



Research on the Risk Control Measures of the Stock Pledge Repurchase Business of Securities Companies——Taking XX Securities Company as an Example

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Abstract: With the development of my country's economy, the market's demand for funds has expanded. As an efficient, flexible and convenient financing channel, the equity pledge repurchase business has been welcomed by the public since it was internalized in 2013. But at the same time of convenience, it also brings risks to the market. This paper studies the situation of the stock pledge repurchase business in my country combined with the specific risk management methods of XX Securities Company to find problems, and provides the following solutions: optimizing the basic process of stock pledge repurchase business; optimizing the due diligence process; dynamic risk indicator monitoring system; selection The integrating party began to reduce the risk of default; cultivate risk management talents. In this way, the stable development of the capital market is guaranteed.

Keywords: Securities companies; stock pledge repurchase business; risk management

1. Introduction

As the economy develops, the demand for capital increases. In order to meet market funding needs, the Shanghai and Shenzhen Stock Exchange launched an on-market ① stock pledge repurchase business in June 2013 [refers to eligible fund merging parties who pledge their holdings of stocks or other securities to pledge to eligible assets. The financial sender integrates the funds and agrees to return the funds in the future and release the pledge transaction], was welcomed by the public. However, as a “double-edged sword” ④, the stock pledge business brings performance achievements and risks at the same time. Since 2018, there have been frequent defaults, ② and risk management is urgent. This article adopts the literature review method, theoretical tool method (COSO comprehensive risk management framework ③), investigation and research method, combined with the current business situation and its risk analysis of xx securities' management and problems of the business and puts forward corresponding suggestions. It aims to bring reference significance for securities companies to prevent equity pledge business risks, promote the stability and harmony of the market, and ensure the stable development of the capital market.

2. Securities company's risk management of equity pledge repurchase business

Since 2018, there have been frequent defaults in the stock pledge repurchase business. As the main force in business development, securities companies are facing huge risks. Outstanding risks ⑤ include: market risk, credit risk, liquidity risk, operational risk, and legal risk.

(1) XX Securities Company risk management organizational structure

First, the company has established a business decision-making and execution authorization system composed of the company's executive committee-risk management committee-securities financial business decision-making committee-securities finance department-business department's stock pledge repurchase business risk control organization. In

this process, they are respectively responsible for: determining the rules of procedure, determining the division of responsibilities and risk limits-determining the overall business risk management policy-determining the threshold of business risk indicators-business development and project quality control-conducting business; Separate and restrict each other.

Secondly, it has a relatively complete business process, as shown in the figure 1.

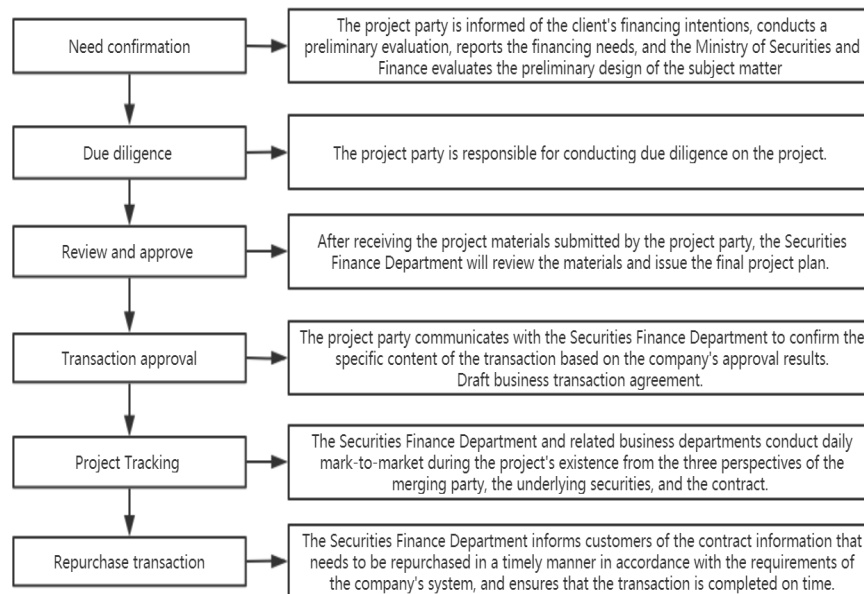


Figure 1 business process

In addition, XX Securities Company has a set of rating procedures for the stock pledge repurchase business, that is, the project party/business departments of the company responsible for the business initiate the rating process, and are responsible for the collection, submission and assurance of customer credit rating information and the project declaration and due diligence. Reports and other forms and relevant customer information to ensure the accuracy and completeness of the information used in the rating.

Finally, there is a mark-to-market system. The mark-to-market of the business target securities, integrators and performance guarantee ratios does not only observe indicators, but divides the target securities or the underlying securities in risk areas based on the daily clearing information provided by the company. The integration party shall do a good job in the notification and explanation, and prepare for emergency.

XX securities companies' risk management problems

Observing the disclosed stock pledge repurchase business process, risk management system and related events, the following management defects can be found:

1. The company's stock pledge repurchase business risks are managed by the head office; the branches and departments of Mengwei have established their own review procedures, and it is difficult to timely pay attention to the risks of stock pledges from the source.

2. When credit rating and due diligence, the information source is narrow, and the data collection personnel are non-professional due diligence personnel, the results of such investigations lack rigor and professionalism.

3. There is no real-time detection of risk indicators. For example, in recent years, the company has seen multiple risk default events, most of which are credit risks caused by a series of chain risk reactions caused by changes in a certain risk indicator.

4. The company has insufficient investment in the digital transformation of the risk management information system, and the data application of the existing system is sufficient.

5. Under the conditions that the stock pledge repurchase business continues to grow in size and complexity,

the problem of talents has gradually surfaced, and the introduction of high-quality talents and the reserve of risk management reserve cadres are obviously insufficient. And it has not yet formed a perfect talent training system and performance appraisal mechanism.

3. Countermeasures and suggestions for the problems in the risk management of xx securities company's equity pledge repurchase business

(1) Optimize the basic process of stock pledge repurchase business

On the basis of the original process, the pre-steps of all parties are added before the requirement confirmation, review and approval.

That is, the head office should strengthen the management of the stock pledge repurchase business, and at the same time unite the strength of relevant departments and branch companies. Before demand confirmation, review and approval, various departments and branches put forward opinions, and finally make decisions in conjunction with all parties. Such a dual mechanism can prevent some risks.

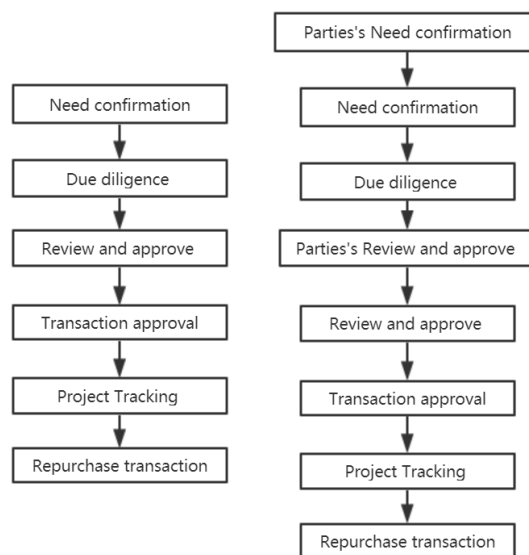


Figure 2 new business process

(2) Optimize the due diligence process ⑧

While continuously improving the due diligence process, you can apply for assistance from other departments. Different departments are responsible for different businesses, and unknown risks can be discovered from different perspectives. At the same time, the professional knowledge training of the personnel responsible for due diligence should be strengthened; When encountering difficult to complete investigations, you can consider hiring an external professional team.

(3) Dynamic risk indicator monitoring system ⑧

The update of risk reference indicators is too slow, but the stock pledge repurchase business market has the problem of constantly changing characteristics.

First, the company should adopt different risk detection mechanisms under different conditions according to the changes in the market, itself and the trading parties. Secondly, pay attention to multi-faceted and multi-dimensional monitoring in the project tracking stage, and pay attention and feedback in time. In this process, information technology can be used to realize digital management and process management of business processes, which is to improve the efficiency of index monitoring and management.

(4) Start to reduce the risk of default by choosing the integration party

Securities companies must rigorously screen the pledged securities, try to choose listed companies with a lower

overall stock pledge ratio ⑥ , and continue to dynamically pay attention to the overall share pledge ratio of listed companies; select financiers with consistently good assets and operating conditions; strengthen customer risks

Awareness, otherwise once a breach of contract breaks out, it will be difficult for the securities company to recover the funds raised by it. ⑦

(5) Cultivate risk management talents

Human resources are the core and important factor of enterprise competition. Optimizing the construction of risk management talents is an important link in improving the company's risk management capabilities. The company can carry out employee vocational skills training (phoenix risk prevention and control, risk identification, risk management, risk identification, etc.) from time to time according to actual conditions. However, the role of training alone is negligible, and it should be supported by performance appraisal.

4. CONCLUSION

Under the constantly changing economic situation and frequent risk events, the current risk management system of securities companies does not match the requirements of risk management under current conditions or has defects. Based on the background and basic situation of the stock pledge repurchase business and the actual management case analysis of XX Securities Company, this article puts forward five reasonable suggestions to XX Securities Company based on its management methods and existing problems: Optimizing the basics of stock pledge repurchase business Process; optimize the due diligence process; dynamic risk indicator monitoring system; reduce the risk of default from the selection of the integration party; cultivate risk management talents. In summary, we can only continue to improve the company's risk management system, improve risk control capabilities, and keep up with the times in the development of risk control indicators and the update of management systems, so that we can overcome risks.

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