

Risk Management of International Trade Finance Business of China's Commercial Banks

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Abstract. In recent years, interest rate liberalization and the emergence of supply-side reform make commercial banks began to expand international trade financing business, but with the increase of business volume, its existing risks are gradually exposed. The paper analyzes the existing risks of international trade financing business, points out the problems in risk management, and finally puts forward targeted suggestions on how to optimize the risk management of commercial banks' international trade financing and achieve sustainable development.

Introduction

With the economic development and globalization of trade, China has also entered the field of international trade. However, the increasing international trade activities have led to the emergence of many potential risks in the trade finance business. The risk management of commercial banks is also insufficient, and it is impossible to identify and prevent risks in advance. Based on the current situation of international trade financing business of China's commercial banks, this paper analyzes the risks and causes of China's commercial banks' international trade financing business, and proposes strategies to optimize risk management.

Research State in China.

Since the global financial crisis broke out in 2008, the international market has become turbulent and chaotic, and China has also suffered some influence. At that time, commercial banks handling international trade financing business encountered various problems. Although the global economy has begun to improve in recent years, the risk of international trade finance business continues to emerge due to the need for a certain professional foundation and resilience in the operation of international trade finance operations.

Chunmei Yang believes that in recent years, China's international trade financing has developed rapidly, competition in the industry is fierce, and risks are becoming more and more complicated [4]. The proposed credit risk, operational risk and exchange rate risk are the main risks faced by China's commercial banks in international trade financing. Deng Peng proposed that there are many hidden risks in the commercial bank's import and export trade financing business. First, the bank's financing projects and capital value will be exposed to fluctuations in international exchange rates; second, the default risk and credit risk brought by corporate financing, and the market. Fraudulent acts, corporate cash flow breaks, adverse effects brought by the economic market, etc.; third, the non-standard operation of the bank's internal staff; Fourth, the risk of fluctuations in the national interest rate and the possible credit problems of the correspondent bank. Chen Xi believes that compared with the international advanced business management system, the risk management system of China's commercial banks is still not sound enough, and the management system and laws and regulations of trade finance business are not perfect enough. Therefore, China needs to learn advanced management experience and improve financing business. The legal system of management.

Commercial banks have always been concerned about the risk management of financing

business. In order to prevent risks, commercial banks should strengthen the risk prevention of international trade financing, establish a sound risk management system as soon as possible, and improve the evaluation system of commercial banks. Second, strengthen the supervision of the financing link, when the risk occurs, timely take appropriate countermeasures to minimize bank losses.

The Risks Faced by China's Commercial Banks in International Trade Financing Business

Compared with traditional commercial bank loans, the risk of international trade finance business is relatively small. With the continuous growth of the scale of trade business in the international market, commercial banks in various countries have begun to invest in this field, and the scale of financing business of commercial banks has also expanded [3]. However, the emergence of new trade financing products and a high proportion of business scale have gradually increased the risk of financing business. Commercial banks' international trade financing business mainly faces the following risks.

Credit Risk Caused by Default by Importers and Exporters. Credit risk is one of the most common risks in commercial bank international trade finance. Its main performance is that the financing company can not repay the loan on time, which causes the commercial bank to suffer losses. Once someone on the international trade has a breach of contract, the other party to the transaction will suffer losses and the contract will not be fulfilled, which will eventually result in the commercial bank not being able to recover the previously issued financing loan. For example, because the financing enterprises of international trade cannot fulfill the trade contract regulations due to their own business problems, the failure of repayment will make the commercial banks unable to recover the funds, thus causing losses.

Operational Risks Caused by Improper Operation of Bank Employees. In the process of international trade finance business, the irregular operation of business personnel and improper internal management will bring risks to the commercial banks. When the banking business practitioners lack sufficient work experience, it is easy to make mistakes in the process of handling business. When dealing with international trade finance business, business personnel will first inspect trade activities. When encountering more complicated situations, they will understand trade contracts according to common international practices. However, there are many international settlement practices in the world, and the understanding of international practices varies from country to country. Therefore, if the business practitioners of commercial banks do not understand international practices or understand the differences between the parties to international trade. This will cause the commercial bank staff to deal with the international trade financing business improperly, resulting in operational risks.

Exchange Rate Risk Caused by Fluctuations in the International Exchange Rate Market. Usually, the fluctuations in the economic market are uncertain, and the fluctuations in fluctuations are also large. Changes in international exchange rates may cause losses to businesses and banks, such as the depreciation of corporate goods and bank currencies. In addition, an increase in exchange rates will result in a decrease in exports, and a decrease in the exchange rate will result in a decrease in imports.

Interest Rate Risk Caused by Market Interest Rate. In the process of international trade financing, when the state uses interest rates to regulate the macro economy, it will bring interest rate risks to commercial banks. When the market interest rate increases, it will increase the capital cost of commercial banks, but the income will not change, resulting in reduced profits and even losses. In order to prevent interest rate risk, commercial banks need to anticipate the future development trend of the market when conducting international trade financing business. When providing financing facilities to import and export enterprises, it is necessary to determine the appropriate interest rate according to the currency and term.

Risk Analysis of International Trade Financing Business of China's Commercial Banks

With the development of international trade financing business, the problems existing in the risk management measures of commercial banks have gradually been exposed, and the following analysis and discussion.

Lack of Perfect Credit Rating System. China's commercial banks usually determine their credit line according to the company's operating conditions and credit rating, and the credit line remains unchanged for a period of time [2]. However, due to the rapid development of China's SMEs, this unified credit management model has been unable to meet the needs of banking business. The initial scale of small and medium-sized enterprises is small and progresses rapidly. When applying for trade financing, the bank's application review of enterprises is lagging behind, the business processing speed is slow, and the work efficiency is low, and this is mostly caused by the lack of bank management.

Bank Internal Control and Management are not Perfect. At present, most commercial banks in China have not been able to establish an effective internal control management system, so they cannot effectively monitor the risk of international trade financing. In recent years, despite the continuous development of the economy, banks have established standardized processes and management systems for business operations. However, because the international trade financing business is more complex, the geographical span involved is broader and time-sensitive, when banks cannot separate loans from trials and acquisitions, that is, when only a single department conducts loan approval, it will reduce the risk management effect of the bank. Second, the lack of a sound risk identification mechanism and risk management measures will also increase the risk of the bank, resulting in unpredictable losses.

Suggestions for Improving Risk Management Measures in International Trade Finance Business

With the development of the economy, international trade activities have become more and more complex, and international trade financing products have become more diversified. The risk management measures currently existing in commercial banks are beginning to appear deficiencies and need to be improved. Therefore, for international trade financing business, China's commercial banks can improve risk management measures through the following three aspects.

Differentiating Credit Rating, Strengthening Post-loan Tracking Feedback. Conducting a comprehensive survey of the company and then rating the credit based on the survey results is the first step in the bank's international trade finance business and the basis for conducting business. The financial status, profitability and credit status of the company will affect the rating results [1]. Therefore, the bank should have an in-depth understanding of the enterprises applying for the financial communication, and different credit granting schemes for enterprises in different situations. For large enterprises with strong financial resources, they can increase the credit line and simplify the examination and approval procedures to meet the trade financing needs of enterprises. For small and medium-sized enterprises, banks can respond flexibly, and international trade enterprises with lower risks such as guarantees can increase the credit line as appropriate. Always pay attention to the changes of the company and improve the flexibility of the credit management model.

Secondly, for the approval of trade finance, banks should strictly separate the separation of loans and management. The separation of loans and loans is conducive to the bank to optimize the approval process, improve efficiency, and avoid duplication of business review. At present, although there is a system for setting up the separation of loans and loans within the bank, in fact, the system is virtually ineffective at all times. Banks can quickly and conveniently handle transactions, and loan approval and review are handled uniformly, and cannot be effectively separated. In addition, the bank's post-loan tracking feedback on the company is also very important. The credit line of the enterprise can only reflect the overall situation at the time, and due to the long duration of

international trade activities, the company may have some unforeseen risks during this period, such as the receivables cannot be recovered, the business situation suddenly deteriorates, etc. Will affect the repayment ability of the company. In order to reduce risks, banks must improve the post-loan management system, prevent potential risks in a timely manner, and take timely and appropriate risk remedies.

Improve Internal Control Management System. You must be inside. To improve the internal control management system, we must first establish a smooth information transmission channel. Not only does it help monitor business activities, it also enables staff to quickly identify business-related risks and take time for banks to take action [5]. Secondly, to strengthen the control and management of internal personnel, the bank should set up a special loan approval team to conduct due diligence, approval and feedback on the international trade financing business, regularly check the business process, and assign responsibility to one post and one person. When the risks are pushed each other, the powers and responsibilities are unclear.

Summary

With the continuous spread of economic globalization, China's commercial banks are facing enormous opportunities and arduous challenges in the process of handling international trade financing business. In order to effectively avoid financing risks, commercial banks need to strengthen their own management, promote the symmetry of various economic information, enhance the quality of personnel involved in international trade financing business, and improve their social benefits while meeting financing needs, thereby maintaining the international financial market. Construction and development.

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