



RESEARCH ON THE RISK OF CHINA'S COMMERCIAL BANK ASSETS BUSINESS

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Abstract: *The continuous progress of contemporary development of economy and society, promotes the modern commercial bank assets business development and progress. In recent years, the impact of the financial crisis, the economic downward pressure is relatively large, the stock market instability, as well as borrowing makes assets business of commercial bank risk is to strengthen invisible, how to deal with asset risk is the bank for a considerable period of time will still need attention and solution of problems. This paper mainly through the analysis of business assets risk theory, the main risk points and causes of asset business in commercial banks, unpredictable risk to formulate reasonable and effective solutions to prevent bank assets business operation to bring.*

Keywords: *Commercial Bank; Assets Business; Risk; Countermeasures*

I. INTRODUCTION

In the growing development of the financial market today, major financial institutions all over the world are constantly carry on financial innovation, affected by the aftermath of the 2008 financial crisis, the economic downward pressure is relatively large. After China liberalized external financial market, with the liberalization of interest rate liberalization, on our traditional banking will be a great impact. But the contemporary society is constantly improving process, greatly promoting the modern commercial bank assets business development and progress. The risk of asset business in commercial banks continue to expand and become more and more obvious, in the modern society of fierce competition, commercial banks must obtain the survival and the development, need to resist risks from various aspects, mainly is the risk of business assets.

II. Introduction to the Theory of Asset Business in Commercial Banks

Business assets, refers to the use of funds business of commercial bank, also is the commercial bank which absorb funds lent out to earn income or investment activity. How to profit of the commercial bank, business success, largely depends on the use of funds results, assets of commercial banks business, generally can be divided into the credit, the bill discounting business and investment business.

A. Credit Business

Credit business, also called the loan, bank will be absorbed funds, according to a certain rate of interest to the customer and for the return of the business. The loan business is an important asset business in commercial banks, accounting for the vast majority of business assets, has a direct impact on loan spreads income total income of commercial banks.

B. Discount Business

Discount business, is a commercial bank according to the requirements of customers, not to buy the date of payment of bill business. By the bank deducted from discount date to the maturity date of interest and obtain cash. Commercial bank bill discount business got rapid development, has become the major tools of modern commercial operation in the credit payment.

C. Securities Investment Business

Commercial bank investment business refers to the purchase of the securities activities. The purpose is to obtain profits, liquidity risk diversification, keep assets. Commercial bank investment securities is divided into two parts: one is the bond, two stocks. According to China's "commercial bank law" requirements, commercial banks are not allowed to engage in trust investment and

stock business in Chinese region. Therefore the investment business of commercial banks in China are basically limited to bond investment.

III. Risk Analysis of Asset Business in Commercial Banks

Commercial banks may produce unanticipated risk in the asset market of business operation, the risk from credit risk, bill discounting and risk of investment composition.

A. Commercial Bank Credit Risk

The risks posed to the credit business of commercial banks, mainly refers to the social risk, because losses inappropriate behavior in social individuals or organizations for commercial banks, including the guarantee risk and moral risk.

1. Guarantee Risk

Credit guarantee is necessary conditions of the credit, not the sufficient condition. But the commercial bank is too much emphasis on the role of credit guarantee, think that as long as the credit guarantee can extend credit. Credit guarantee is the dispersion of credit risk, it can not change the borrower's credit status, also can't guarantee credit repayment in full, and therefore can not eliminate credit risk from the root. In the actual situation, evaluation mechanism basically is by the borrower to employ, pay the cost of the assessment, assessment agencies employed will consider the borrower's request, and overestimate the value of the mortgaged property, as long as banks see assessment agencies assessment report is approved, caused mostly collateral value is overvalued, bank disposition of collateral, liquidation value greatly lower than the book value. In addition, commercial banks are not judged collateral liquidity standards. Cause the real work can not judge whether the collateral accepted for the market, and how to accept degree.

2. Moral Risk

Moral hazard is the principal and agent after signing the contract, in the process of performance due to information asymmetry has the information advantage of a party may in order to achieve the maximization of their own interests, is not conducive to the others to take action, encroach on the interests of others, thus causing losses to others may be. Commercial banks in the management process, there is a principal-agent relationship between the different levels and aspects, therefore because the moral risk caused by information asymmetry in the course of business of commercial bank also inevitably produce and objective existence. The moral risk is divided into three levels, the credit business of commercial bank decision-makers moral risks; moral risk in commercial bank management; moral risk layer management of commercial bank. They are information collector, is the most abundant micro amount of information level, because the volume of micro information it gets the maximum, when the oversight of the management is not in place, become the internal moral risk of commercial bank has the highest frequency level.

B. Risk investment business of commercial banks

The general situation of the venture capital business of commercial bank under mainly has the following several:

1. The Rate and Exchange Rate Risk

It is the risk of losses arising from that change due to uncertainty of exchange rate and interest rate of the bond yield. The effects of interest rate on the bond market is bigger and the exchange rate had little influence.

2. The Liquidity Risk

Changes in the bond market and bond issuers the operating status of the resulting change of bond liquidity, and investment in the bond banks will face a certain degree of liquidity risk, asset rapid liquidation ability and financing efficiency is the measure factors.

3. The Operational Risk

Due to the impact of internal processes, human and system deficiency or absence, and external factors caused directly or indirectly by a series of risk. Technology, risk process, people belong to the operational risk. If the assessment way is improper and decision error etc..

4. The Purchase Power Risk

It is caused due to macroeconomic factors are mainly the inflation monetary value changes caused by the bond investment risks.

5. The Legal and Institutional Risk

China's current financial system is not perfect, between law and policy sometimes deviations or conflict makes the interests of the banks are not completely protected. While the bond market from the beginning of issuance, circulation, honour, to the term structure, listed structure, structure and bond holders, the coordination of China's fiscal policy and monetary policy to deal with the problem is not the perfect operation mechanism, which will increase the difficulty of the hands of investors bond investment strategy, the risk of investors will be increased.

C. The Risk of Commercial Bank Bill Discount Business

1. The Policy Risk

Policy risk discount business refers to because banks do not strictly according to the policy operation or on bill related policy understanding caused by imperfect regulatory departments concerned and punished, so as to make the bill discount interest damage. Mainly because the discounted transaction background is not real or not sure how true, discounted the whereabouts of funds and the national financial regulatory policy does not match.

2. The Credit Risks

Discount business credit risk refers to the risk bearer commercial draft when the draft is due by the payer or entrusted payer when unable to acceptance of losses caused by. "Negotiable instruments law" provisions of the bill have no result. The maturity of the draft, regardless of whether the drawer to pay the full deposit, the payer must unconditionally pay a certain amount to the bearer. Produce the debt relation of commercial draft commodity trading activities in the economic activities based on the bill, to participate in the economic activities, led to the credit documents. Bill behavior are dependent on the credit based on various represents a specific credit relationship. Therefore, the risk facing the bill discounting business is mainly the acceptance bank credit risk.

3. The Market Risk

Discount business market risk is the holder to apply for commercial bank bill business, because the analysis of forecast and market enterprises and banks on the market supply and demand situation of the market appears on the errors in judgment, and for enterprises and banks due to changes in interest rates caused by the risk. Interest rate risk for the enterprise financial cost or bank capital gains impact. On the one hand, because of the discount rates rise or fall, will the holder to the enterprise people causes the enterprise financial cost increase or decrease. On the other hand, because of the discount and rediscount interest rate changes, will cause the commercial bank holder trading interest rate hangs upside down, resulting in the loss of profit of bank business.

IV. Risk Management and Prevention Measures of Asset Business in Commercial Banks

A. The Countermeasures to Guard Against Credit Risk

To prevent the credit risk of commercial banks, mainly to guard against bad credit. Credit the five grade classification system in China, according to the degree of risk in credit, the bank credit assets into five categories: normal, attention, secondary, suspicious, loss. The subprime loan, doubtful and loss is called bad credit. For the prevention of credit risk, we can do the following:

1. Improve the Internal Control Mechanism

Credit risk of our commercial banks and loan decision level has a direct relationship, loan decision is correct or not will directly affect the credit risk of commercial banks in China, so we must carry on the strict control of the interior. We want to be the best combination of bank credit business to do, must realize the risk control and resource allocation, so it must be combined with vertical and horizontal management, vertical management is the head office and branch management and horizontal management mainly is carries on the division of labor and the restriction on the reasonable department.



And risk management departments not only to improve the internal control mechanism of the whole process of credit management, but also for the strict credit management in the organizational structure, to each link of the whole process of strict control, improve the incentive and restraint mechanism is mainly presented in the following aspects: first, through the transformation of commercial banks now business ideas, to strengthen the internal control and internal management; second, the overall quality of the commercial bank credit business personnel to improve, regular training, mainly for the mastery of the market and the related laws and regulations; third, continue to communicate with the same industry, a full understanding of the market now, on the credit risk prevention; fourth, the credit business of commercial the existing banking procedures for strict management, treat every loan seriously; fifth, the proportion of assets and liabilities management technology for the improvement, we can learn from the successful experience of foreign countries, to adjust the structure of assets and liabilities.

2. Construction and Perfection of the External Supervision System

To strengthen the credit management of commercial banks, we need to build and improve the external supervision system, mainly from three aspects to construct and perfect. First, the establishment of modern supervision system. Because the electronic construction of our country's commercial banks and international counterparts is relatively backward, so we must establish a modern system of their own; second, continue to the laws and regulations of the commercial bank to improve. We only strengthen commercial bank supervision laws and regulations related to the framework and enforcement, to ensure the implementation of laws in our country commercial bank supervision in the process, improve the level and efficiency of supervision according to law, the realization of the credit business of commercial bank smoothly; third, with the step of accounting principles and standards of prudent supervision. Prudential standards and the prudent accounting principle not only in the financial risk prevention plays an important role in promoting, but also plays an important role in safe operation of the financial system, we must learn important lessons from the Asian financial crisis, the synchronization of accounting principles and regulatory standards for prudential.

3. Pay Attention to the Quality of Personnel Training of Credit

On the one hand, banks should introduce step up personnel, fill in each class of risk management, not because of all sorts of reasons to reduce credit post professional quality; on the other hand, the commercial banks should strengthen the credit staff training and education, and the education and training of performance management combined, make them in training can not only obtain new knowledge and skills, more important is to get the team cooperation spirit. In addition, to improve the ability of credit personnel identify risk and self management through training and assessment, to establish the credit staff as the core of the risk of early discovery mechanism, a loan officer level of knowledge, professional ability and play to the initiative and bank credit assets quality is closely linked, credit officers and bank should be in the form of a destiny community, only early so as to realize the detection and control of risk.

B. The Risk Response Strategy Investment Business of Commercial Banks

1. Risk Avoidance

Risk avoidance refers to changes in project planning, eliminate risk or conditions, or protect the project target is not affected, or relax the requirements for some targets threat. Risk aversion is mainly applicable to the bank is unable to withstand, relatively large, risk-taking unbalance, and return or risk is more complex, already exceed that part of the risk of bank risk management ability. To do the risk avoidance, commercial banks in the mode of investment, business varieties to choose to evade risk. For example, a minimum investment in the credit risk of bonds.

2. Transfer of Risks

Risk refers to the risk consequences together with the coping of the transfer of responsibility to the third party on the body, is often used to deal with those probability is small but the risk of loss is relatively large. Risk transfer strategy is effective for financial risk. In addition to disperse investment bonds of different maturities can transfer part of the risk, provides various ways are also used financial derivatives for the transfer of bank risk. It can quickly and effectively reduce the bank's credit risk and

market risk, hedging tool is ideal, the bank can according to different investment risk, choose different financial derivative risk management.

C. Measures of Risk of Commercial Bank Bill Business

Commercial banks should always pay more attention to risk prevention work, according to the characteristic of bill business par value high, financing fast transfers, batch operation, switching easily, more risk correlation effect and so on, in strict accordance with the "system first, the operating principle of easy operation", actively and steadily carry out the bill discount business.

1. Perfect Organization System, Standard Operation Process

In order to prevent risks, commercial banks should establish and improve the overall risk management system, equipped with part-time bills business risk management, clear job responsibilities, and risk prevention, resolve and management work. In addition, in order to further minimize risk discount business, from the system of commercial banks on the norms of business operation regulations, continuously improve the discount business regulations, plug the loopholes exist risks in operation, in view of the weak links exist, sound business operation and supervisory approval process and every link of restricting mechanism.

2. To do Market Research, Interest Rate Risk Prevention

In the bill market operation, the need to pay particular attention to interest rate risk prevention. One is related to the regular collection implementation report issued by the Peoples Bank of monetary policy, timely understand the change of management ideas and macro monetary policy; two is through various channels of information, collect and summarize the bill market and its law of change; the three is to understand the related market interest rate fluctuations, including the government bond market, inter-bank lending market; four is to master the other financial institutions credit policy and deposit, loan pricing strategy; the five is to strengthen the research and Analysis on the market interest rates, the timely development of adjustment to adapt to changes in the market interest rate policy, effectively guard against the risk of bill rate.

3. Strengthening the Risk Consciousness Bill Practitioners

The salesman shall overcome drop one's guard in bills business ideas, always put the risk control on the first place. On the one hand, the commercial bank should strengthen the risk consciousness education of bill business business personnel, let every bill business personnel to truly realize the bills business risk of large, serious and prevention of important. All bills personnel should fully understand the bill business potential business risk, do prevention first, fulfill their duties, to promote a unified business development and risk control, will not only speed up the business development and neglect prevention on bill risks. On the other hand, the commercial bank should pay attention to employee training in business skills, and continuously improve the personnel counterfeit bills itself, anti false business skills, ability and marketing staff analysis of bill market judgment, exercise and cultivate a high-quality workforce, the greatest degree of moral hazard prevention, avoid business risk and policy risk.

4. Strengthen the Supervision and Inspection of Bill Business

In order to strengthen the standardized management of bill business, negotiable instruments guarantee business compliance management, commercial banks should be starting from their own, strengthen beforehand and process control and review. Bill business inspection should be complete, detailed, targeted, and practical improvement suggestions. Before the examination, must have the inspection plan with the examination, to urge the rectification. To establish illegal behavior of the punishment system, intensify the investigation and punishment of illegal bills business.

V.CONCLUSION

To sum up, the risk of commercial bank assets business analysis can help users to understand the risks existing in commercial banks constitute, predict the future risk, help the bank to make decision, cause the commercial bank to improve management and make the right decision plays an important role. But the risk exists many There's no telling the current assets of commercial bank business, we want to risk analysis of ongoing business assets according to the objective situation, make firm decision more reasonable and perfect, make the commercial banks to adapt to the development of the new situation.



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