

Analysis on the Development of Internet Finance and Its Supervision in China

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Abstract. China's Internet finance has begun to take shape and has played an active role in improving social efficiency, stimulating financial vitality and serving the real economy. At the same time, the development of Internet finance can also bring new risks. This paper expounds the actuality and necessity of the development of Internet finance and analyzes the main problems of financial regulation in the development of Internet finance, summarizing the main practice and practical experience of Internet financial supervision in USA and EU.

Putting forward proposals on China's Internet financial regulation on establishing and improving the Internet financial supervision system, and defining the business scope of Internet financial enterprises, clarifying regulatory focus, combining of self-regulatory supervision and heteronomy supervision.

Introduction

China's Internet financial development industry has begun to take shape. China's Internet payment industry as a whole is safe, stable and efficient, and the transaction scale is steadily improved. The payment agency's Internet payment business has penetrated into many industries, such as securities, funds and insurance, and the financial trend is obvious. The mobile payment industry is developing rapidly, and the business scale continues to grow rapidly, becoming the new direction of electronic payment development. The financial industry and the Internet industry shows a deep integration trend, and the financial industry is cooperating with the Internet industry and e-commerce. Different from the traditional Internet financial model, Internet enterprises and e-commerce enterprises have accelerated their penetration into the financial field. Based on this background, to promote the convenience of trade and the diversification of financial services, improve economic and social benefits, it is very necessary to develop Internet finance.

The Predicament of Financial Supervision in the Development of Internet Finance

Disintermediation of Credit Funds Increases the Difficulty of Macro - Control of Monetary Policy.

One is the statistics that affect the money supply. Under the mode of network lending, the network platform can aggregate and mobilize the idle funds of the society to increase the efficiency of capital allocation. But these loans are out of the financial system, such as Banks, and are not constrained by the central bank's reserve requirement system, and not included in M2 and total social financing statistics, the money supply is underestimated, causing failure of the transmission mechanism of monetary policy. Monetary policy is generally transmitted through the financial system, thus achieving the regulation of the whole economy. Online lending realizes financial "disintermediation", which is free from regular supervision, influencing the transmission way of traditional monetary policy and weakening the effectiveness of monetary policy.

The Supporting Measures for Internet Finance Need to be Improved.

First, Lack of external supervision and legal norms. China's Internet finance started relatively late, and has not established a clear regulatory system and rules as well as regulations, and lacks effective supervision and restriction. Some Internet companies have been playing the sideline, doing business offline and even issuing financial products illegally, touching "the bottom line of illegal absorption of public deposits. "illegal fund raising" is a potentially big financial risk. Second, the

credit environment needs to be improved. Compared with foreign models, China's credit system is still in its initial stage, and lacks perfect credit authentication system and credit information sharing mechanism. The risk control of network credit mainly relies on the internal mechanism of network platform, which increases the operating cost and bad debt risk.

The Level of Risk Control for Online Lending Is Uneven, it is Difficult to Guarantee the Legitimate Rights and Interests of Investors.

First, it is difficult to the identity information of the borrower. Internet financial business is mainly carried out in the virtual world composed of electronic information. Both parties have a significant virtual nature, which increases it difficult to identity authentication and credit verification. Borrowers may block adverse information, or provide false credit materials, and investors and network platforms cannot effectively identify the risk level of the borrower. The second is the lack of effective monitoring of the use of funds. In the mode of p2p lending and crowdfunding, Internet platforms generally do not monitor the funds use of borrowers, it is not able to confirm whether the use of fund is in compliance with the commitment or not. Once the credit loan defaults, the network platform mainly adopts the blacklist processing. Lack of strong collection strength and legal means, there are difficulties in recovery and rights protection.

It is Difficult to Monitor Network Capital Flows, There are Risks of Security and Compliance.

First, the fund collection and payment forma large amount of deposit, there are financial security risks. Due to the time difference in the payment of funds, there is a large amount of money deposited in the platform account. The management of these precipitation funds, basically relies on the network platform self-discipline, there are big risks. For example, some networks have technical loopholes, and the large amount of precipitation funds can easily become the target of criminals. Due to the failure of internal control of the network platform, illegal behaviors such as illegal appropriation of funds by internal staff occurred. Before that, China has already had an event of individual network platforms sweeping away customers' funds.

Second, the source of funds and whereabouts are difficult to monitor, which is easy to become a money-laundering tool. In terms of technology, it is difficult for the network platform to verify the authenticity of the transaction information, such as the identity information of the transaction subject, the transaction background, the source of funds, the use of borrowing, etc. On the will, the network platform also lacks the intrinsic motivation and external pressure to verify. Therefore, the network platform is easy to be filled with anonymous and pseudonymous accounts, becoming a hotbed of money laundering crime.

Financial Data is Stored and Disseminated through the Internet, and There are Leaks And Security Risks.

The operation of Internet finance is mainly based on network, and there are some technical risks, such as system operation failure, server collapse, hacker attack and computer virus infection. At present, most of China's network system software is imported from abroad, and there is no independent intellectual property right algorithm system in data encryption and identity discrimination. The security level of the whole industrial chain needs to be improved. The hidden danger of network security also poses huge security risks to the development of Internet finance.

The Business Model is Different From Traditional Finance, Which Brings Challenges to Tax Collection and Management.

Internet trading has the characteristics of virtualization, paperless, disintermediation, The information of both sides of the transaction has strong stealth, while transnational transaction and capital transfer are more convenient, which brings great challenges to tax collection and management. First, the identification of tax elements is more difficult. Under the mode of Internet finance, it is difficult to accurately determine the tax subject, tax object, tax payment, tax time and other tax elements. The second is the difficulty of tax regulation. Compared with traditional finance, Internet finance is more prone to tax evasion, which puts forward higher requirements and challenges to tax authorities to carry out tax filing, tax source monitoring, tax saving and tax audit.

Suggestions on the Development and Supervision of Internet Finance in China

Encourage and Standardize the Development of Internet Finance.

With its outstanding convenience, economy and effectiveness, Internet finance has gained a wide range of customer base and sustainable internal impetus. At the same time, the development of Internet finance is conducive to a rich and inclusive financial system, enhance the ability of financial service real economy and improve the competitiveness of China's financial industry. This should be followed by strong measures to regulate and encourage healthy development.

Establish and Improve the Internet Financial Supervision System.

The development status of Internet finance and financial supervision system in China are quite different from the United States and the European Union. It is difficult to apply the supervision model of a country directly. It is suggested to construct a regulatory system in line with the rules of Internet finance development in China through drawing on the advanced experience of foreign countries. First, we should adopt the principle of moderate and prudent supervision. Considering that China's Internet finance is still in the stage of development, we should focus on promoting healthy development on the basis of ensuring operational safety. The second is to adopt the model of institutional supervision and business supervision. Under the pattern of separate supervision in China's financial industry, institution supervision is the inevitable choice. At the same time, the business innovation of Internet finance emerges endlessly, and the practical business supervision helps to avoid the absence of supervision. Third, joint supervision of relevant departments. Based on the combination of institutional supervision and business regulation, if it is supervised by the business department, part of the supervision will be absent. Fourth, we need to build a multi-level legal system for Internet financial supervision. On the one hand, the existing legal system should be amended to adjust the current regulatory requirements according to the characteristics of Internet finance. On the other hand, specific guidelines can be issued for problems in practice.

Define the Business Scope of Internet Financial Enterprises and Clarify the Key Points of Supervision.

First, define business scope clearly. The entry threshold of Internet finance should be set up reasonably from the aspects of capital strength, risk control ability and system construction, and license plates for qualified institutions should be issued. Second, classify to identify the key point. All kinds of Internet financial enterprises should strengthen security supervision to prevent hackers from trespassing and interfering. For third-party payment business, we should actively explore the establishment of non-site supervision and risk early warning index system and implement the local supervision responsibility. The online lending business should be incorporated into the regulatory system as soon as possible, to guide its establishment and improvement of the organizational structure and internal control system.

The Combination of Self-Regulatory Supervision and Heteronomy Supervision.

First, regulatory authorities perform heteronomy supervision. The focus of regulation is to ensure the legality and security of transactions. Credit system should be open to eligible network lending companies to create a business environment conducive to the development of online lending industry. The second is to rely on industry associations to form self-discipline. Supervision focus is to improve risk management and technical standards. For example, a unified information disclosure platform should be established so that investors can master the risk status. We should establish and implement the standard of network information security, ensure the security of transaction information and improve the reliability of trading system.

Internet Finance Should be Taxed According to the Current Tax System.

Although Internet finance is an emerging field combining traditional finance with Internet, it is essentially the transfer of funds between taxpayers through electronic trading platforms or financing business. With the real trading background, the basic tax elements of the transaction behavior are clear. Taxpayers engaged in Internet finance should pay taxes in accordance with the current tax system.

We Will Improve The Tax Policy And Management Of Internet Finance In Combination With The Reform Of "Replacing Business Tax With Value-Added Tax".

As China's Internet finance is still in the early stage of development, tax collection and management has not been fully followed. We need to perfect the tax policy and management in the field of Internet finance. In accordance with the principle of "tax neutrality" and "tax fairness and in line with the actual situation of the early stage of Internet finance development in China. First, the small business scale, and in the initial period of the Internet financial enterprises which are in line with China's current tax policy conditions for small and medium-sized enterprises, can enjoy relevant tax benefits according to the regulations. Second, we should combine business tax reform with VAT reform to improve the Internet finance tax policy. The ideal solution is to include it in the value-added tax chain, and income tax is taxed and the input tax is deducted. As in other industries. Third, we will study and improve the tax collection and management system that ADAPTS to the development of Internet financial industry.

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