

Research on Risk Management of Internet Finance

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Abstract: The Internet is an intelligent product of the development of computer technology [1]. It is a single galactic international network connected by a universal set of protocols between networks. Under the rapid development of Internet technology, the management mode of traditional finance has been subverted, which is reflected in the fact that Internet technological means has improved the service efficiency of traditional finance, while Internet technology and thinking have changed the transaction structure of finance [1], thus leading to a new form of financial means with the main concept of “convenient and efficient, open and transparent, as well as resource sharing”. Such form reduces the information asymmetry, cuts transaction costs, promotes rapid economic development and improves people’s quality of life. However, it is accompanied by the negative aspects of this financial means. This is mainly embodied in the fact that the development of financial regulation cannot catch up with the development rate of new finance, which brings unpredictable risks. These risks are characterized by uncertainty and correlation. The research object of this thesis is the risk management of Internet finance. Under the background of current development of the Internet, this thesis studies the development situation and main modes of Internet finance, analyzing its main risks and proposing corresponding risk management strategy suggestions. The risks mainly include technical security risks, laws and regulations risks, Internet financial business model risks and so on [2]. This thesis will analyze and make suggestions according to the causes, dissemination characteristics and hazards of these risks.

1. Introduction

With the continuous development of Internet technology, the impact and penetration of the Internet on people’s lives have become more and more profound. It has promoted the reform of socio-economic system, and a variety of new financial means have emerged, such as third-party payment, p2p online lending, crowdfunding and information-based financial institutions. The rapid development of Internet finance from scratch to the present shows various new features. Its advantages lie in its convenience and efficiency, high transparency, while disadvantages lie in its endless risks. The innovation and development speed of Internet finance far exceeds the development speed of relevant laws and regulations, which has caused a series of risk management problems, thus seriously hindering the economic development and affecting our lives. Consequently, it is necessary for us to analyze, study and put forward suggestions based on the above problems.

By studying and analyzing the current development status of the Internet, the development of Internet finance and the risks it brings, this thesis proposes suggestions on the risk management of Internet finance to promote the better and faster development of Internet finance and the sustainable development of economy. As a result, this topic is of great significance. The principal part of this thesis is to start from the development status of Internet and finance in China, analyze the risks of Internet finance and put forward countermeasures according to the development status of Internet finance and its main modes. In terms of risk management, this thesis will first compare Internet finance with traditional finance, and then analyze its technical security risks, laws and regulations risks as well as business model risks of Internet finance. In addition, in order to get close to life and enhance the persuasion, this thesis will also cite the example of ppdai, an Internet financial product,

for research and analysis. Through the research on risk management, it strives to nip the risk in the bud and reduce the possibility of risks, so as to promote the healthy development of Internet finance.

2. Literature Review

2.1 Development Status of the Internet

Since the 1965, the TX-2 computer at Massachusetts Institute of Technology's Lincoln Lab and the Q-32 computer at the System Development Corporation in Santa Monica, California were directly connected via a 1200bps telephone line to form an experimental network, the Internet has gone through more than 50 years of development. Internet in China is the world's largest network, with the largest number of Internet users and the most extensive network areas. According to China Internet Network Information Center, as of June 2017, 26.7% of China's netizens were from rural areas, accounting for 201 million. By December 2018, the number of cyber citizens in China reached 829 million, with 56.53 million new Internet users. The Internet penetration rate amounted to 59.6%, an increase of 3.8 percentage points from the end of 2017. (Data from [www. Askci.com](http://www.askci.com))

The Internet has penetrated and changed every aspect of people's lives. Since the rise of Internet companies such as Yahoo, Google and Baidu, the Internet has reshaped the traditional advertising industry and digitized advertising. By setting up a database, people can use tools such as computers and mobile phones to retrieve the appealing information. The emergence of e-commerce enables people to purchase goods from all over the world, which promotes economic growth. At the same time, the popularity of online payment is also increasing, which can be well proved by the money receiving QR codes of merchants everywhere. Meanwhile, e-commerce service spreads all over the villages and towns, and the benefits of characteristic industries in poverty-stricken areas are obvious. Online education, network culture, and Internet medical care help improve the physical fitness, cultural quality, and employability of people in poverty-stricken areas, effectively preventing illness-caused poverty and illness-related poverty. It effectively opens up a channel for children to learn and grow through the Internet and for young adults to change their destiny through online employment and entrepreneurship, which significantly strengthens the endogenous driving force in poverty-stricken areas. [3] With the transformation of Internet technology from information datamation, content industry datamation to life service datamation, the integration of Internet technology and real economy is of great significance, which will bring momentum to the development of the industry and national economy.

2.2 Characteristics of the Internet

Information exchange is of interactivity and timeliness. The original intention of the Internet was to exchange information faster and better. Currently, the Internet speed in China has gradually increased to 28.98Mbps, which makes it better realized. Internet users can get real-time information around the world in a timely manner, which also lays a favorable foundation for the development of Internet finance and financial transactions. The timeliness of the Internet is reflected in the fact that the information on the Internet can be updated in time, and users in different regions can get the same new information at the same time.

Individualization and humanization. Anyone with a personality, a strange idea can survive and develop well on the Internet, that is, everyone can publish your own unique, strange and eccentric ideas on the Internet. [4] The reason why the Internet has become popular so quickly is that it is in many ways carried out by human standards. It is equal to publish and accept information on the Internet. The Internet does not distinguish between location and status, with equal opportunities. Although this may have resulted in some bad phenomena, such as "keyboard man and Internet troll" that express extreme opinions to release their emotions on the Internet, the individualization and humanization of the Internet enable people to share their brainstorm and talented people to display their talents.

2.3 Overview of China's Financial Development

The essence of finance is the economic activity of financing with the issuance and recovery of money as well as loans. Since the reform and opening up, China's finance has gone through more than 30 years of development. With the gradual change of asset structure, and the rise of technological content and internationalization level, traditional finance has been unable to meet the credit demands of private micro enterprises. Wu Xiaoqiu, an economist and vice president of Renmin university of China, points out that China's finance has undergone tremendous changes in terms of asset structure, financial technological content and internationalization level.

(1) Asset structure. The proportion of securitized assets in China will continue to rise. This means that the function of China's financial system will change from mainly financing to financing and wealth management, leading to a change in the risk structure of the entire financial system, which will put forward higher requirements on financial regulation.

(2) Technological content. The payment format of China's financial industry is undergoing major changes, which is also the most typical presentation of China's financial industry to realize "corner overtaking". The reform of payment format has a revolutionary impact on China's financial industry, which plays a significant role in promoting the adjustment of China's economic structure. In the future, the power of technology will accelerate the adjustment of the financial industry at a faster pace and change various theoretical, policy structures and mechanisms.

(3) Internationalization level. From the late 1970s, our country has carried out the top-down government-led financial system reform. The reform rapidly, in the form of financial legislation and control regulations, established a socialist financial system, with a central bank as the main body, local banks, foreign banks, and other non-bank financial institutions as the subsidiary, in which multiple financial institutions coexist and cooperate, thus becoming the basis of financial internationalization. Meanwhile, China has successively joined some international financial organizations. For instance, China has become a member of the International Monetary Fund, the World Bank Group, and the Asian Development Bank. The world bank issued \$320 million loans to China in 1993 and another \$400 million to China's seventh railway project in 1995. The Asian Development Bank has invested in 39 projects in China, with a total amount of \$4 billion. Agricultural bank of China has taken part in the APAC Agricultural Credit Association and the International Agricultural Credit Association to strengthen the international connection of agricultural credit business [5].

Overseas assets and profits of China's financial industry accounts for a certain proportion of its entire assets and profits, becoming an important part of China's financial industry, which has certain characteristics of the international financial industry. The internationalization level of China's financial industry is increasing substantially, and China will gradually become a major financial center in the world. [5]

2.4 Development of Internet Finance

At present, China's Internet finance is developing rapidly. The difference between Internet finance and traditional finance mainly refers to a new financial mode formed by integrating Internet technology and concepts into traditional finance. Li ping put forward in 2015 that this financial mode is of low transaction cost, high transparency and convenient operation.

Compared with traditional finance, the operating cost of Internet finance is relatively low. Although the establishment of Internet finance is an expansion of a new field, and it needs to start from scratch and invest a lot of capital and human resources in the construction and maintenance of web pages, the operating cost of Internet finance in the later stage is relatively low. Take the aspect of loan as an example. Commercial bank lending is indirect financing. People deposit the money through savings or wealth management products to the bank. The bank then lends the collected money to the borrower. The interest rate of the bank loan is generally between 8% and 15%, while the bank's income for the wealth management products of investors is a little more than 4%, so there is a price difference of 4%-11%, which is the money earned by the bank. Part of it serves as the

operating expenses of the bank, whereas part of it is distributed to the shareholders as profits. In state-owned banks, it is allocated to the state. Internet finance allows borrowers to borrow money at low interest rates, and the lender can directly receive the interests paid by the borrower. The platform gets only part of it. At the same time, the degree of labor consumption of Internet financial services is also lower than that of traditional finance, which can realize the transformation from one-to-one to one-to-many.

Compared with traditional finance in the mode of payment, Internet finance takes e-payment mode as the core and replaces cash flow. It relatively reduces the tedious process of traditional financial mode that people need to hold certificates and wait in a long line to pay, which is of the convenience for operation.

Under the traditional financial mode, people borrow by going to the bank for consultation, carefully comparing various loan materials, and the process of verification request is long. Internet finance promotes the production and development of multiple products because it attracts a number of customers. People can see a variety of products more clearly, with more choices. The products of Internet finance are diversified. Internet financial services are advanced Internet technologies based on big data and cloud computing. People can dig out various finance-related information through social networks or major e-commerce platforms to obtain some information that is not disclosed by individuals and institutions. Via the e-commerce platform, the credit rating, transaction costs, and risk assessment of platform users can be solved. Through the Internet, you can also examine transaction records, analyze asset status, consumption habits and so on in a timely manner. The high transparency of the Internet is conducive to financial institutions and individuals to make correct judgments.

2.5 Main Modes of Internet Finance

The main forms of Internet finance can be divided into third-party payment, psp online lending, crowdfunding and other forms. This section will explore the currently heated two modes, namely third-party payment and p2p online lending.

Third-party payment mainly refers to the online payment mode in which an independent institution with certain strength and credibility facilitates transactions between the two parties through docking with the network.

Its components are as follows. a. Customers. Units or individuals that conduct electronic transactions with enterprises or merchants by means of e-commerce, exchange information with merchants through electronic trading platforms, sign trading contracts, and make payments with their own online payment tools. b. Merchant. Units or individuals that provide goods or services to customers can request settlement from a financial institution according to the payment order issued by the customer in the electronic payment system. This process is generally processed by a special server set up by the merchant. c. Certification authority. It is a fair third-party intermediary trusted by all parties of the transaction, mainly responsible for issuing and maintaining digital certificates for parties involved in electronic trading activities, aiming to confirm the true identity of the parties and ensure the security and stability of the entire electronic transaction process. d. Payment gateway. It is a group of servers that complete communication and protocol conversion between the bank network and the Internet, conduct data encryption and decryption, and protect the internal network security of the bank, which serves as the security interface between the Internet public network platform and the bank's internal financial private network platform. The information of electronic payment must be processed by the payment gateway before entering the bank's internal payment settlement system. e. The bank that provides customers with capital accounts and online payment tool is called the issuing bank in the online payment system, in which bank card is used as the payment instrument. According to different policies and regulations, the authenticity of the payment instrument is ensured, and the payment for each certified transaction is guaranteed. f. Merchant bank. It refers to the bank that provides a fund account for a merchant. Because the merchant bank works according to the legal bills provided by the merchant, it is also called the acquiring bank. The customer sends the order and payment instructions to the merchant, and the merchant will leave the received order. The customer's

payment instruction is submitted to the merchant bank, and then the merchant bank issues a payment authorization request to the customer bank and performs the liquidation between them. g. Financial private network. It is a closed private network that exchanges information within and between banks, usually with high stability and security.

Lin pointed out in *global market information guide* in 2017 that third-party payment has two advantages, that is, convenience and efficiency, as well as low transaction cost. People can pay via WeChat or Alipay on their mobile phones, avoiding the inconvenience of change or carrying large amounts of cash. Payers don't have to consider the technical complexity behind it. Security: the payee will not be informed of the payer's account information, which is only known to the payment agent. The guarantee business provided by the payment intermediary also protects the interests of the payee. Due to its numerous advantages, the third-party payment is rapidly popularized, forming the scale effect of electronic payment. Firstly, it reduces the time costs of the transaction, and there is no need to waste time for change. A payment code can be provided for multiple people to pay together. Secondly, it reduces the cost of psychological burden. People do not have to worry about receiving counterfeit money. At the same time, there are transaction records, which is easy for reconciliation. Thirdly, it saves human cost. In many busy businesses, someone needs to collect money, while mobile payment can omit it. P2P credit mainly refers to individuals with funds and ideas of financial management and investment, who connect with a third-party online platform to lend funds to other people who need to borrow in the way of credit. Tan Yijie points out in *p2p online credit advantages and risk prevention* that p2p credit has the advantages of wide audience, simple operation and reasonable allocation of social idle funds. In China, it is generally difficult for small and medium-sized enterprises to get the loans. They are unable to borrow the required funds because their conditional perfection is not up to the bank's standards, while p2p makes up for this vacancy. Meanwhile, p2p credit platform is also very convenient, with clear steps and simple operation. Borrowers only need to register their real names on the platform and provide real financial condition. Once they pass the audit, they can get the funds. Via p2p platform, the needs of both borrowers and lenders are satisfied, and holders of idle funds can make reasonable use of funds to obtain certain benefits through the platform.

3. Risks of Internet Finance

3.1 Comparison of Risks between Internet Finance and Traditional Finance

3.1.1 Similarities.

a. Maturity mismatch risk. The investment horizon of Internet finance and traditional finance is rather long, while the debt maturity is relatively short. Once the debt maturity become due and cannot be rolled on time, liquidity risk may occur. Certainly, one of the functions of financial institutions is to convert short-term funds into long-term funds, so financial institutions will face different degrees of maturity mismatch, and the key is the degree of mismatch [6].

b. Market risk. Both financial means are faced with the uncertainty of future market prices (interest rates, exchange rates, stock prices, and commodity prices), which will affect their established objectives.

c. Credit risk. It is about whether Internet financial products can achieve the promised return on investment. With the global economic growth downturn, the potential growth rate of China's economy has slowed down. Domestic manufacturing sector is plagued by general overcapacity, and domestic service sector is not open enough. Risks of shadow banking system are emerging [6]. Additionally, the credit risk of traditional finance refers to the risk of the borrower's economic loss caused by the borrower's refusal to fulfill the obligations in the contract with various reasons.

3.1.2 Differences.

a. Legal risk. China's Internet finance is developing too fast, and the speed of financial supervision is relatively slow than it, which has led to the fact that some of the Internet financial

products (especially wealth investment products) wander on the gray area between legal and illegal. If someone is slightly careless, he may illegally absorb public deposits or illegal fundraising. [6] Due to the lack of threshold and standard, the current Internet finance industry in China is an admixture of the genuine and the false. The practitioners are in a fickle mood, rushing up in a crowd. Once the Internet financial bubble is formed and a large-scale default occurs [6], it is easy to cause the Chinese government's premature tightening control of the Internet finance, thus inhibiting the sustainable development of the industry.

b. Risk of personal information leakage. Internet financial enterprises obtain credit information of individuals and enterprises via data mining and data analysis, and use it as the main basis for credit rating, while some illegal businesses surreptitiously purchase such information, harming the interests of the public [6].

3.2 Risks of Technical Security

In *research on risk management of Internet finance*, Yun Jiaqi argues that Internet finance mode has technical security risks. Since the existence and operation of Internet finance rely heavily on network information technology, incomplete technology will threaten the development of Internet finance. No matter traditional finance or Internet finance, security is always a hidden danger, and the openness of the Internet environment aggravates such insecurity. Due to the imperfection of Internet financial technology, cyber criminals may obtain financial sensitive information or hijack accounts by mining APP vulnerabilities, creating Trojan horse virus, stealing account passwords and so on. According to China's first *CTO* enterprise information *security investigation report*, nearly half of China's financial enterprises do not invest in technology security, which has led to a series of endless cases, such as the credit card fraud as soon as downloading a software, phone scam after booking train tickets, and the transfer of money after mobile phone scanning QR code payment. These financial enterprises did not pay attention to technology at the beginning of their establishment, which led to their inherent weakness in technology. In the later stage, in order to save costs, they invest little in technology or even outsource it. The weakness of Internet technology may result in the internal needs of enterprises not being met, and the safety of customers cannot be guaranteed. Specifically, it can be divided into the first part, namely the risk of customer capital loss. The platform itself has risks due to incomplete technology. For example, the world's largest Bitcoin trading platform has collapsed. The investment security of the platform itself also brings the risk of capital loss to the clients. At the same time, when funds come in and flow inside the platform, there are also problems such as authorization confirmation and security assurance.

The second is the risks of customer's funds information. The running amount of customer funds in and out as well as customer's personal information may also be leaked due to incomplete technology of the platform.

3.3 Risks of Laws and Regulations

In the operating activities of Internet financial enterprises, as a result of the external legal environment changes, or the possibility of legal consequences to enterprises and individuals due to the fact that various subjects, including enterprise itself, have not exercised their rights and fulfilled their obligations in accordance with laws and regulations or contracts, most of this negative legal consequence involves criminal liability. [7] On the one hand, relevant laws and regulations fail to keep up with the rapid development of Internet finance. Some enterprises, using the lack of threshold and standard in this stage, are in a fickle mood and rush up in a crowd. Once the Internet financial bubble is formed, and there is a relatively large default pattern, they will wantonly cheat and collect money. For instance, there is a legal risk of illegal money laundering. The traditional money laundering method, combined with Internet technology under the rapid development of Internet finance, uses various lending platforms for money laundering. For example, online banks are used to carry out illegal crimes of underground money exchangers. The operation principle of this kind of underground money exchanger is the mode of RMB delivery in China and foreign exchange delivery in overseas. Cross-border funds transfer is mainly completed in the form of wash trade (WT).

However, there are many and miscellaneous Internet underground money exchangers, bringing the difficulty to the legal organ's investigation. Another form of crime is using Internet insurance for money laundering. On the other hand, the development of Internet [7] financial industry is still immature, which results in unclear boundaries of some laws and regulations as well as imperfect market access mechanism, and some Internet financial companies may break the law on non-subjective will. If some lending platforms absorb funds without understanding relevant laws and regulations, it may bring about illegal fundraising.

3.4 Risks of Internet Finance Business Model.

Traditional finance has already formed a perfect internal risk control system after a long time of accumulation. However, the risk control in the Internet financial industry is still in the development stage, which is not mature. The quality of practitioners is uneven and extremely unstable. Take p2p lending platform as an example. Only about 20 p2p lending platforms in China have their own professional teams. Up to now, most p2p companies in China lack supervision and examination, and there is no independent third-party fund custody institution, so there is a great risk of funds being misappropriated, which is also the reason for many p2p bankruptcy events. Due to the high risk and instability of p2p, investors have less trust in the platform, and they are only willing to invest in projects that can be divested flexibly. Most of the enterprises that choose p2p are small enterprises. It is difficult for them to obtain loans from banks. Besides, they need long-term financial support, and it is difficult to return money in a short term. Therefore, p2p is faced with business model risks. Once internal funds are broken, it may go bankrupt. Risk of business model might lead to liquidity risk. Liquidity risks arise from depositors of financial institutions such as banks who urgently need to withdraw cash, while financial institutions tend to reduce their cash holdings because cash does not bring in earnings. Aiming to obtain higher profits, financial institutions generally choose the long-term investment, namely the investment channel with long maturity and poor liquidity. These investment channels need to pay a high price when selling and clearing, which will threaten the solvency of financial institutions. There is also a business model of financial institutions that may lead to the generation of risks. When the borrower applies for a loan according to a certain amount, the financial institutions need to conduct financing, which has higher requirements on the liquidity of funds. In this case, financial institutions usually borrow funds and sell investment products.

4. Suggestions on Risk Prevention of Internet Finance

The prevention of Internet financial risks should start from two aspects, namely supervision and self-discipline, so that there is no crisis inside but supervision outside. Guo Xu pointed out in 2016 that the prevention of Internet financial risks should establish a regulatory system, promote industry self-discipline and the construction of Internet financial information security.

4.1 Open and Fair Supervision System

(1) Establishing perfect laws and regulations. By analyzing the current Internet financial situation and various emerging cases, we need to supplement the existing laws and introduce new laws and regulations. Laws and regulations should be clear and transparent, comprehensive and detailed, which should not give lawbreakers the opportunity to exploit loopholes. Some out of date laws and regulations that are no longer suitable for the present situation should be abolished in time, and a hierarchical clear laws and regulations system should be established.

(2) Strengthening supervision. In accordance with frequent Internet financial risks, effective supervision departments and systems should be set up. Improving and perfecting the supervision system and strengthening supervision can effectively reduce the occurrence of risks. This can also reduce the probability of financial crisis and guide the Internet finance to develop on a healthy path. For instance, supervision departments can require major financial institutions to report their operating procedures and capital whereabouts. They might as well implement regulatory standards,

and integrate Internet financial products into the regulatory process from research and development, sales and after-sales to reduce the adverse impacts on investors.

(3) Strengthening the information confidentiality supervision system. It may stipulate that some special financial professionals cannot engage in financial investment. For example, securities analysts cannot invest in securities. They cannot disclose internal securities-related information to others, and some adjustments of shareholders' meetings should not be disclosed in advance. A strict supervision system on information confidentiality ought to be established. This can prevent financial professionals from taking advantage of their positions to seek improper profits and obtain a large number of illegitimate gains, which might affect the interests of people and the healthy development of the Internet financial industry.

(4) Setting up a strict Internet financial enterprise establishment and bankruptcy system. Different enterprise establishment systems can be assigned according to different characteristics of industry risk. A strict review system should be established to standardize and examine the initial input cost, operation mode in later stage, research and development as well as sales of relevant Internet financial products. For the enterprises that declare bankruptcy, it is necessary to conduct a full-scale liquidation and audit of their remaining assets and the reasons for bankruptcy, so as to prevent the shell company from conducting money laundering and tax evasion.

4.2 Internet Financial Risk Prediction System

Zhao Xin pointed out in 2016 *vitality* that before the outbreak of the financial crisis, a department should be established to forecast the future risks of Internet finance. To be specific, these departments can collect the operation situation, profit and loss data of Internet financial enterprises in China and conduct big data analysis on past risk cases. At the same time, they can combine with the international financial crisis, risk cases and rules to discover the basic rules of Internet financial risks and their formation. These research results can be used as the basis of Internet financial risk prediction. A detailed and comprehensive risk prediction system and a series of risk prediction mechanisms should be established to divide the personnel and make classified predictions for different types of Internet financial products. They should develop a series of processes for the response of risk prediction, such as risk prediction, risk warning and risk contingency measures when risks occur. They ought to clarify the different responsibilities of risk prediction system personnel, and cultivate professional qualities of professionals.

4.3 Improving the Self-discipline of Practitioners in Internet Financial Enterprises

Preventing financial crimes should not only start from regulation, but more importantly, promoting self-discipline. Self-discipline can be more effective than legal supervision. A complete credit information system should be established to prevent financial practitioners from carrying out illegal transactions and behaviors. Improve the self-discipline of financial practitioners and institutions. Although China's current credit information system is in an initial state, which is not perfect enough with incomplete personal credit data, what we can see is that due to the initial construction of the real-name system for the credit information system, the number of deadbeats from major lending platforms has decreased. Deadbeats no longer fear nothing, which proves that the credit system is of certain deterrence. Therefore, in order to prevent Internet financial crimes, measures should be taken to strengthen the construction and management of the credit information system.

(1) Credit information system. Currently, China's credit information system is slightly rough, which is not detailed and comprehensive. Management and constraints concentrate and analyze a large amount of credit information, realizing the comprehensiveness of credit information through information sharing. Through the establishment of a well-arranged as well as cooperative and coordinated credit information system, a complete credit management system from top to bottom and from the government to organizations is established, improving the relevant laws and regulations on credit investigation. At the same time, professional credit investigation institutions should be

established to improve the operation mechanism of credit investigation institutions, to meet the needs of Internet finance users, thus reducing the risks of Internet finance.

(2) Self-discipline of Internet financial enterprises. While supervising the Internet finance, industry self-discipline is also very significant. Internet financial companies should communicate and supervise each other, establish a self-discipline evaluation system, and jointly discuss the development path of the industry in the future, regulating and innovating their respective businesses. Once it is found that some enterprises have illegal Internet financial products, they should report to the Internet financial regulatory authorities in a timely manner and inform other enterprises. Reduce the credit value of violating enterprises and expose them to regulate the internal self-discipline of Internet financial enterprises. At the same time, the government can establish a certain self-discipline organization to enhance the self-discipline of Internet financial enterprises through clear rewards and penalties.

5. Conclusion

This thesis analyzes and summarizes the development of China's Internet, China's finance, Internet finance and its main models by using examples and quoting appropriate data. In addition, via the analysis of the current situation of Internet finance in China to study its risk, it also puts forward some recommendations on risk prevention.

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