The shareholder association information of financial market entities is defective, and it is difficult for the regulatory authorities to grasp the overall situation, which may lead to the underestimation of the overall risk. The international loan volume of China's commercial banks is not very large, which leads to reducing their attention to national risks. At present, China's banks, insurance, securities and other financial market entities still lack a set of perfect procedures to identify and monitor risks.

The problem of the imperfect regulatory mechanism of financial market entities is also reflected in specific events. For example, the classic "Wanbao dispute", the so-called "Wanbao dispute" refers to the equity competition between Vanke and "Baoneng Group" based on branch control since July 2015. According to the development trend of the event at that time, we can summarize it into the following four stages: In the early stage, after "Baoneng Group" passed up Vanke for three times, Vanke held 15. 04% of the shares, surpassing China Resources to become the largest shareholder of Vanke. In the second stage, China Resources invested 497 million yuan, and after Vanke increased its shares twice, it regained its position of being the largest shareholder of Vanke with a narrow advantage. In the third stage, Baoneng company also increased its stake in Vanke, accounting for 24. 26% of the total. Once again, it became Vanke's largest shareholder. Soon after, Wang Shi, chairman of Vanke Group, publicly issued a statement and objected to the incident. On December 18,2015, Vanke suspended its trading. In the last stage, Vanke signed a memorandum of strategic cooperation with Shenzhen Metro, and held the board of directors in June of the same year to review the organizational plan. As of July 2016, Baoneng had a 25% stake.

3. 2. 2 The Legal Environment is not Sound Enough

Although China's legal supervision system has made considerable achievements, but due to the lack of experience and the rapid development of China's financial industry in recent years, the existing legal system has been unable to meet the development of China's financial industry. The main problems are as follows:

The regulations are scattered in different rules and regulations, and some lower laws are not amended in time with the revision of the upper laws, resulting in conflicts; the industrial and commercial departments, financial regulatory authorities and judicial government regulatory agencies are independent and not well regulated.

China lacks basic legal measures specifically for policy banks, and it also lacks legislation on the restructuring of banking institutions. In 2001, The State Council promulgated the Regulations on the Cancellation of Financial Institutions, which pointed out that the cancellation of illegal operating financial institutions violates the social and public interests and order. However, the regulation is still unrealistic in the specific operation, the lack of qualitative indicators and specific operation steps.

The legal effect is not clear, causing confusion in practice; some documents are not timely reported to the public, low transparency, affect the effect of implementation.

3. 2. 3 Lack of Service and Innovation Ability

From the perspective of innovation and service, financial innovation lacks strategic planning and cannot well combine innovation with business capabilities. Many problems arise from:

It not only ignores the real needs of customers, but also affects the improvement of innovation ability. China's innovation is still in the initial stage, focusing on traditional business, less new business, and the technical content is not high, and few high-yield products. Increasing legal risks in the process of innovationFor example, the legal relationship of some financial products is not clear enough, there are risks, and more customer complaints will cause.

4 Developed Countries Mixed Business Financial Supervision Experience for Reference

4. 1 Financial Regulatory Experience in Mixed Operation in the United States

4. 1. 1 The Basic Framework of US Financial Regulation

From the last century to now in the US, the United States has experienced different changes in business models. From the mixed operation mode, then the separate operation mode, and finally the mixed operation mode. The financial regulatory system of the United States is relatively complex and has unique characteristics.

The Comptroller of the currency and the Federal Reserve. The main functions of the Comptroller of the Money are to register national banks, supervise the various businesses of national banks, and declare the bankruptcy situation of banks. The Federal Reserve performs the functions of a central bank. Its decision-making body is the Reserve Board, the executive body is the member bank, and its intermediate core body is the Federal Reserve Bank, the Federal Reserve Open Market Committee and the Advisory Committee.

The agency's responsibility, all called for guiding and managing open market operations, consists of seven governors and five presidents, holding eight meetings a year. The Open Market Committee is the most important committee in the United States.

The federal reserve committee is the highest decision-making body, the chairman of the federal reserve committee office for four years, and the President of the United States staggered, the main purpose of this way is to reduce the influence of the President of the federal reserve policy, the central bank of the United States and the us government is relatively independent, so that you can better implement the financial regulation of money.

4. 1. 2 Characteristics of Financial Regulation in the United States

Double-line and long-line financial regulatory system

The United States is a democratic country. Based on democratic and equal considerations, it has established a federal political decentralization system, which is reflected in the dual-track federal and state system in financial regulation.

The United States is one of the stricter financial regulatory countries. Especially since 1930, various financial legislation has been introduced in the banking, insurance and securities fields, and all institutions should strictly implement it.

In order to prevent the high concentration and monopoly of financial institutions, the United States has gradually extended its policy control to the banking industry. follow As time passes, these restrictions are gradually broken through, and conditions are relaxed in many states. Some banks from other states were also allowed in.

4. 1. 3 Trends in US Financial Regulation

In 1999, the United States promulgated the Financial Services Modernization Act, which ended the mode of separation of banks, securities institutions and insurance companies, completely changed the previous mode of operation, and moved to the mode of mixed operation. The bill redefines the framework of the financial regulatory system, identifying the Fed to regulate financial institutions and cooperate with other sectors. The original regulatory system in the United States is relatively standardized and complicated laws and regulations, which makes it unable to fully adapt to the changing financial industry. The Chairman of the Federal Reserve Commission Greenspan said at the 1999 US meeting that bank regulation should avoid the model and the regulatory system should be updated in a timely manner. The Fed is also trying with a more flexible regulatory system. Since 1990, the United States has gradually strengthened the on-site and off-site supervision of various institutions in the financial sector, and conducted a systematic assessment of the risks of financial institutions, and continuously updated the risk assessment system according to the changes in the external financial market environment.

5. Suggestions on Improving China's Financial Supervision under Mixed Operation

5. 1 Strengthen the Information Disclosure Mechanism

After the financial market regulatory subjects began to implement the mixed operation, the business becomes more complex, so it is very necessary to establish a sound information disclosure system. On the one hand, the information disclosure system is conducive to supervision. On the other hand, it can also restrain the compliance operation of financial institutions and reduce the occurrence of moral hazard. The enforcement of the information disclosure system is particularly important. The core of the information disclosure system is to improve the requirements of the disclosure, and to pay attention to the authenticity and integrity of the disclosed information. In terms of effectiveness, should ensure that all parties can obtain their own interests fairly and justly, and it is strictly forbidden to obtain inside information through transactions within the group, and the content of information disclosure should be true and comprehensive. In order to ensure the authenticity and comprehensive information, commercial banks should strictly formulate this system and implement the responsible person. Once the information is falsified or concealed, the responsible person should be responsible.

5. 2 Give Play to the Role of Market Constraints

Through the scientific and standardized evaluation of the financial data of financial institutions, it will affect the market share of financial institutions in the market, improve the scientific management level of financial institutions, and maintain the good operation of financial institutions. Investors or creditors of financial institutions shall cooperate with law firms and accounting firms through the information disclosed by financial institutions to play a role in the financial activities of financial institutions, expel financial institutions with poor operating conditions from the market, and maintain the healthy development of the financial market. As the financial crisis has occurred, Many countries in the world are beginning to focus more on the role of market constraints, Governments of the world give full play to the binding role of the market, Taking this as a supplementary measure to strengthen financial regulation, For example, the Japanese government is constantly reducing its regulation of financial markets, Ensure the good operation of financial institutions and conduct regular risk assessment of financial institutions, No further direct intervention in the other business of the financial institutions, Government regulation of financial institutions will also fail, Therefore, on the basis of giving full play to the government regulatory function, Give full play to the binding role of the market on financial institutions, Reducing the economic impact of disadvantages in financial markets, To ensure the healthy development of the financial market.

5. 3 Establish a Reasonable Risk Rating, Early Warning and Exit Mechanism

Because China can not carry out fully effective supervision of financial institutions, the lack of systematic evaluation. Therefore, we must strengthen the risk rating, early warning and exit mechanism. Under the background of economic development in our country, can take the following way, comprehensive financial institutions according to the provisions of the regulatory requirements, truthfully report and disclose financial information, according to the information provided by financial institutions, financial regulators of financial institutions for risk assessment, according to the rating rules of the risk of financial institutions is divided into level A, B, C, D, E level five levels. For financial institutions have huge risk assessment as D or E level, and the huge risk problems of financial institutions to make rectification and pause punishment, financial regulators must be scientific and standardized risk rating of financial institutions, help financial institutions to make reasonable early warning and exit mechanism, effectively control the risks existing in the financial market, promote the healthy development of the financial market.

6. Conclusion

By consulting a large amount of information, this paper first summarizes and analyzes the theory and practice of financial supervision under mixed operation. Secondly, it explains the research background of financial supervision under mixed operation and the views of financial supervision under mixed operation at home and abroad, and then analyzes the current situation, classification and trend performance of financial market supervision under mixed operation in China. Then, the problems faced by China's financial supervision are sorted out and summarized, and the framework and characteristics of the financial supervision system in several developed countries are analyzed, and the excellent experience is used for reference. Finally, according to the basic national conditions of China, the basic suggestions of improving China's financial supervision system under the mixed operation are proposed. The specific conclusions will include the following three points:

First, through the current understanding of the mixed operation situation in major developed countries in the world, we analyze the reform and development status of the financial supervision system of mixed operation, so as to understand that there are differences in the financial operation system and supervision system of different countries. Usually, in the choice of regulatory system, because each country has a different national situation, so in the political, economic, cultural and spiritual conditions. Second, there are three main problems in China's current financial supervision. First, the lack of a sound regulatory mechanism, in the supervision is often in the passive supervision situation. Second, in terms of innovation, financial regulation is subject to many restrictive factors, and the development of cross-class new products is restricted, which is unfavorable to financial innovation and development. The legal system is still lacking and not perfect, a unified regulatory system has not been formed, and the legal effect has not been fully played.

Nowadays, under the background of China's increasingly obvious trend of mixed operation, China's financial supervision should actively adjust its strategies and policies according to the law of market development, give full play to its advantages, avoid weaknesses, seek advantages, avoid disadvantages, and constantly improve. Constantly, improve ourselves, adapt to the changes of the market, have the courage to face risks, ensure the steady and healthy development of the financial market, participate in the formulation and implementation of international rules with a more active and active attitude, study and exchange with other countries, actively discuss and reach consensus, and achieve the long-term development of China's financial industry.

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