

# The Development Countermeasures of Asset Management Business of China's Securities Companies

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## Abstract

**With the opening up of China's financial market and the gradual relaxation of regulatory policies, the era of "big asset management" has arrived. The development of asset management business of securities companies has an inevitable trend. Along with the rapid expansion of the scale of asset management of securities companies, a series of problems have also emerged. The scale structure, business model, and regulatory system are still immature, which has caused widespread concern from regulators and all parties in society. Therefore, in the new situation, this article puts forward corresponding suggestions from the aspects of business innovation, management operation, customer development, and supervision system, in order to provide a certain reference for the sustainable and efficient development of China's securities brokerage asset management business.**

## Keywords

**Securities companies, asset management business, countermeasures.**

## 1. INTRODUCTION

The advent of the "big asset management" era was formed with the gradual deregulation of the asset management business by China's regulators. Under the modern asset management model, the asset management business has transformed from a single source of funds and a single fund investment to multi-source funding and multi-party funding, has achieved a qualitative leap in both the number of participating institutions and the scale of asset management. In recent years, the asset management of securities companies has continued to carry out business reforms, and the asset management of securities companies has increasingly become the main force of the asset management industry. With its unique business advantages, asset management have gradually become a new profit growth point for securities firms in the context of the rapid development of the asset management industry. But at the same time, due to the large fluctuations in the underlying securities market, inadequate construction of related systems, weak active management capabilities, and insufficient innovation, the asset management of securities companies has presented a series of structural problems and insufficient capacity for sustainable development.

Therefore, on the basis of fully analyzing the current situation of the development of China's securities asset management business, it is necessary to analyze the existing problems in business development, summarize the reasons, and make recommendations for the sustainable and stable development of China's securities asset management business.

## 2. CURRENT STATUS

Since 2009, the scale of asset management of China's securities companies has continued to grow. In 2012, the regulatory authorities implemented a series of loose policies, and the scale of asset management of securities companies grew rapidly, up to 150%. After 2013, under the pressure and regulation of the regulatory authorities, the securities firms continued to make structural adjustments, and the growth rate of asset management scale of the securities firms decreased sharply, and the growth rate gradually flattened from 2013 to 2016. In general, after the era of "big asset management", the asset management of securities companies has achieved great development. The scale of asset management has continued to grow steadily, but the growth rate has gradually flattened, and the asset management business of securities companies is more standardized, scientific and reasonable. At the same time, in recent years, the proportion of asset management net income in total revenue has been relatively small, and the contribution rate of asset management business revenue is still at a low level, but the proportion have continued to increase. As far as the brokerage collective asset management business itself is concerned, the scale of collective asset management of securities companies has continued to increase, and the share and number of integrated asset management products have been expanded. It can be seen that the scale of collective asset management of securities companies is steadily increasing, showing a better operating situation. In addition, the scale of the passive management business of the brokerage asset management business still occupies a large proportion, but the growth rate of the passive management scale has slowed down. Brokers have begun to improve the level of active management and increase the scale of active management. In addition, although the number of individual accounts in the asset management funds of the securities companies is relatively high, the size of the funds is relatively small, and the number of institutional accounts is relatively small. Managed funds are mainly from institutional customers, and individual customers have small and scattered funds.

## 3. PROBLEM

With the gradual opening up of China's financial market and capital market, the government has gradually relaxed the protection of the securities market, and customer resources and quality investment talents in the asset management industry have been dispersed to financial institutions such as banks, insurance, and fund subsidiaries, resulting in the loss of asset management by securities firms. In addition, due to China's inadequate institutional construction and inadequate supervision system, the entire asset management industry is more chaotic, which has caused a series of problems. In this context, the asset management of securities companies also presents a series of problems: proportion of revenue is not proportional; serious product homogeneity; insufficient risk control capabilities; prudential supervision and constraints.

### 3.1. Structural Problem

Among the three types of asset management business of the securities firm, the directional asset management business accounted for the largest proportion, up to 94%, but the revenue accounted for only 45%, and the scale of the collective asset management business was very small, accounting for only about 30% of the directional asset scale. However, the profit contribution rate is as high as 55%. Therefore, the proportion of the asset management scale of securities companies is not directly proportional to the proportion of revenue, presenting a structural problem. This structural problem is due to the relatively high proportion of channel business and weak active management capabilities [1].

### 3.2. Serious Product Homogeneity

In recent years, the asset management business of China's securities companies has been undergoing continuous reforms, innovating asset management products and investment channels. The development of fixed income asset management tools has been relatively mature. Asset securitization, quantitative investment, derivative financial instruments, alternative investments and other new asset management tools have been steadily growing. The product line is constantly improved, but the product design capability is obviously insufficient, and it lacks competitiveness, which makes some innovative high-tech content brokerage asset management products succumb to the R & D design stage, or cannot be used in practice, theory and practice out of touch.

### 3.3. Insufficient Risk Control Capabilities

Under the modern asset management model, industry risks appear more complicated and hidden, and linkages are stronger, which has a greater impact on the asset management industry, securities markets, financial markets and even capital markets. The ability of securities companies to identify, evaluate and control risks during the process of developing asset management business has improved, but compared to the complexity and diversification of asset management business, they still have a weak heart. Securities company asset management lacks a complete risk control system and Corresponding supporting infrastructure. Coupled with the asymmetric risk and return of the asset management business and the lack of practical experience in risk prevention and control of domestic securities firms, the risk management capabilities of securities firms appear insufficient to cope with the increase and complexity of business risks [2].

## 4. DEVELOPMENT STRATEGY

Based on the current situation of China's securities company asset management and business problems, this article summarizes the following reform and development strategies for reference only.

### 4.1. Strengthen Business Innovation

At this stage, business innovation capability is the fundamental driving force for the further development of China's securities brokerage asset management business. Brokers should continue to strengthen product research and development and business innovation, improve the types of asset management tools, broaden the business chain, enrich investment targets and channels, and launch comprehensive, differentiated, and specialized products and services to meet the diverse needs of customers. In addition, it focuses on the development of new asset management tools such as asset-backed securities, alternative investment, and cross-border investment, and builds an "Internet + asset management agency" structure, which injects fresh vitality and elements of the times into the asset management business.

### 4.2. Improve Operation Management

If innovation ability is the driving force for the development of securities asset management business, then operation management capability is a necessary condition for the sustainable and stable development of asset management business. On the basis of improving innovation capabilities, operational management capabilities are the key factors that ultimately translate them into operating profit. At this stage, China's securities firms need to strengthen the cultivation of active management capabilities and increase the revenue contribution rate of asset management business; at the same time, they should strengthen cooperation between internal and external institutions to achieve resource sharing and improve management and operation levels.

### **4.3. Strengthen Customer Development and Segment Customers**

Continuous customer development, mining retail customers, reducing collective asset management investment restrictions, attracting more investors, and continuously deepening customer segmentation, so as to develop personalized products that match their different needs.

### **4.4. Strengthen Basic Market Construction**

The development of China's basic securities market is still imperfect, with high systemic risks, high market volatility, and a single asset management tool and method for hedging risks. The operation level of the asset management business is highly related to the underlying securities market. The fundamental targets available for the asset management plan in the market are obviously insufficient, which greatly hinders the development of the asset management business. Therefore, China needs to strengthen the construction of the basic securities market and create a good external environment for the asset management business of securities companies.

### **4.5. Strengthen Investor Protection and Break Rigid Payments**

Brokerage asset management must break the rigid redemption while protecting investors. Through the improvement of the information disclosure system, it fully reminds the market risks and must not explicitly or imply rigid redemption[3]. Second, it is necessary to improve the matching mechanism between the customer's anti-risk ability and the product risk level, and appropriately introduce insurance mechanism; finally, strengthening investor education, conducting professional knowledge media publicity, and conducting investor education special activities will help fundamentally protect the interests of investors and form a good market order [4].

### **4.6. Strengthen Risk Control**

Use big data to conduct risk monitoring and prevention. Improve basic equipment and realize the informatization of the entire business operation process; establish an internal organizational structure to control risks and strengthen the linkage between risk control departments; isolate business operations to prevent connected transactions; set up a comprehensive set of risk management indicators for asset management business System, using advanced risk control management technology to conduct a comprehensive evaluation of asset management business.

## **5. CONCLUSION**

This article makes a very detailed analysis of the development of China's securities brokerage asset management business, points out the current status of its scale and structure, and conducts an in-depth analysis from the business content and institutional level. In general, on the one hand, the asset management business of securities companies has good development prospects and huge development potential; on the other hand, there are major problems in the development of asset management business of securities companies in China, and the quality of the business is not high. Therefore, this article puts forward constructive suggestions for the deepening of asset management business of China's securities firms based on the status quo and problems of business. The article points out that securities firms should strengthen business innovation and develop emerging asset management businesses such as Asset-backed Securities (ABS); deepen the reform of business operation mechanisms, strengthen institutional cooperation, integrate internal and external resources, and at the same time strengthen independent management to improve proactive management capabilities and levels; strengthen Protect investors, break rigid payment; raise risk awareness, strengthen risk control, etc.

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