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REVIEW

Analysis of Fintech Regulation Based on G-SIBs Fintech Index

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ABSTRACT

At present, Chinese financial supervision departments are constrained by information asymmetry and higher supervision costs, so their effectiveness in the ever-changing financial supervision needs to be improved urgently. Based on the G-SIBs fintech index, this paper analyzes the scores of fintech r&d, promotion, application and other indicators, aiming to explain the necessity of fintech regulation, and puts forward measures to strengthen fintech regulation.

1. Introduction

The essence of fintech is to innovate the products and services provided by the traditional financial industry through various technological means, which can improve the efficiency and effectively reduce the operating cost. During recent years, the development of fintech is changing with each passing day. The earliest online payment, credit card and so on have brought huge impact to traditional financial institutions such as Banks. Due to the features of Global Systemically Important Banks (G-SIBs), which are large scale, high complexity, business in the event of risk events will bring impact to regional or Global financial system, the characteristics of coupled with financial technology, relying on the connectivity of the Internet function, in the event of financial risk is likely to lead to systemic risk. Fintech regulation is a powerful hedge against these risks.

2. The Necessity of Strengthening Financial Technology Regulation

The G-SIBs fintech index is based on 29 global systemically important Banks released by the financial stability board (FSB) in 2018. Based on their research and development, promotion, application, input, impact, foundation and risk control, the index is built on the theory of core competitiveness. According to the analysis of the G-SIBs fintech index [1], it can be found that for the bank of China, its fintech influence ranks 1st, but its fintech risk control ability ranks 14th. China construction bank ranks 4th in fintech influence while 6th in fintech risk control. We can see that there are still great hidden risks in China's global systemically important Banks -- financial technology risks are likely to spread rapidly with the influence of Banks, so financial regulation is particularly important. Although China holds the regulatory orientation of "prudent supervision and inclusive innovation" for fintech, and encour-

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ages fintech innovation under the premise of risk control, this is far from enough.

The deficiency lies in the financial supervision of China's financial high-tech should be more financial technology supervision. The concept of fintech regulation echoes the concept of fintech, which is narrowly defined as the regulation of the financial sector with new Internet technologies such as cloud computing, big data and block chain.

From this we can see that the Chinese version of the "regulatory sandbox" that first landed in Beijing earlier this year is a kind of fintech regulation. So-called "sandbox" regulation, that is, by providing a "miniature" is a market and "loose" version of the regulatory environment, for regulators to very clear regulatory system and the dialectical relationship of financial innovation, timely find market excesses and detrimental to the interests of the consumers in the long run due to limited innovation regulations, and for the first time hearing and guide, really makes appropriate regulatory supervision, supervision and so on innovation spirit to the ground[2]. But what is different from other countries' "regulatory sandboxes" is that, at present, China's "regulatory sandboxes" will include licensees. Zhicheng Zeng, deputy director of the central bank's sales and management department, introduced that the "regulatory sandbox" must be a licensed institution, which is the bottom line, will not be included in the online lending, virtual currency and other institutions. Meanwhile, projects launched by fintech companies in partnership with licensees are not excluded.

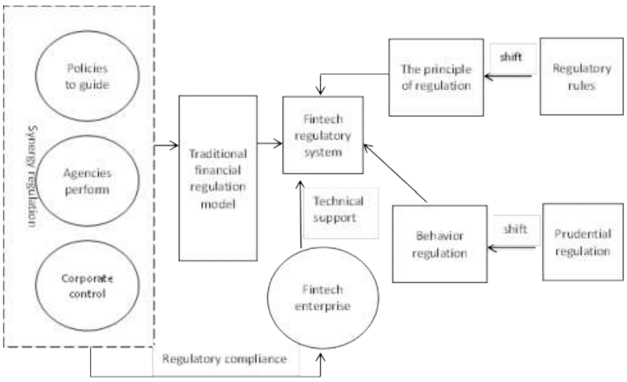

Figure1 the schematic diagram of fintech supervision system construction diagram

3. Ways to Strengthen Financial Technology Regulation

3.1 Supervision over Financial Institutions and Participants

According to the G-SIBs fintech index, China ranks first in terms of fintech promotion ability, among which China construction bank ranks first. The index "ratio of mobile banking users to total users" plays a big role in the ranking. Fintech promotion ability measures the comprehensive level of Banks' fintech innovative products and services, which is reflected in the marketing ability, market acceptance and benefits of the products and services. However, advertising is a common means of promotion. Therefore, in order to reduce the risk of illegal and illegal financial advertisements and other bad information brought by the promotion of fintech, the supervision of its promotion is essential. Xiaoming Pan and QuJun play a role of credit supervision proposed by way of innovative financial products advertising regulation is one of the types of financial regulation of science and technology, the current social credit system construction of the east wind, and utilization of enterprise credit information publicity system, the people's bank of financial credit information database platform, will verify the financial illegal financial advertisements include negative information of the person in charge of enterprises and related compression illegal financial advertisement of living space, promote financial advertising responsibility main body regulate the behavior of financial advertisements. Financial science and technology promotion, of course, is not only an advertisement of a kind of form, but can be seen everywhere, therefore, only the supervision of the financial responsibility main body advertising is not enough, what is more important to the national financial literacy cultivation and improve science and technology, market the vast majority of small and medium-sized investors, on the one hand, they should be protected as an investor market, on the other hand also want to monitor them, especially using the financial technology can quickly find their early irregularities, avoid "herding effect" and other loss or inconvenience to the society.

3.2 Strengthen the Combination of Technology and Regulation

According to the G-SIBs fintech index, China's global systemically important Banks rank low in terms of fintech investment capacity. This ability is mainly measured by the number of equity investments banks make in fintech companies. The reason for the insufficient development in this respect of China may be the imperfect legal guarantee and the immature market. Direct investment in fintech companies is an effective way to accelerate the fintech development of Banks, which would requires financial supervision, especially fintech supervision. Two main body mentioned here, Banks and financial science and technology enterprises, the market for their regulatory

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model determines the financial investment, research and development of science and technology as well as the achievements transformation. For Singapore application mode of financial supervision of science and technology, innovation, which makes financial technology companies, financial institutions and government departments work together, assessing the rationality of the new achievements and maneuverability, the transformation of the research and development[3]. It can be seen that the improvement of fintech regulation can start from strengthening the knowledge sharing and supervision exchange between existing regulatory authorities and market players such as fintech enterprises, and improving the technical level of regulators.

New regulatory tools such as regulatory sandboxes and innovation accelerators have emerged in fintech regulation. According to the United Nations, financial regulatory authorities in about 20 countries and regions have explored the application of regulatory technology, more than 50 countries and regions have established, set up or plan to set up regulatory sandboxes, and more than 40 countries and regions have set up innovation offices or innovation accelerators. Therefore, the application of technology to financial regulation is a trend and it is also an effective way to strengthen regulation. Strengthening the combination of technology and regulation will not only help improve the efficiency of financial regulation, but also promote the emergence of these new regulatory tools, which will help countries and regions learn from each other in terms of financial regulation and improve the level of global financial regulation.

3.3 Reduce Security Risks

Since global systemically important Banks are interconnected in terms of their own business scale, global and fintech rely on Internet connectivity, once financial risks occur, they are likely to lead to systemic risks. Xiangdong Qi, chairman of Beijing qi anxin technology co., LTD., expressed that the fintech system faces three security risks: data leakage, APT attack and "internal ghosts" when he attended the forum on financial risk monitoring and security technology and the opening ceremony of the key laboratory of mutual fund security in Beijing. Therefore, in terms of fintech regulation, it is imperative to reduce security risks. Qi cited data breach risks such as a series of cyber security incidents involving more than 24 million pieces of financial and banking data, including a large amount of loan and mortgage information, that were leaked by major U.S. Banks in January. For example, the hacker group Lazarus has long launched attacks against the bank's SWIFT system and once stole us $81 million from the central bank of Bangladesh. This is the risk of APT attack. APT attacks are mainly domestic and foreign APT organizations that launch attacks against targets in China, among which financial institutions are the second largest target of APT attacks. The third risk is the inside job. More than 85 per cent of cyber security threats come from the internal, far outweighing the damage caused by hacking and viruses, according to a report by the FBI, CSI and others. For example, APT "golden eye", which has been stealing sensitive information of financial transactions for a long time, once disguised as a legitimate software development enterprise, stole sensitive trading information of other financial institutions through malicious programs, and then used such trading information as investment intelligence to earn illegal excess profits.

It can be seen that the development of fintech is facing a severe, complex and changeable new security situation, so the regulation of fintech needs to focus on reducing security risks such as data leakage. According to qi xiangdong's "pharmacy", compared with the traditional network security through isolation, repair the boundaries of the technical method to establish a new technical method; New warfare tools with the third generation of network security technology at the core, new warfare capabilities with data-driven security at the core, new tactics with zero trust architecture at the core, and "four new strategies" with "people + machine" security operation system at the core. A "three-in-one" system of three-dimensional linkage of high, medium and low three-in-one capabilities has been established. The low-position capability is equivalent to the first-line combat troops, the median is equivalent to the command center, and the high-position is equivalent to the information center; Synchronous planning, construction and operation, providing a complete set of solutions from top-level design, deployment and implementation to operation management; The mechanism of users, cloud service providers and security companies restricting each other, the third party security companies are responsible for checking loopholes to fill gaps, the cloud service providers form a strong "three-party checks and balances". The above is to eliminate vulnerabilities to a maximum degree, and thereby reduce security risks of effective measures

4. Conclusion

Through the above analysis, we find that fintech regulation is indispensable to the development of fintech, and the appropriate regulatory model is conducive to the transformation of fintech achievements. Based on the analysis of fintech investment, promotion, influence and risk control

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ability of China's global systemically important Banks in the G-SIBs fintech index, it can be concluded that the fintech supervision of financial institutions and participants that plays the role of credit supervision and promotes the national scientific and technological literacy; Strengthening the combination of technology and regulation and reducing security risk are important measures to strengthen fintech regulation.

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