

Research on the Innovation Model of Commercial Bank's Private Wealth Management Business in the Age of New Regulations on Asset Management

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Abstract: With the introduction of new regulations and rules on asset management, commercial banks are facing new challenges in the field of private wealth management. This paper takes Shaanxi Commercial Bank's private wealth management business model as the research object, adopts literature research and comparative research methods. Firstly, the status quo of domestic commercial banks' wealth management model and foreign banks' wealth management model are introduced. The advanced mode of wealth management is studied; secondly, the drawbacks and existing problems of the current mode of domestic commercial banks driven by the external environment of social economy, policy supervision and big data science and technology are analyzed; finally, the innovation mode of wealth management business of commercial banks should be innovated in four aspects: management mode, marketing service mode, function investment mode and risk control mode.

1. Research Background

Compared with developed economies, China's wealth management business lags much behind. In recent years, as the huge domestic market expands, problems such as lack of management experience, product homogenization, etc., begin to arise. Hence, it is an urgent demand to create more innovative ideas to optimize the development of domestic commercial banks' wealth management business, which certainly poses a new challenge to Chinese bankers.

In fact, efforts to improve the wealth management industry have never stopped. On June 3, 2019, China Construction Bank's wholly-owned subsidiary, Jianxin Financing Co., Ltd., held its opening ceremony in Shenzhen, which marked the first financial subsidiary of commercial banks in China to officially operate. Similarly, on December 2, 2018, CBIRC officially issued specific Regulations on commercial banks in terms of access conditions, business rules and risk management. After that, Alipay, known as the most famous third-party payment platform in China, launched a new online financial product, which is called "Huaxia return mixed investment", and the new product was sold out in just a few minutes. Apparently, such progress reflects the market's expectation for the brighter future.

Shaanxi is regarded as the bridgehead of China's B&R strategy, and it could also be the engine to boost the financial industry in Western China. Therefore, relative research can provide better thinking for the future. This paper focuses on the innovation of business model of wealth management of commercial banks, which can be used as references for further development of commercial banks in Shaanxi.

2. Analysis on the Current Situation of Private Wealth Management Business of Domestic Commercial Banks

Nowadays, commercial banks in Shaanxi provide a series of personal wealth management products, such as earning, wealth, income, etc., for instance, CMB recently launched several products such as Link Express Line, Step-by-Step Winning, Huicaitong, Personal Increasing Profit, Zunli RMB Financial Products, Wenli RMB Financial Products. Among which, Wenli RMB

Financial Products takes the biggest share of customer for 25.8%, followed by Lintong Express Line for 22.2%., Huiqiantong is next for 20.8%, win step by step are 15.7%, Zunli is 10.1%, others take 5.4%.

By the beginning of 2018, there are about 430 commercial banks in Shaanxi Province, which include 113 large state-owned commercial banks. Because of the advantages of large commercial banks in brand, scale, capital strength and internal governance, the total scale of wealth management business accounts for more than 85%. Through the study of the annual reports of commercial banks in Shaanxi Province and interviews, the main contents of private wealth management business of banks are analyzed, including wealth threshold, exclusive preferences, exclusive products, wealth planning, health service travel service, rescue service and life service. Among 113 large commercial banks in Shaanxi Province, 18 banks have developed wealth management business, and 9 banks have clearly put forward the brand of wealth management.

The current situation of private wealth management business of Xi'an Bank. From 2015 to 2017, Xi'an Bank realized 4.708 billion 4.518 billion yuan and 4.926 billion yuan of operating income respectively. According to the data of the past three years, Xi'an Bank's net profit is a continuous upward trend. The Bank of Xi'an actively grasps the historical opportunities brought about by China's reform and opening up and economic and social development, constantly promotes strategic development planning and strives to achieve sustainable development. It is a plan of "National City Commercial Bank", "One of the 12 leading banks", and has won the "Best Financial Science and Technology City Commercial Bank" and "Best Enterprise". Honorary titles such as "Governing City Commercial Banks". As of June 30, 2018, the total assets of Xi'an Bank were 238.523 billion yuan, net assets were 18.763 billion yuan, capital adequacy rate was 14.34%, and all the operating indicators were good. At present, the main types of private wealth management products of Xi'an Bank are RMB financial products, agency funds, trust, treasury bond business, precious metals business, private banking business, etc.

3. Research on Wealth Management Business Model of Commercial Banks at Home and Abroad

The main business modes of wealth management in foreign countries include private banking, consulting, broker, investment banking, home office and all-round integrated model.

JP Morgan's investment banking business pattern, JPMorgan Chase & Co is a leading global financial services company with \$2.6 trillion in global assets and operations management. JPMorgan Chase's business scope is divided into four main parts: investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing and wealth/asset management. The main objective of the investment banking model is to provide services to high net worth customer groups. For high net worth customers, investment banks specialize in providing complex institutional-level products, including joint investment opportunities; entrepreneurs in high-end customers, investment banks usually provide an increasingly diversified product as an extension of the company's financial business; in addition, investment banks also make full use of product design capabilities, professional production. financial products

Citibank's wealth management business model - omnipotent integrated model. Citigroup has more than 2 million customer accounts and operations in more than 160 countries and regions. It has four business lines: brand bank card business, retail business, retail banking business and commercial banking business. Citigroup's wealth management business provides personalized services to its customers worldwide through VIP and VIP clients. CitiPriority is an emerging wealth management product for the affluent. Citigroup has also adopted new tools, such as Citigroup's private banks, based on global experience in the global wealth advisory market, using complex models and introducing the Citigroup Diversity Index to provide financial services for customers' financial planning. The product line is rich and the service items are unique. Citibank provides a wide range of personalized services, including asset investment, family promotion, crowdsourcing, derivatives, precious metal transactions, tax services, financial consultation, as well

as personalized services, such as personal asset investment and cash management through the overall assets and liabilities of households and cash flow, through high-end luxury. Appreciation services assist customers in identifying and providing custody services. Emphasize the sustainability of return on investment on the premise of providing personalized product configuration

Research on the Wealth Management Business Model of Xi'an Bank - Independent Business Model. There are one or more subsidiaries with fund management licences. The subsidiaries are responsible for designing products, and the sales staff are responsible for selling products. For wealth management companies, they can collect both customer commissions and certain fees at the asset side. The core competence circle is to train a large number of salesmen and various media advertising public relations input, and the independent research and development of product design by Bank of Xi'an is its asset custody department. The products of different series are operated by product investment research teams or groups under their jurisdiction. Each series of products strives to create market competitiveness and brand reputation; specific wealth business implementation and customer management are handled by private banks, which are committed to providing differentiated services.

Research on the Wealth Management Business Model of China Merchants Bank Xi'an Branch - Private Banking Model. The reasons why China Merchants Bank's private banks can achieve the best private banks on the basis of the industry's launch in 2007 in synchronization with other banks are mainly manifested in two aspects. The first step is hierarchical management of customers. The number of private bank customers accounts for only 0.1% of retail customers, but the total assets of managed private bank customers account for 30.4% of total Custody Assets retail. Secondly, China Merchants Bank provides "1N" professional investment services, adheres to the "customer-centered" model, and establishes an open product platform to improve the return of the portfolio. On December 6, 2016, China Merchants Bank App5.0 officially launched four innovative financial technologies: investment and income records, income reporting and biometrics. It became the first commercial bank in China to launch a smart investment system. At present, major commercial banks have developed wise investment systems, such as China Merchants Bank Maodi Direct, Pudong Development Bank Wealth Intelligence Robot, Industrial Bank Direct, Ping An Bank wise investment, Jiangsu Bank Alpha Direct, and Industrial and Commercial Bank of China "AI Investment".

4. Research on Innovation Model of Private Wealth Management Business of Domestic Commercial Banks

According to McKinsey's report, in 2021, the total personal wealth of China will reach 158 trillion yuan. Under the guidance of the supervision of "returning to the source" of capital management, the wealth management business model of domestic commercial banks selling "just converted" expected income financial products will surely end. Under the background of the establishment of financial subsidiaries of commercial banks, the wealth of residents will increase. Under the dual effect of Changhe configuration structure change, personal finance market has broad prospects; in the digital era, financial technology represented by big data, cloud computing, artificial intelligence has begun to "play a big role" in the wealth management industry, and has taken into account the tradition from the online wealth management distribution platform and robots in two areas. The wealth management industry is facing an impact; the wealth management business of domestic banks is facing not only the impact of financial technology giants (represented by Ali and Tencent) and innovative enterprises (represented by Golden Axe), but also the challenges of various non-bank financial institutions: securities firms are relying on their strong capital market investment and research capabilities to enter the wealth market. Wealth management business, third-party wealth management companies are attracting excellent financial managers to join the industry through radical talent mechanism, and even fund companies are creating online and offline wealth management business through direct marketing platform and self-built network. Banks are facing unprecedented competition.

The analysis of social economy, policy supervision, big data technology three driving forces to promote the sustained growth of China's personal wealth management market. The pressure of inter-industry competition forces commercial banks to transform their wealth management business as soon as possible and find their own wealth management business model. Combining with the five major problems encountered in the wealth management business of commercial banks at present, i.e. extensive customer group management mode, single product system, product sales-oriented marketing mode, prominent compliance risk problem, weak team and inadequate ability, innovative mode in the following aspects

4.1 Establishing a “customer-centered” management model.

According to the practice of leading international commercial banks, wealth management business begins with the determination of customer orientation and value proposition, and then designs service mode, channel strategy, product mix, etc. and continuously optimizes and adjusts according to customer demand, instead of being driven by products and profits. Taking HSBC as an example, the retail sector consists of a first-level Department of customer value management, which consists of a full-time team of customer value proposition, customer relationship management and so on, as the “brain” to guide the coordinated development of various businesses around strategic customer groups. Shaanxi and even domestic commercial banks should infiltrate the concept of customer group management into all aspects of wealth management business and consolidate their functions through institutional mechanisms.

Moreover, identifying key customer groups and making differentiated customer group management strategies. In the selection of passenger groups, tactical clustering should be based on population information, risk preference and value contribution data. Secondly, focusing on the unique financial needs and value orientation of the customer group, we should formulate targeted customer group management strategies covering products, value-added services, access channels and marketing activities.

For example, JP Morgan Chase has found that more and more women are becoming decision makers in wealth management in wealthy families. Based on this, JPMorgan Chase not only employs more female consultants, but also designs a set of speech skills and communication frequency standards specifically for female clients to help financial consultants better build trust with female clients. In marketing activities, the main way is to increase women's participation in the activities through high concessions and customer referrals.

4.2 Establishing an investment consultant-oriented marketing service model.

Improve research and asset allocation capabilities. A full-time CIO Chief Economist and Research Team is responsible for periodic analysis of the global and regional macroeconomic environment, making annual asset allocation proposals, and formulating simulated portfolios according to different risk preferences, and making quarterly adjustments. Large commercial banks can consider the establishment of professional teams, while small and medium-sized banks can adopt outsourcing or cooperation mode.

To build an excellent investment team. Domestic banks should first establish investment teams in their headquarters, and gradually cultivate and motivate the investment force of their branches through them. The main responsibilities of the investment team include: training financial managers, improving their ability to tap and identify customer needs and provide investment advice; at the same time, working with financial managers for high-end customers to serve customers, and continuously tracking, feedback and adjusting customer investment.

The digital information platform strengthens the Standardization Implementation of branches. Leading banks are using digital technology to empower financial managers, embedding investment advisory processes into systems to better help financial managers implement the wealth management model of investment advisors. Taking Taiwan Citigroup as an example, marketing services are divided into three steps: investment consultation, product selection and investment review. In the investment consulting stage, the system will automatically form large-scale asset allocation proposals based on customer information and combined with the built-in simulated

portfolio. During the investment review phase, the system automatically generates periodically complete reports containing recent market information, as well as the overall investment returns and performance of customers. Based on this report, the financial manager will discuss product selection with customers. In the whole process, with the help of the system, the differences in individual execution are reduced.

4.3 Third, Establishing an online function investment model. Intelligent online investment. Aiming at long tail customers, an online intelligent investment model is established to provide low-cost asset allocation, product mix and convenient customer experience. Schwab Intelligent Portfolios, for example, is known for its zero rate.

Hybrid Intelligent Investment. For customers who prefer digital channels, we provide an online and offline hybrid model that combines robotic and offline traditional human resources. Vanguard, the world's second largest fund company, intelligently invests in Personal Advisor Services, combines automated consulting platform with traditional human resources with CFP certification, and establishes an online and offline multi-channel service system that runs through the whole process of service: Finance managers will use instant messaging or through the key links. Telephone remote support for customers. Financial Manager Digital Investment Terminal. The world's leading wealth management institutions are building or upgrading their own digital support platform for financial managers, creating intelligent investment terminals, and empowering financial managers. Citibank, for example, launched its industry-leading digital interactive wealth management tool in 2018, the All-Round Wealth Planning Platform, which supports financial managers while providing digital service tools to CitiGold customers.

4.4 Establishing end-to-end systematic wealth management risk process management and control model.

Mainly includes two parts: pre-prevention and post-monitoring: pre-prevention and strengthening the control of key nodes, such as customer risk assessment, through setting time requirements in the system or providing repeated ways, on-the-spot investigation of invalid evaluation; post-monitoring should establish a systematic monitoring report system and inspection mechanism. For example, the supervisory department of Citibank monitors the flow of investment products and capital accounts every day. If there is any abnormality, it directly prompts the branch president to follow up, and inspects it quarterly at the executive level of the head office to determine whether there is any abnormal transaction.

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