Research on the Contrast and Reference of Commercial Bank Risk Management of International Studies based on the Interest Rate Marketization

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Abstract

In this paper, we conduct research on the contrast and reference of commercial bank risk management of international studies based on the interest rate marketization. Market-oriented interest rate reform is in view of the interest rate control, refers to the regulation of regulators relaxed lending and deposit rates that removes the protection of bank spreads and make money prices determined by market supply and demand fully. Under this condition, lots of risks can be expected. How to understand the causes of credit risk to strengthen the management of credit risk and controls guards against and dissolve that have become our country commercial bank operation and management activities of the urgent need to solve the problem. This article proposes the potential solutions for the mentioned challenges that are meaningful.

Keywords: Commercial Bank, Risk Management, International Studies, Rate Marketization.

Introduction

Risk management is currently an important topic for the commercial banks around the world, due to the particularity of the commercial banks operating currency, determines the risk management of the commercial Banks and general enterprise risk management have different characteristics. At present, along with the deepening of financial reform in our country, puts forward higher requirements on risk management, and risk management of the commercial banks also should keep pace with the times, that will constantly improving and deepening. The nature of the risk management model could be then summarized as the following sub-sections based on the literature review [1,2,3].

- Any model is to abstract and simplify the complex reality problems, in the process of building the model assumptions are often unavoidable, and its assumptions tend to have the certain distance with reality and led to the deficiency in the model, the model of the effect depends on whether these assumptions and the future development of the market changes.
- The objectivity of model depends on the objectivity of the data to ensure that, the data must be real and objectively reflect the true nature of things, but not subjectively choose to use the data, the objectivity of the data available “data correlation” diagnosis.
- Commercial bank risk management model is to find not just explain the correlation between variables and influencing factors of theoretical model, but also to reflect the relationship of the number of quantitative models.
- Commercial bank risk management models from performance forms that need to be explained variables and the model is a reflection of the relationship between risk factors and quantitative relation, in the form of computer software embedded in the system implementation and the promotion. So, risk management model is not only economic behavior theory model, the

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quantitative model as is also a kind of computer models that is a technology product pricing valuation and risk measurement tool [4,5].

Moreover, the risks of the back could be summarized as the follows. (1) The legal risks. Legal risk is the commercial banks in operation and management, because it is on assets and liabilities business management negligence caused client money. (2) Credit risk. It is the main business of commercial banks deposit drain and granting loans, once if the borrower defaults phenomenon, loans on schedule or all returned to the client's behavior is the credit risk for commercial banks. (3) Commercial Banks in the process of the operation, due to some unfavorable factors and outside emergency customers of commercial Banks risk of negative effects, or because of the business process and the product defects and other problems caused reputational risk event risk is reputational risk.

Figure 1. The Commercial Bank Demonstration.

In this paper, we conduct research on the contrast and reference of the commercial bank risk management of the international studies based on the interest rate marketization. In the following sub-sections, we will discuss the issues in detail.

The Proposed Methodology

The Banking System. A large number of empirical studies have found that the development of the banking helps to promote the economic growth. However, about the relationship between banking structure and economic growth, existing research has not been consistent conclusions. The financial system can efficiently mobilize savings, capital allocation, and the function of diversification, not only lies in its overall size, the size of the more lies in whether the structure to adapt to the internal demand of the real economy. In this paper, and other empirical research on the analysis of China's banking system provides evidence. That judgment about the meaning of the "financial development" empirical research is that how to measure the financial development is very important. Often used in empirical studies "banking" may not be a measure of a good indicator of "banking development", to construct a more comprehensive measures may need to consider the size and structure of the sector.
Financial sector reform:
- Allow commercializing the banking system,
- Allow interest rates to be set by market forces,
- Deepening the capital market,
- Developing the legal and supervisory infrastructure to ensure financial stability,
- Build the credible foundations for the internationalization of China's financial sector.

Figure 2. The Banking System Review.

According to the review, the challenges for the banking system could be generally summarized as follows. (1) Banking system vulnerability or instability means a significant number of Banks in particular are suspected influential big bank solvency, and there are many problems in the operation of the banking system, such as the poor quality of assets, profits decline, and some difficult quantitative factors, such as weakness in the management, internal control aspects of the error and the potential impact of external events. Banking system vulnerability is not only threatens the financial industry's survival and development, and will have a huge impact on the national economy. (2) In typical British and American market economic system, make the enterprise developed commercial banking system and capital market can simultaneously use two kinds of financing ways of the direct financing and indirect financing. Between enterprises and Banks are mostly keeping a loose equal relations, under this system of financing, the bank of the good efficiency, high credibility and uncertainty of small financing project will actively provide financial support. (3) The stability of the banking system is the core of financial stability. The banking system vulnerability of threat to the survival and development of the banking sector is not conducive to the sustainable development of economy, even may cause the financial crisis. What happened in recent years, the history of the financial crisis, it is the banking crisis damage determines the scope and depth of the financial crisis [6,7].

The Interest Rate Marketization. Market-oriented interest rate reform is in view of the interest rate control, refers to the regulation of regulators relaxed lending and deposit rates that removes the protection of bank spreads and make money prices determined by market supply and demand fully. Market-oriented interest rate reform is to a certain degree of a country's financial sector development objective need and inevitable result as also is the key problem in a country's economic system reform. Considering the different countries show different characteristics in the process of marketization of interest rate, we will draw on the experience of reform experience of several typical countries and the regions as the follows.

- The United States. Interest rate marketization process in the United States since 1970, to 1986. Their entire marketing process can be thought of as relaxation "Q ordinance" control of the process and its reform is the innovation of financial products as the breakthrough point.
- Japan. Japanese interest rates liberalization reform began in 1977 and continued until the end of 1994. With interest rates liberalization as the breakthrough point, take the debt first, other varieties after the first in the interbank market interest rates, loan interest rate in practice after the first long-term, big, short, small steps.
- Germany. Germany's interest rate marketization process compared to other European and the American countries are very radical. In the years just six years passed gradually narrowing interest rate restriction is the marketization of interest rate. Germany was able to so rapidly promote market-oriented interest rate reform benefit from two reasons: one is the German central bank independence is very high that can carry out the steady monetary policy; Second, Germany's financial institutions business areas are loosely referred to as the "universal Banks". Due to the comprehensive strength in the field of business, universal Banks for the reform of
the interest rate to bear ability is stronger. Based on this, Germany didn't dare to rapidly promote the interest rate marketization process [8].

Similar to other areas of reform, China's market-oriented interest rate reform has taken a gradual mode. Although as early as 20 years ago has explicitly put forward interest rate liberalization of the basic assumptions, the significance and the necessity to reform has agree, but we still have some way to go. In particular, continued downward in economic growth, inflationary pressures rise, the real estate bubble risk accumulation and international economic environments, many unfavorable factors, such as parallel does not seem to be ideal time to promote the reform of interest rate marketization.

**The Commercial Bank Risk Mode.** Banking as a special industry to operate monetary capital for the economy as a whole has played a very important role in the development, the stability of the banking industry involves the entire financial system of the country or region of the stability and the sustainability of economic development, therefore, how to maintain the stability of the banking system has for years been attention by governments.

Overall, main methods of measure of banks' risk can be divided into three types: bankruptcy risk method to measure the bank risk, mainly is the bank as a general company, its possible bankruptcy risk as a way to measure the risk of the bank itself, the so-called state of bankruptcy or loss more than capital cushion cover, this type of research represented by Laeven and Levine as marketing measure of Banks' risk, this method from the perspective of investors, use sharpe, etc., on the securities market line formula, and in considering the bank interest rate risk, unique in the market to the total risk, systematic risk and unsystematic risk as a bank's risk proxy variables, this series of research represented by Pathan. Capital adequacy measure of Banks' risk, that is, from the Basel committee formulated the "capital accord" in the regulation of capital adequacy ratio formula, the formula of molecular parts or the denominator singled out as proxy variable of bank's risk, this a series of the research represented by Rime. Derivative nature of risk management model can be then analyzed from the following unique perspectives.

**Local applicability of the model.** Applicability of local commercial Banks risk management model subject to the limitation of the model and the data, the dependence of each model reflects the objective law has its own specific purpose and use of the situation, once the model used in the inappropriate ways will lose its significance.

**The efficiency of the model.** Model of timeliness refers to any model is based on historical experience, based on modeling the data situation, and established basic situation, with the passage of time, both the external macro environment, or the risk characteristics of the modeling object itself, can happen major changes, caused by the model established the relationship model was set up, no longer model to predict the effectiveness of the lower, even failure.

**Model to create professional and collaborative.** Risk modeling is the system engineering. Model in the commercial bank in the whole life cycle process, that usually have full-time model econometric model design and development, policy making, model validation, model application department or team, responsible for the relevant professional responsibilities and undertake the task of the corresponding each link.

**The Financial Risk Control Suggestions.** At present, there are many at home and abroad, research on risk control and risk management audit results. Based on the research perspective, research methods and research environment difference, issues related to research conclusions are not unified. Foreign research results more attention to reveal the risk control, internal control and risk management audit and corporate governance, internal relations. From this angle, we propose the basic principles and suggestions as the follows.

- The principle of system. To this, there are two main points. It is comprehensive, the financial risk early warning indicators must be able to fully cover the main influence factors behind the financial risk, financial risk early warning mechanism to achieve the overall layout, avoid big loophole, this is the premise and foundation of system principle; Second is associated,
financial risk early warning index must be logically inner relation between financial risk early warning indicators within the mechanism must be generis, this is the essence of the principle.

- The dynamic principle. Financial conditions, financial institutions, financial theory, factors such as environment, national economic development situation at home and abroad are in constant change. Scientific, reasonable and suitable financial risk early warning system would not have come around, so we should insist on the principle of dynamic. In formulating specific period applicable degrees higher financial risk early warning mechanism at the same time, also form elasticity improved update mechanism, so that the financial risk early warning in ensuring its advancing with the times and continue to play its proper role.

- To construct a system of relative standard and easy for operation of the early warning index system. The so-called financial risk is one or some aspects of financial institutions and industry or links appear variation phenomenon, the so-called financial crisis is the result of the variation of the large-scale outbreak.

- Flexible determine the early warning index threshold value and the safety range. After the systematic early warning indicators to determine the next step of work is to determine the indicators below what circumstance is in a state of risk warning signal, the problem involves two aspects, one is the early warning index threshold value, the second is safe range.

Conclusion

In this paper, we conduct research on the contrast and reference of commercial bank risk management of international studies based on the interest rate marketization. Our country commercial bank loans increased rapidly has played an important role to promote the rapid economic development of our country, but the risk hidden danger of high speed on the loan is increasing, commercial banks is not prudent lending behavior and impulse in the business activities, extensive management tends to rise. How to understand the causes of credit risk to strengthen the management of credit risk and control, guards against and dissolve that has become our country commercial bank operation and management activities of the urgent need to solve the problem. Under this basis, this paper proposes the new perspective and suggestions under interest rate marketization condition. In the future research, we will focus more on the application analysis to test the effectiveness.

References