Research on Prevention Mechanism of Internet Financial Risk

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Abstract: In recent years, with the development of Internet finance, more types of financial models and financial services have emerged in the industry. While promoting the continuous innovation and development of the traditional financial industry, the industry also faces more financial risks. Guarding against these risks can effectively evade the negative effects brought about by the risks and further promote the development of China's Internet finance.

1. Introduction

Since the beginning of the 21st century, science and technology have developed rapidly. In particular, continuous innovation and breakthroughs in the new technologies represented by the Internet have made it a new engine for the world economy. According to the 39th National Internet Development Statistics Report released by China Internet Network Information Center (CNNIC) in January 2017 in Beijing, as of December 2016, the total number of Internet users in China has reached 731 million, and the Internet penetration rate is 53.2%. . The Internet business, a new business model based on the Internet, is closely related to people's lives. With its convenience, speed, and efficiency, it is gradually accepted by people and has been integrated into every aspect of daily life. In the continuous development and innovation of the Internet business model, in addition to being an interface for the consumer economy, it also interacts with other traditional business models to generate new patterns of economic activity. For example, Internet technology interacts with the traditional financial industry business. The financial model created by innovation—Internet finance—is a new model. This new type of financial service is quickly recognized by more and more companies and individuals for its convenience and openness, and it has flourished. However, new things have two sides, and Internet finance has the same problems. As a new type of financial model, it also has its inherent shortcomings. Since Internet finance is a product of the combination of the Internet and the financial industry, the inherent characteristics and risks of the Internet and financial industries, and Internet finance, have both. In other words, Internet finance is more complex than the Internet and financial industries. More need to be regulated. Judging from the national level, China's Internet finance has not been developed for a long time. There are no specific relevant guidelines and norms in the current laws and regulations. Many transactions did not operate in accordance with the relevant rights and obligations, and there were violations of laws and regulations in the transactions. From an industry perspective, due to insufficient research on new forms of finance, there is no standardized and complete industry standard and supervision mechanism, so that the Internet financial industry has been in a barbaric state of growth. From the enterprise/individual level, people have little knowledge about Internet finance, blindly follow the trend, lack the ability to correctly understand Internet financial risks, underestimate the hidden nature and complexity of risks, and it is difficult to prepare in advance to avoid Internet financial activities. risks of.

2. Analysis of Internet Financial Risk

First of all, internet financial risks are objective. Because Internet finance business is also a financial business, so the risk will always be accompanied by financial activities. It is an objective reality and will not change because of people's wishes. Second, internet financial risks are ubiquitous. At the same time, it also has a certain degree of expansion, and will spread in both space and time. Once a financial risk occurs, it will affect economic development in a certain period of time, and it will even bring economic fluctuations to some areas, which will be more harmful. With the popularization of the application of mobile terminals, the spread of Internet financial risks will also be faster and faster, thus affecting a wider range. At the same time, because the Internet has a remote processing function, it is easy to bring financial risks [12]. In addition, internet finance risks are heterogeneous and diverse. Under different time and space conditions, even if the same type of Internet financial risk occurs, there will be significant differences. These financial risks have different manifestations and causes, making the risks more unpredictable. Judging from the country's large environment, China's financial industry has created institutional defects and system fund-raising deficiencies in the process of its development. At present, China's financial system is still dominated by the system formed in the era of planned economy, and it lacks the atmosphere of commercial banks. The government mainly guides the financial market. In terms of fundraising in the financial system, China has not yet established a modern commercial banking system, and the entire financial industry is not strong in quality and lacks service concepts and risk awareness [1]. After the emergence of the virtual economy, while the domestic economy has achieved rapid development, the real economy has also been enlarged so much that it has surpassed the volatility of physical capital, which in turn has led to the emergence of excessive speculation. When this phenomenon is gradually amplified, It will bring risks.

At present, although the risks of internet finance have been clearly recognized and certain measures have been adopted, internet finance in the stage of rapid development is still facing greater risks. The reason for this is directly related to the risk monitoring policy and imperfect supervision. First of all, in terms of capital raising, the domestic financial environment is lacking. Taking the crowd funding model as an example, the risk of crowd funding is relatively large and it is related to the fact that the financing platform has not established a strict auditing standard. According to the provisions of the law of our country, no unit or individual has been approved by the relevant department, can not issue securities such as stocks and bonds, nor is it allowed to provide promises such as monetary and in-kind returns. However, the amount of project financing in the domestic crowd funding model on the Internet is relatively low, and it is not marked by equity. Therefore, the crowd funding model is actually in the legal grey zone. Secondly, in terms of financial financing, the cash payment accounts of the domestic e-commerce platforms are just useless. According to the regulations, all agencies involved in fund sales and payment need to go to the inspection board for filing. However, at present, Internet finance has misled consumers and exaggerated the benefits, and still fails to get better supervision and management. For example, if Tianhong Fund opened an account with Alipay, it should treat the balance as a reserve fund for supervision by the central bank [2]. However, in reality, the central bank did not take measures to supervise the Alipay account funds, so that it was unable to truly implement the supervision policy of the reserve funds. Furthermore, in terms of the authentication of currency payment users, the CBRC requires third-party payment agencies to require the bank's bank outlets to confirm their identities before the user's first transaction. However, in reality, the third-party payment platform did not implement this provision, and refused to implement the contract with banks on the basis of user experience. In addition, there are some new problems in the development of virtual currency. In summary, Internet finance is a new type of financial model. There are certain risks and imperfections in its main modes. Its main forms are as follows:

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Strengthen legislation on internet financial goods and services. From the perspective of consumption, China already has a consumer rights protection law, but it only involves some ordinary goods and services, and does not cover new types of economic activities such as internet finance. Once the risk arises, consumers cannot obtain rights and interests protection. Some foreign countries already have legislation involving Internet financial products and services to promote the development of standardized Internet finance [3]. Drawing on the advanced experience of these countries, the Chinese government should also strengthen the legislation on Internet financial goods and services in order to strengthen supervision and management of financial providers. Taking into account the high risk of financial products, but also to provide consumers with the protection of property rights, privacy rights and litigation rights. First of all, we should ensure that financial products and services have a complete and clear description of risk warnings in order to ensure that consumers have a deeper understanding of the risks of products and services. Second, it should ensure that the operators engaged in the provision of Internet financial products and services undertake the obligation of information disclosure and ensure the disclosure of true, accurate, and complete information in order to provide protection for consumers’ right to information. Furthermore, legislation should be taken to ensure that the format contracts provided by Internet finance companies provide protection for the rights and interests of customers. In addition, legislation should ensure that Internet financial operators bear the obligation to protect consumers' privacy rights, so as to prevent operators from maliciously selling customer information. In order to avoid infringement, operators need to strengthen the records of consumer personal information and transaction information, and prevent data loss and improper use of customer rights.

The government supervision department should establish a risk supervision and management system that is compatible with the characteristics of Internet finance. Specifically speaking, the relevant departments need to establish a big data monitoring model to complete the dynamic analysis of business data submitted by enterprises, and complete the establishment of a risk analysis model, thus completing the active analysis of the business operation status of the enterprise. Adopting this kind of supervision and management method can help the supervision and management department to complete the analysis of whether there is illegal behavior in the business, so that the timeliness and initiative of government supervision can be improved. However, as far as the point of view is concerned, in order to adopt this kind of supervision and management model, the relevant departments must establish a supervision data analysis center, and they need a lot of data analysis talents, so it will have a certain degree of difficulty [4]. In addition, the supervision department should also set up an internet finance consumer service center so that the center can use the center to complete the relevant contracts and voucher documents and other information at any time, so as to avoid the loss of rights and interests when the consumers suffer fraud. To this end, the regulatory authority needs to require the company to conduct the publication of the rights protection consultation and complaint telephone, and to open complaints within the department regarding the opening of the rights protection telephone in order to understand the disputes between enterprises and consumers. In order to achieve effective supervision of upstream and downstream companies in the Internet financial industry chain, a supervision system must be established among the various supervisory departments so that all departments can better communicate and collaborate.

In order to strengthen the prevention of Internet financial risks, the government should establish a system at the level of laws and regulations, establish a credit management system, and guide the issue of credit management in Internet finance activities. The system consists of credit guarantee system, credit information collection system, credit evaluation and inquiry system, credit dynamic tracking and feedback system. The operation of the system needs to be based on the collection of credit information, and then the use of credit evaluation and inquiries to display the results of the system, and to achieve the public release of credit information [5]. The operation and improvement of the entire system need to rely on the credit tracking and feedback system, and the credit guarantee system can provide regulatory support for the operation of the system.

4. Conclusion

In addition to undertaking the risks of traditional financial services, Internet finance companies also face multiple risks such as technical risks, legal risks, operational risks, and manipulation risks. In order to prevent internal risks, we must complete the construction of the Internet financial risk prevention mechanism, namely, the Internet financial credit mechanism, the Internet financial legal risk prevention and control mechanism, and the Internet financial information privacy right prevention and control mechanism. In order to prevent external risks, we must also propose relevant countermeasures for the prevention of Internet financial risks from four perspectives: government, industry, business, and technology. From the government's point of view, risk prevention can be achieved by strengthening the legislation of internet financial goods and services, establishing a risk supervision and management system, and establishing a credit management system. From an industry perspective, risk prevention can be achieved by strengthening investor risk prevention education, establishing a joint risk prevention mechanism, realizing self-discipline in the Internet finance industry, and providing overall guidance to practitioners. From a business point of view, financial risk prevention can be achieved by adopting a security management model and strengthening information security prevention. From a technical point of view, risk prevention can be achieved by strengthening the use of electronic signature technology, strengthening the protection of network domain names, and strengthening the use of big data.

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