

# Research on Legal Regulation of P2P Online Loan Platform Operation

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**Abstract:** In recent years, P2P online lending has developed very fast, which plays an important role in promoting the development of Internet finance. However, the domestic P2P online lending platform has gradually turned to the state of alienation in the actual operation process, and many business operations far exceed the P2P operating standards. This has an important relationship with the corresponding legal regulation of P2P online loans and the risks in all aspects of the industry. This paper analyzes the development status of China's P2P online lending platform, and deeply analyzes the problems existing in the domestic P2P online lending platform operation legal regulation, and puts forward the corresponding legal regulation strategy for P2P online lending platform operation.

## 1. Introduction

P2P online lending was first implemented in the UK's Zapa network platform. The fund demand side and the fund idle party conduct lending transactions through this platform. The operation mode is carried out on the Internet. The platform evaluates the credit qualification of the fund demand side according to the relevant information, and then It matches the corresponding fund lender and collects service fees from the lending transactions of both parties. As a result, the problem that some capital demanders cannot handle loans at banks has been effectively solved, so that the economic pressure of the demanders of funds has been alleviated, and at the same time, more economic benefits have been won for investors with idle funds.<sup>[1]</sup> The platform obtains certain benefits while providing services to investors and capital demanders. The P2P model has gradually gained widespread attention on an international scale, and its operation methods have been followed by Internet financial institutions in many countries.

## 2. Development status of domestic P2P online lending platform

Since the launch of the P2P online lending platform in the UK in 2005, the P2P online lending boom has been rapidly established internationally. In recent years, the rapid development of P2P in China is particularly prominent. After a series of innovations and changes, the current P2P online lending platform operation mode is no longer the initial network credit intermediary, which promotes the development of China's Internet finance. The reason why the P2P online lending platform is developing so rapidly in China is mainly because this operating model can provide new financing channels for domestic micro-enterprises to alleviate the financial pressure of micro-enterprises to further carry out their business activities. At present, the development status of domestic P2P online lending platform is mainly reflected in the following aspects:

### 2.1 P2P online loan development is extremely violent

In 2007, China's first P2P online lending platform was established. By 2013, the domestic P2P online lending platform developed relatively smoothly. During this period, China's P2P online lending platform mainly relied on foreign P2P online lending platform. The business model is mainly based on the P2P operation management model. With the development of the domestic P2P online lending platform becoming more mature, the platform business model has gradually explored more diversified models suiTable for the domestic market demand. After 2013, the domestic P2P

online lending platform showed a very strong development trend. According to network data surveys, in 2010, the total number of domestic P2P online lending platforms was only 10, and it will become 500 after 2013. Then, by 2014, the total number will be 1,854, and the total number of platforms will reach 3,844 at the end of 2015. In the next few years, it continued to grow with rapid growth. In terms of platform transaction amount, it has reached 300 billion in 2014 alone, and in December 2015, its amount reached trillions.<sup>[2]</sup> The rapid development trend of P2P online lending platform has attracted more investors to participate in it. The risk in Internet finance has hidden hidden dangers.

## **2.2 P2P online lending platform stopped operating or running a phenomenon**

The rapid development of the domestic P2P online lending platform has also formed a great influence in the international arena, and it has become the country with the largest P2P market share in the world Internet finance industry in a very short period of time. From the perspective of the development trend under the alienation pattern, there is a certain industry risk. The risk of P2P online lending platform is mainly manifested in the phenomenon of cash withdrawal, running and stopping operations. According to the data collected from the online loan home, in 2016, the number of stop-operating or problem platforms in the P2P online lending platform reached 3,407. As of 2017, it has increased to 4,130, and by November 2018, The total number reached 5,245. At the same time, as of November 2018, the total number of domestic P2P online lending platforms still operating normally has dropped to 1,181, and the chain fell by 3%. According to the negative phenomenon of the above P2P online lending industry, the reasons for its emergence are summarized. Firstly, the access setting of the P2P online lending industry is not high, which causes some personnel to seek profiteering through illegal means, triggering illegal fund-raising, money laundering, and illegal business. And a variety of legal risks such as usury. Secondly, some platforms lack the management of scientific systems, and the risks within the industry cannot be controlled in time, resulting in the platform being unable to operate and facing bankruptcy. Finally, the P2P online lending platform implements fund guarantees. Some platforms turn the guarantee funds into other areas to achieve low investment and high profits. When the risk of the relevant investment industry breaks out, the capital chain is broken and cannot be redeemed, and the relevant personnel will also abscond. The phenomenon. At this stage, China has carried out a series of integrations on Internet finance, and has promoted the operation and management of its P2P online lending platform. In general, relevant measures need to be further improved to ensure the healthy and orderly development of the P2P online lending platform.

## **2.3 Interest rates have decreased but still have an advantage**

At present, the domestic P2P online lending platform not only serves as an information intermediary to provide lending services for capital demanders and idle funds. Some platforms have undergone changes in business models, and online operations and offline operations have gradually appeared online and offline. Combined with the operation mode of operation, the platform also derives new business contents such as financial investment and asset securitization. According to the data from the online loan home, the interest rate of the P2P online lending platform in 2012 was at the highest level in recent years, up to 24%, and after 2017, it fell to 9.5%. From the current situation, the overall level is not There will be too much change. Compared with the traditional financial model, whether it is a bank's wealth management products or trust products, its profit margin is lower than the corresponding product revenue in the P2P online loan platform.<sup>[3]</sup> At this stage, people's capital flow is no longer limited to the storage of traditional financial institutions, and more into various investment products, such as wealth management, stocks, Internet financial management, etc., and P2P online lending platform has a high advantage in high-yield returns. Therefore, there is still a lot of room for development.

## **3. Problems in the legal regulation of China's P2P online lending platform operation**

Under the circumstance of rapid development and expansion of the P2P online lending platform,

the various drawbacks gradually exposed are unclear, and the risks caused by these problems have caused great harm to the society. Due to the lack of national legal supervision, the overall operation of the domestic P2P online lending platform cannot be regulated. Specifically, the problems in the legal regulation of platform operation are mainly reflected in:

### **3.1 The platform's leading regulatory unit has unclear powers and responsibilities**

Based on the development status of the P2P online lending platform, the state has relevant units to supervise and manage its operations. However, in the actual supervision process, it is difficult to clarify the dominant units that implement supervision, and its specific powers and responsibilities are difficult to divide. At present, the units that have supervisory responsibilities for the P2P online lending platform mainly include the banking regulatory bureau, the industrial and commercial administration department, the taxation authority, and the public security organs. The major units or departments are responsible for enforcing the relevant links in the operation of the P2P online lending platform. rules. For example, the regulatory content of the China Banking Regulatory Commission mainly involves the regulation of financial, trust and other business aspects. In 2011, the “Notice of the China Banking Regulatory Commission on the Risk Warning of Renren Loans” included the operation of the domestic P2P online lending platform. The corresponding optimization strategy. The administrative department of industry and commerce has the supervisory responsibility for the P2P platform, and regulates the specific operation content of the platform. For the P2P online loan platform suspected of illegal business, illegal financing and other illegal crimes, the public relations organs strictly control it. In general, the relevant departments lack the connection and relevance of the P2P platform supervision, and the regulatory content can only address the most basic operational problems of the P2P online lending platform, and there is no systematic regulatory details for its risk control and management.

### **3.2 The content of legal regulation needs to be improved**

To establish a scientific and healthy financial order for the P2P online lending platform, its legal regulation content must be comprehensive. However, the laws and regulations imposed by the relevant departments on the P2P online lending platform still have certain regulatory gaps. The problems of imperfect legal regulation are mainly reflected in the following aspects: First, the entry and exit thresholds of the P2P online lending platform are relatively Low, lack of corresponding laws to strictly control it. Therefore, when the P2P platform develops extremely rapidly, it brings great difficulties to the supervision work. The legal risks of the P2P online lending platform are frequent, and the number of problem platforms has surged, seriously affecting the platform. Orderly development. Secondly, the construction and operation management of P2P online lending platform in the United Kingdom and the United States is relatively mature. In the aspect of platform enterprise information management, a more comprehensive information disclosure system has been implemented. Investors have on the performance, overdue situation and lending process of platform enterprises. A comprehensive understanding can be obtained through an open and transparent information disclosure system. At the same time, it provides convenience for the relevant units and departments to supervise them. In China, there is no sound information disclosure system, and the platform is extremely lacking in the formulation of information security measures for both parties. Finally, many of the hidden dangers of capital security in the P2P online lending platform have been increasing over time, various legal risk issues have frequently erupted, capital management is not in place, and the platform is used to invest in other projects. In addition, P2P online lending is a kind of Internet finance, and the information security wind direction control in the Internet also has its inadequacies. The phenomenon that the platform is illegally invaded also causes great trouble for investors.

### **3.3 Lack of standard and systematic supervision mode**

At present, although the relevant state departments have certain regulatory responsibilities for the P2P online lending platform, there is a lack of a standardized and systematic regulatory model. All units and departments can usually only perform the corresponding content that their departments

should supervise, but they cannot connect with each other while supervising, and it is difficult for the regulatory role to play a greater role. Compared with the supervision and management of government departments, a joint management association has been established in the P2P platform to implement a standardized operation mode for the operation of the P2P online lending platform. However, there are not many platform companies involved in it, and the management system promoted by such associations is difficult to apply to the entire P2P online lending platform, and its effect is not significant. Establishing and improving the supervision system has become an urgent problem to be solved in the P2P online lending platform.

#### **4. Coping strategies for the legal regulation of P2P online lending platform operation**

##### **4.1 Divide the authority and responsibility of the leading regulatory unit**

To implement scientific management of the P2P online lending platform, we must first ensure that a sound credit system is established. We can use the advantages of the Internet technology to analyze and maintain the relevant credit data of enterprises or individuals, and finally construct a modern credit system. Secondly, the legal nature of each link of the P2P online lending platform is defined in detail, and its legal regulation is matched with the content of each link of the platform operation, which makes the platform's business activities have legal basis, which provides powerful platform operation and orderly development. Guarantee. Finally, the national law clearly divides the powers and responsibilities of the regulatory units or departments to compensate for the unfavorable phenomena such as inadequate supervision or lack of supervision in the relevant links of the platform operation. The P2P online lending platform is extremely crowded. Under the advantage of network technology, its transaction efficiency has been greatly improved, which has led to a rapid increase in the audience. Therefore, it sorts out the powers and responsibilities of the various aspects of the platform operation and the supervision and management of the supervision department, and strengthens the integrated management of the platform's legal regulation, which makes the supervision more comprehensive and standardized.

##### **4.2 Pay attention to the improvement of legal regulation content**

At this stage, the management of China's P2P online lending platform needs to be optimized, and its management philosophy needs to be based on "wide-entry and strict management" to establish a healthy financial order. We will improve the laws and regulations of the P2P online lending platform, strictly control the content of each link in its business activities, and do a good job in prevention and control measures in terms of legal risks and financial security risks. In addition, the platform information disclosure mechanism has been further improved. When conducting Internet financial services, the apparent entrustment issues and moral hazard of both parties are circumvented to ensure the continued development of the P2P online lending platform. P2P online lending platform enterprises not only need to publish their specific business status information in accordance with the explicit provisions of relevant laws, but also ensure that their disclosure information is based on objective reality, and it is strictly forbidden to resort to fraud to prevent infringement of investors' interests. At the same time, it is necessary to strengthen the security protection measures for investors' information, and implement the combination of relevant legal regulations and departmental supervision to further protect the privacy of investors. Finally, using a third-party depository model and implementing a scientific management approach, the regulatory authorities can more easily control the flow of funds to the platform and minimize the risk of funds.

##### **4.3 Optimize the supervision mode**

To carry out scientific and standardized supervision on the operation and management of the P2P online lending platform, it is necessary to establish and improve the supervision mode of the relevant departments. Specifically, it is necessary to implement the systematic supervision of the relevant government departments, and it is also inseparable from the self-discipline of the spontaneous organization of the industry itself. Supervision. In terms of government departments,

we must first clarify the powers and responsibilities of the departments of industry and commerce, the public security organs, the China Banking Regulatory Commission, and the tax bureaus, and systematically operate the regulatory measures for all aspects of P2P business activities, as well as the P2P online lending platform. The industry guidelines and operations of the relevant personnel of the enterprise are regulated to prevent the relevant personnel from using the platform's position to seek personal gain. In terms of trade associations, it is necessary to pay full attention to self-discipline supervision in the industry and build a platform for information exchange and sharing in the industry. In particular, the credit information content of the P2P platform fund demand side during the construction of the credit information system can effectively prevent debts, bad debts, etc. through information sharing. Negative problems. In addition, the industry credit rating mechanism can be implemented on the P2P online lending platform, so that investors can select investment platforms based on real and effective credit ratings and do risk control.

## **5. Conclusion**

Judging from the development status of China's P2P online lending platform, after the development of its development situation has been drastically increased, various risk control issues need to be resolved. The country's perfect legal regulation can make the operation and management of P2P online lending platform more scientific and standardized, and thus help to promote its sustainable development.

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