

Application Status of Intelligent Investment Consultant Based on Artificial Intelligence in China --Taking "Ant Financial Services Group" as an Example

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ABSTRACT

After the outbreak of the epidemic, developed countries have implemented extremely loose monetary policies, which aggravates the global excess liquidity and leads to the increase of domestic inflation. The traditional low-risk commercial bank savings can no longer meet the financial needs of most people. With the rapid development and innovation of financial technology, the intelligent investment advisory platform based on technological innovation emerges as the times require, providing customers with comprehensive and effective personalized wealth management and asset allocation services, which has become the future competitive field of financial institutions. This paper starts from the development status of domestic and foreign intelligent investment advisory market, briefly describes the characteristics and advantages of intelligent investment advisory, and takes Ant Financial Services Group as an example to reveal the existing problems of intelligent investment advisory in China, and gives some targeted suggestions.

Keywords: *Intelligent investment advisor, Ant financial services group, Artificial intelligence*

1. INTRODUCTION

Intelligent investment advisor, also known as "robot-advisors", is an emerging financial model based on data and technology as the main competitiveness under the background of financial technology. It uses machine learning algorithm to provide portfolio allocation suggestions and portfolio management intelligent financial services. After the rapid development of the world economy, the growth trend gradually weakened. With the outbreak and continuation of COVID-19, the currency devaluation effect superposed the price rise caused by the epidemic, and inflation accelerated obviously. After the promulgation of the new regulations on asset management in China, the situation of "rigid cashing" in the asset management industry no longer exists, and the financial products are no longer guaranteed. The majority of residents have clearly realized that the traditional savings is no longer an effective way of asset management, and the market demand for efficient asset management that can achieve low risk and high returns is increasing[1]. Under this

background, the development prospect of intelligent investment and consulting is booming.

2. THE DEVELOPMENT STATUS OF FINANCIAL INVESTMENT ADVISORY PLATFORM AT HOME AND ABROAD IS AS FOLLOWS.

In 2008, Betterment, the founder of intelligent investment consulting industry, was founded in New York. In the next two years, a number of intelligent investment consulting companies were established one after another. The United States is the country with the most mature development of intelligent investment advisers, and among Asian countries, South Korea has developed rapidly. At present, in the typical foreign intelligent investment advisory institutions, human financial consultants occupy the main position. Institutions with higher investment threshold basically adopt the "human + machine" mode to provide services, while those with less than \$5000 adopt the full intelligent automatic service mode. The profit source of

institutions is the management cost of investors' funds, which is generally equivalent to the management scale. Intelligent investment advisory model has gradually changed from simple portfolio strategy recommendation to comprehensive financial planning services, including retirement planning, tax loss harvesting and so on.[2]

Since 2015, China's smart investment market has developed rapidly, and has started to grow locally under the exploration of Internet financial companies. In December 2016, China Merchants Bank officially launched "Capricorn intelligent investment", becoming the first commercial bank to use intelligent investment advisory technology. Nowadays, the participants in China's intelligent investment advisory market can be divided into three categories. The first category is the traditional financial institutions, including banks, securities companies and funds. They have a strong customer base and group resources. The representative products are China Merchants Bank's one-stop financial shopping guide platform "Capricorn intelligent investment" and E-fund's retail oriented fund investment advisory platform "E-fund investment advisor". The second category is Internet financial technology companies, which have better customer flow advantages and technological innovation. They represent the "JD smart investment platform" launched by JD finance; Ant financial services and Vanguard group of the United States launched a new financial services "Help You Invest". The third type is innovative enterprises, which have powerful algorithms and models, more transparent and secure services. The representative platforms are the AI financial app "Financial cube" launched by pocket wealth and the Blue Ocean smart investment launched by Blue Ocean wealth. In October 2019, China's Securities Regulatory Commission officially issued the notice on doing a good job in the pilot work of investment consulting business of publicly offered securities investment funds, which made it clear that the pilot institutions can make investment decisions on behalf of customers. This marks that China's intelligent investment advisory business has really entered the practical stage.[3]

3. FEATURES AND ADVANTAGES OF INTELLIGENT INVESTMENT ADVISOR

First is to expand the scope of customers. Intelligent investment advisers manage their portfolios in the form of robots, which greatly saves the operating costs, reduces the entry threshold, and provides services for a large number of long tailed people with investment needs. The interests of intelligent agencies are bound up with the profits of customers. The sales motivation is shifted from the "product oriented" to the "customer oriented", from the attention of the channel to the needs of customers, and the expansion of customer scope.

Second, it is highly online, provides solutions quickly and has transparent information. Users operate online all the time without opening accounts in multiple institutions. After information collection, intelligent investment advisor can quickly provide targeted portfolio from many financial products. The emotional communication and interaction of intelligent investment advisers are lower than those of manual investment advisers. They can make completely rational judgments, make investment decisions on behalf of customers within the scope of authorization of customers and supervision, and present the operation results to investors. Therefore, high-frequency and strong demand are more suitable for intelligent investment advisory business, and have obvious advantages in cost and efficiency.

Third, low investment threshold and transaction cost. The threshold of intelligent investment advisor is different, but it is lower than the RMB 50000 of financial products of commercial banks, and far lower than the RMB 1 million investment threshold of private funds. At the same time, the model and algorithm of intelligent investment platform can be applied to every customer, so a single customer only needs to charge part of the service fee and transaction fee, and some platforms even do not charge service fee.

4. TAKING ANT FINANCIAL SERVICE AS AN EXAMPLE, THIS PAPER REVEALS THE PROBLEMS OF INTELLIGENT INVESTMENT IN CHINA

In April 2020, Vanguard Group and Ant Financial Services Group jointly created and launched a new financial management service "Help You Invest", committed to creating a new one-stop fund investment consulting service, providing users with all entrusted asset management services such as base selection, allocation and position adjustment. Vanguard Group has been deeply engaged in the fund industry for more than 40 years. This time, Vanguard's patented global capital market model has been used to "Help You Invest". Vanguard has simulated China's stocks, bonds and other major assets for 10000 times, in order to better adapt to the Chinese market. As of March 2021, the number of service users who have invested for you has reached a key milestone of 1 million. Combined with the "help you invest" intelligent investment advisory platform, we can reveal some problems existing in the development of intelligent investment advisory in China:

4.1. Intelligent Investment Advisor's own perspective

The basic principle of intelligent investment adviser is to rely on Algorithms and calculation programs for effective asset allocation. There may be risks such as

hacker intrusion and unstable network environment. The information security protection of customers also needs to be improved. At the end of 2020, more than 50 platforms in China have launched intelligent investment services. Each platform has its own algorithms and models. It is difficult to convince customers whose model is the best, and the homogenization between different models is serious. In essence, it is still borrowing from the existing products and models abroad. The time of intelligent investment in domestic development is too short, and it has not experienced a complete market cycle. It is still unknown whether to make effective response measures in the face of emergencies. The investment direction customized for customers by most intelligent investment platforms is open and commission is charged on a daily basis. Although the Commission is very small, whether the consumers can fully trust robot investment and pay for the service requires the efforts of major platforms to strengthen the confidence of consumers.

4.2. Regulatory perspective

The relevant regulatory policies of China's intelligent investment consulting industry are not perfect. First, policy reasons. In the United States, robot investment advisers, like traditional investment advisers, are subject to the Investment Advisers Act of 1940 and are subject to the supervision of the SEC. The investment advisory regulatory license in the United States basically covers asset management and financial services. However, in China, the two businesses of investment consulting and asset management are managed separately and are applicable to different laws and regulations. At present, there is no special legal provisions to regulate the intelligent investment advisory business. Second, it is difficult to determine the subject of responsibility. At present, the regulated objects are often legal persons and natural persons. With the development of artificial intelligence technology, the owners and operators of investment accounts may change. In practical application, the actual controller of the account is not a certain subject, but an intelligent agent. Investors and intelligent agent controllers are not the actual operators of the account. How to divide the specific responsibilities of the impact of intelligent investment advisor operation remains to be standardized.

4.3. Investor perspective

Intelligent investment relies on customer data for big data analysis to portrait customers. "Help You Invest" make a portraits of customers through analyzing the use of funds in Alipay app. Some platforms use the questionnaire survey mode, and the evaluation standards of different platforms are different. Based on the use of single platform and a dozen or more questions, it is said that it is one-sided to understand customer investment

preference and risk tolerance. Due to the "chimney" organizational structure, customer data and business data are scattered in various lines and systems, and problems such as information sharing, repeated construction, data island and so on have existed for a long time, and the "one-stop financial service" of customers can not be implemented. Meanwhile, the main target customers of intelligent investment market are middle-class and mass investors. Most of them are easily affected by the interference and influence of market public opinion. The existence of irrational investors has exacerbated the instability of the market.

4.4. Financial market perspective

China's current financial market environment is not mature. Most of the investment targets of typical intelligent investment advisory platforms are ETFs. Investors can hedge system risks through decentralized investment. However, there are not many ETF funds in China at present, and the risk that can be dispersed is limited. Passive investors tend to buy investment products based on long-term returns and effective management. China's stock market is not an effective market with strong speculation, lack of long-term investment philosophy, and excessive volatility of a shares. As an investment ETF, intelligent investment advisory products are also faced with greater risk of withdrawal. Most investors in China do not have the basic skills of company fundamentals analysis. There is a serious phenomenon of non disclosure and non transparency in the market. A small number of mature value investors are unable to use mature investment methods to obtain due returns in this environment.

5. ENLIGHTENMENT AND SUGGESTIONS

5.1. Improve the relevant regulatory system.

China's intelligent investment adviser started late, but the relevant legal regulation has made slow progress while developing rapidly. The government has not positioned the legal attribute of intelligent investment advisers, nor has it issued laws and regulations specifically for intelligent investment advisers. The state needs to timely issue relevant laws and regulations to deal with financial operation and innovation in the artificial intelligence environment, and clarify the scope of application, operating procedures, guarantee mechanism and regulatory measures, so as to ensure the healthy and stable development of relevant businesses[4].

5.2. Strengthen risk control

Finance is an important core competitiveness of a country. It is the fundamental task of financial work to

prevent and resolve financial risks, especially to prevent the occurrence of systemic financial risks. Every operation of intelligent investment advisers will affect the interests of many investors. It is urgent to standardize the field of artificial intelligence. First, information protection should be strengthened. In order to prevent violations, the operation of the system can be recorded, tracked and reviewed. Specifically, the security of data can be protected by a series of complex encryption and digital signature, the operation code can be protected by using vulnerability scanning and other technical means, and the computer structure can be protected by isolation and other physical means. The information security needs to be regularly reviewed by technical personnel, Prevent theft. Second, improve the information disclosure system. Intelligent investment advisers rely on the Internet platform and face the public. The amount of information is richer than that of traditional investment advisers. Therefore, important matters need to be disclosed and emphasized to avoid the loss of investors[5]. Third, to stipulate the responsible person. According to different emergencies, we should clearly define the subject of responsibility, so that there are laws to follow and evidence to follow. In practice, the developers and users of intelligent agents that do not need human intervention need to register with relevant departments; If the collective investors use this kind of intelligent agent, they need to agree at least one natural person or legal person as the subject of responsibility to be included in the regulated object[4].

5.3. Strengthen the popularization of financial knowledge and increase investor confidence

We should strengthen the publicity and popularization of financial knowledge, promote the application of artificial intelligence in the financial field, systematically establish the operation mechanism of popular science intelligence investment advisor for the public, increase investor confidence, and accompany users to make long-term investment. The digital level of financial business is constantly improving, and the popularization and promotion of intelligent investment advisory business are almost all online. However, offline outlets still need to do a good job in service and promotion, actively introduce surrounding customers, actively transform and maintain customers, and deeply integrate digitization into customer experience and daily work of employees.

6. CONCLUSION

Intelligent investment adviser is an emerging financial model under the background of financial technology. Compared with the traditional manual investment adviser, it has the excellent characteristics of inclusiveness, rationality, efficiency and low threshold. It plays an important role in achieving the goal of stable

growth and innovation of the financial industry. However, the major intelligent investment advisory platforms are facing problems from themselves, regulators, investors and financial markets. The essence of intelligent investment advisory is still investment consultant, which is inseparable from the necessary market supervision. With the vigorous development of digital financial business, it is necessary to improve relevant regulatory systems, strengthen risk control and financial knowledge popularization, and transform into a new era of high-quality development.

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