

Research on Rural Commercial Banks' Financial Business Development Countermeasures under MPA Assessment

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Abstract: This paper takes rural commercial Banks as the research object, elaborates the indicator system of China's macro-prudential assessment system, further studies the potential impact of MPA assessment on the development of rural commercial Banks' financial services, and finally puts forward relevant countermeasures and suggestions for the development of rural commercial Banks' financial services under MPA assessment.

1. Introduction

Under the great pressure of China's downward economic pressure and the strengthening of financial systemic risk prevention, the macro-prudential policy has once again become the focus. In 2017, the central bank incorporated the off-balance sheet financing of commercial banks into the MPA general credit indicator, which further strengthened the counter-cyclical adjustment and the prevention of systemic financial risks. Then, the potential impact of the implementation of MPA assessment on the development of wealth management business of rural commercial banks, how to promote the steady development of rural commercial banks' wealth management business and accelerate the adaptation to macro-prudential management requirements are of great significance to promoting rural financial stability.

2. China's Macro-Prudential Assessment System (MPA) Index System

The macro-prudential assessment system (hereinafter referred to as MPA) is the environment of the People's Bank of China in the supply-side structural reform. The “money + macro-prudential policy” financial regulation and control policy that can effectively guide the de-leverage of financial institutions is in line with the development trend of international financial supervision and the actual needs of domestic financial supervision. MPA's assessment is mainly for commercial banks. In order to better prevent systemic financial risks, the People's Bank of China will extend the assessment to financial institutions such as village banks, finance companies, auto finance companies, and financial leasing companies. The macro-prudential evaluation system implemented by commercial banks has maintained the concept of macro-prudential counter-cyclical regulation [1]. At the same time, the capital adequacy ratio remains the focus of macro-prudential attention, and the macro-prudential based on the dynamic adjustment of the agreed loan management mechanism and the differential reserve ratio. Further extension, from the original single capital indicator, to the organic whole with capital as the core and covering the seven major indicators, strengthening the supervision of general credit. The macro-prudential assessment system specifically includes indicators of capital and leverage, asset and liability, pricing behavior, liquidity, asset quality, credit policy implementation and cross-border financing risks [2]. Since 2017, the central bank officially included the off-balance sheet wealth management business of commercial

banks in the broad credit range when conducting MPA assessment. MPA has expanded the statistical system of credit management of the People's Bank of China, expanding from narrow loans to generalized credit, including various loans, bond investments, buying and selling, and new off-balance-sheet financing[3].By setting macro-prudential supervision requirements, it will form self-discipline for commercial banks, improve the risk prevention and control capabilities of the entire banking system, and thus prevent systemic financial risks [4].

3. The Potential Impact of MPA Assessment on the Wealth Management Business of Rural Commercial Banks

Macro-prudential management has a great impact on the growth model and development strategy of rural commercial banks, especially wealth management businesses. How to plan the development strategy of wealth management business according to MPA's indicator setting and assessment criteria will be a big challenge for rural commercial banks.

3.1 Limiting the Growth Rate and Constraining the Direction of Investment.

At present, the traditional single business model based on deposits and loans of rural commercial banks lasts for a long time, and the development of diversified and innovative wealth management business started late. In order to seize market share, rural financial institutions have neglected product quality and product features by blindly pursuing scale, performance and image. For rural commercial banks, the scale of their own wealth management business is on the rise. Under the policy restrictions, the growth rate of the wealth management business of rural commercial banks will be significantly slowed down due to policy pressure, further exacerbating the timeliness of the capital market fluctuation. Therefore, the upgrade of MPA has a greater impact on the scale expansion of commercial banks, especially rural commercial banks. Not only does the People's Bank of China include the off-balance sheet wealth management business in the MPA assessment, but the relevant departments such as the China Banking Regulatory Commission are also constantly increasing the regulation of the growth rate of restricted wealth management products and restricting investment, with the aim of further guiding the wealth management business to return to asset management. This will pose a major challenge to the existing wealth management business model of rural commercial banks.

3.2 Strengthening Risk Management and Control of Wealth Management Business.

Since the wealth management business of rural commercial banks does not have a relatively independent risk control system, its risk management and control work is not perfect, and the traditional loan risk management system of rural commercial banks is not suitable for the risk management of current wealth management business, which affects the innovation of its wealth management business. At the same time, due to the lack of an asset management team with strong investment management capabilities, it is difficult for timely and effective response to wealth management products in the event of liquidity risks and policy risks. Therefore, rural commercial banks have much room for improvement in terms of risk, prevention, control and risk disposal at the asset end of wealth management products, both in terms of experience and system. The implementation of the MPA assessment can strengthen the supervision of the assets of rural commercial banks, strengthen the risk management of wealth management products, prevent the excessive accumulation of credit risks, and restrict the behavior of rural commercial banks to avoid credit regulation by using the assets.

4. Countermeasures for the Development of Wealth Management Business of Rural Commercial Banks under MPA Assessment

MPA is a micro- and macro-based, on- and off-balance, comprehensive, dynamic, and forward-looking regulatory model designed to maintain a harmonious and sustainable development of commercial banks and macro-level financial systems at the micro level. Especially in the context of the current marketization of interest rates, the space for the development of the original wealth management business of rural commercial banks is shrinking. Therefore, rural commercial banks should change their development concepts when developing financial management services, take the initiative to take advantage of the trend, and take MPA assessment as an opportunity to achieve transformational development.

4.1 Accelerate the Transformation of Risk Control Models for Rural Commercial Banks' Financial Management Business.

The increase in regulatory pressure will prompt rural commercial banks to speed up the adjustment of their capital buffers. Rural commercial banks facing the pressure of MPA assessment should take the initiative to reduce the growth rate of wealth management business without touching the regulatory red line. For rural commercial banks, in order to achieve comprehensive development of wealth management business, it is necessary to strengthen risk management, and it is necessary to continuously strengthen the ability to actively manage assets and liabilities. Each business outlet shall, in conjunction with the development of wealth management business, conduct regular inspections or random checks on the personal wealth management business within the jurisdiction, identify problems and promptly rectify. The wealth management business of rural commercial banks shall not adopt the management method of “fund pool” or “asset pool”. In order to ensure that the risks between the products are independent of each other, the source of funds and the use must be one-to-one. Taking MPA assessment indicators as an example, “capital adequacy ratio and leverage situation” is one of the indicators that need to be paid attention to during the MPA assessment process. For non-standardized debt asset investment, pre-deployment due diligence, risk review and post-investment risk management are required, and relevant information of investment projects is disclosed to investors in a timely and complete manner, so that investment is more transparent, and investors' interests are effectively protected. Relevant departments should regularly monitor and manage the wealth management funds. When the market price fluctuations in the financial plan touch the breakeven point of the financial plan or the expected income is lower than the product simulation income, the emergency plan is submitted to the senior management of the head office for approval. In short, under the MPA assessment, rural commercial banks need to comprehensively improve the research capabilities, creation capabilities and risk control capabilities of wealth management products. At the same time, in the process of selling wealth management products, we must adhere to the principles of risk control, cost accounting and information disclosure. The product is rated for risk and the customer is assessed for risk tolerance.

4.2 Intensify Innovation and Develop Wealth Management Products with Rural Characteristics.

Rural commercial banks do not have the environment to develop wealth management products, and the direction of business development is limited. However, the rural commercial bank's business outlets are located at the grassroots level and have the advantage of pro-farmers. This can close the distance between institutions and customers, promote the marketing of wealth management products and expand the market of wealth management business. For rural commercial

banks, they will innovate their wealth management business without violating existing policies, position their wealth management products in the rural market, and establish a wealth management business platform that suits their own characteristics as soon as possible. The product development department should be based on customer stratification and target customer base. The demand, combined with the specific characteristics of the rural market, prudent and compliant development of design wealth management products. By integrating superior resources, deepening customer needs, providing customers with comprehensive wealth management services, and developing financial products with rural characteristics, they can better cope with changes from MPA assessment and supervision [5].

4.3 Accelerating the Transformation of the Structural Model of Wealth Management Business of Rural Commercial Banks.

Rural commercial banks should change the management concept and direction of developing wealth management business and transform their wealth management business into an intensive direction. It is necessary to adjust the strategy of expanding the scale of wealth management products in the past and pay attention to the improvement of the quality of wealth management products and the financial management of rural commercial banks. Products develop from disguised and off-balance sheet financing to the realization of internal bank value-added. According to the regulatory requirements of MPA assessment, rural commercial banks should establish a separate financial management organization system, management system and supervision system. In order to promote the regulation and healthy development of wealth management business and effectively prevent the risk of information release of wealth management products, rural commercial banks should establish a unified platform for information dissemination of wealth management products. The specialized wealth management department and retail wealth management department are jointly responsible for information entry and management of the platform.

4.4 Increase the Cultivation of Talents in Wealth Management Business and Improve the Comprehensive Quality of Employees.

The wealth management business is a comprehensive business and requires a complete set of financial analysis software and a customer-based data database system. At present, the development of systems and software R&D in rural commercial banks needs to be continuously improved and innovated. The complexity of the wealth management business not only requires financial practitioners to have many years of financial experience, but also requires financial personnel to have a wealth of comprehensive knowledge of finance, taxation, and law. Therefore, how to explore and establish a professional financial management team that meets the needs of customers and the rural market will be a problem that must be fully solved in the development of rural commercial banks' wealth management business. At present, rural commercial banks need to constantly improve their systems and software development and continue to innovate. The current development of rural commercial banks in terms of system and software research and development needs continuous improvement and continuous innovation. At the same time, relevant departments should regularly organize relevant financial management personnel to conduct business training so that they can keep abreast of business policies, institutional changes and other dynamics, and enhance their business skills and risk prevention capabilities. In short, if rural commercial banks want to improve their wealth management business under the increasingly strict MPA assessment environment, they should pay attention to the introduction of talents, increase the cultivation of comprehensive talents, and improve the comprehensive business quality of their professionals, which will promote rural areas. The financial management business of commercial banks is healthy and sustainable.

5. Conclusion

At present, rural commercial banks are still in a weak position in the banking financial market. Rural commercial banks should change their development concepts when developing their wealth management business, take the initiative to take advantage of the trend, and take MPA assessment as an opportunity to achieve transformational development. In the short term, the integration of wealth management business into general credit will pose a major challenge to the development of rural commercial banks. However, from a long-term perspective, the implementation of MPA assessment not only has a positive impact on regulating the development behavior of rural commercial banks, but also creates a fairer and more stable business environment for rural commercial banks and can minimize financial systemic risks. Therefore, under the MPA assessment, rural commercial banks must actively take effective measures in the development of wealth management business, accelerate the transformation of rural commercial banks' wealth management risk control model, intensify innovation, develop wealth management products with rural characteristics, and accelerate rural commercial bank's wealth management business structure model changes.

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