

The Analysis of P2P: A Case in Shanghai

HAN QIN^{*},

Shanghai Lixin University of Accounting and Finance, China

Abstract

In this rapidly changing world, the concept of "Internet+" is the general trend. And the development of P2P is to make Internet Finance a new level. Based on the statistics of P2P industry, this paper investigates the main risks and problems faced by P2P. This study shows that P2P in the convenience of the public at the same time, due to the lack of necessary supervision and industry chaos and so forth, but also has brought immeasurable risk to the market, and there have been a phenomenon of "Ponzi scheme" and some small P2P companies have collapsed. The boom since 2013 has ceased to exist. In this research, we interviewed a related person who was a senior product manager of Lufax, and learned that center around the Lufax, there are many companies which started with P2P were stripping or stripped P2P, and had a positive transformation. Management and moral hazard become prominent issues. The future development of P2P must be in the government's scientific supervision and industry self-discipline, under the premise of "get rid of guarantee", "get rid of the pool of funds" and assist with the development of corresponding credit system to carve out a broader space for P2P development.

Keywords: P2P; Internet Finance; risks; Government's supervision

I. The foreword

1. The summary of P2P

History is a never-ending wheel, the era is always in development, technology has been progressing. In today's information age, the "Internet +" concept is in the highest heat. The rise of a conceptualized era needs favorable climatic, geographical and human conditions, none of these three can be omitted. In the 21st century, people's living standards continue to improve, began to pay attention to the enjoyment of spirit and the convenient and efficient service, coupled with the technology mature, continuous innovation and people's thinking more open, which promote the "Internet +" era's arrival. Economic and financial, as the cornerstone of social development, will be the first to be incorporated into this emerging field, Internet finance also came into being. It has the advantages of low cost, high efficiency, wide coverage, fast development and variety of modes. Among them, the loan platform which represented by P2P is an important model of Internet finance and develops rapidly. P2P network

* Corresponding address: HAN QIN, Shanghai Lixin University of Accounting and Finance, Shanghai, China. Email: nico_qh@163.com

loan (PEER TO PEER LENDING) is a P2P platform as an information intermediary, the center of the borrowers and investors to achieve point-to-point small loan transactions in a financial model. P2P loan services generally include three main entities: borrowers, P2P platforms and investors. Borrowers have financial needs, investors have investment needs, but they will appear between the information asymmetry situation, this is the time that need P2P platform, as a medium, to match them. Specific forms of services usually include lending information disclosure, credit audit, legal means, investment advice, overdue loan recovery and other value-added services. P2P platform is divided into two modes: online and offline, where the online is the mainstream mode and benchmark mode. Peer-to-peer platform is also known as P2P network loan platform. In theory, because of the low cost of information collection on network loan platform, they can serve a more small, fragmented financing needs.

The prototype of P2P network loan originated from four young British people: Richard Dewar, James Alexander, Sarah Matthews and David Nicholson. In March 2005, their first founded P2P network loan platform in the world-zopa (ie Zone of Possible Agreement) officially launched in London, can be said as the origin of the network loan industry. This new business model quickly gained widespread attention from society and the public, with a large number of registered members, the total investment and loans soared, and also imitated by many countries and enterprises. China is in 2006 that began to have P2P network loan platform when many companies have no awareness about "Internet +". They have more doubt in this business model, and can not determine the benefits, also do not want to get involved. But after three or four years of low development, in 2011, China's network loan platform entered in a period of rapid development, a large number of net loan platform have showed up on the line. When it comes into 2013, net loan platform has the speed of more than 1-2 new platforms on the line every day.

In fact, the development of P2P has been a long time. From the literal meaning to understand, P2P is "personal to individual borrowing", this type of borrowing has exists in ancient times, we call it "private lending." But "private lending" has long been in a gray area, because most of the individuals and institutions engaged in this industry use the fixed income to raise funds from the no specific groups and even friends and family, and then sell out loans to others in a higher interest, it is easy to link with "usury", and basically will be related to two charges called illegal fund-raising and illegal operation. The appearance of P2P promotes the private lending to sunshine, optimizing the multi-level financing service system. In addition, due to the wave of entrepreneurship, there have been a large number of small businesses in the market, and most of the banks do not want to take too much risk to cooperate with these micro-enterprises to provide loans for them, so the appearance of P2P also solve the financing difficulties of these enterprises in a certain degree, boost the development process of financial inclusion. At the same time, the Internet financial use the advanced modern network technology to improve the efficiency of resource allocation, to achieve the change of indirect financing to direct financing, promote the

marketization of interest rates, and also enriched the public investment channels. Integrate the idle funds and improve its utilization.

2. The development status of P2P in China

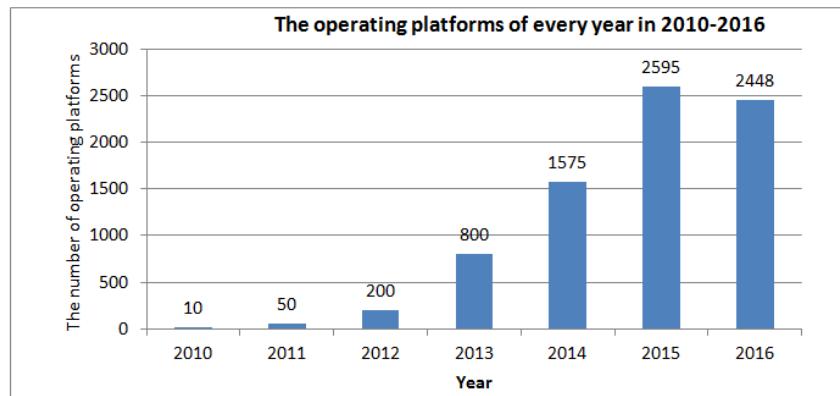
From the beginning of the sprout in 2006 to the first half year of 2013, the pace of P2P platform development is relatively slow. Since the second half of 2013, due to the gradually cleared policy, the market environment began to mature and other reasons, the P2P loan service industry has a rapid development, the number of P2P platform, transaction volume and the number of investors increased quickly. Venture capital, bank capital, listed capital, etc. have invested in the P2P platform, begun to make the layout of Internet finance, let a lot of P2P platforms get financing.

The possibility of P2P development in China thanks to the three era background. The very first is the standardization of private borrowing. Private borrowing as an important supplement to bank loans to solve the temporary funds needs of many small and medium enterprises, is a strong support to the development of SMEs with the SME owners' warmly welcome, and add with the introduction of government policies and regulations to regulate the operation of private borrowing, pave the way for the development of P2P. The second is the rise of financial inclusion. P2P lending services industry almost synchronized with the development of global financial inclusion, and its practice in the concept of small loans is totally fit with the concept in financial inclusion. The third is the appearance of Internet financial era, which provided a broad market environment to P2P. Moreover, from the view of asset point, the arrival of the era of great financial management give it a hand.

The peak time of industry's financing occurred in 2014 and the first half of 2015, most of the well-known large-scale P2P platform has received more than one round of financing. However, in the second half of 2015, financing cases have been reduced, most of the venture capital institutions began to wait and see the trend, which has a lot to do with the negative cases disclosed in the industry and the tightening supervision.

2.1 The number of operating platform

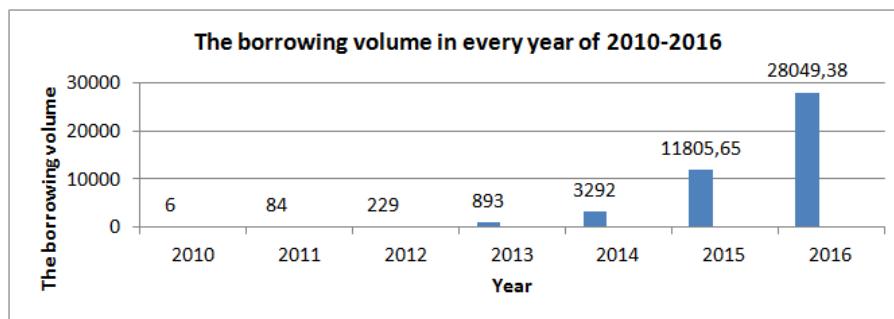
China's earliest platform was established in 2006, but the industry didn't begin to be concerned by entrepreneurs and investors until 2010, then a large number of platforms emerged. See picture 1.1, in 2010, the number of operating platforms in the industry was only 10, but by the end of 2015, the number of operating platforms had increased to 2595, with an average annual growth rate of 203.97%. However, in 2016, the number of operating platforms was 2448, with a decrease rate of 5.66%, mainly due to the hit from "e rent treasure" and other events and the impact of vigorous supervision implemented by authorities, leading to a fall after rise in the number of P2P platforms.



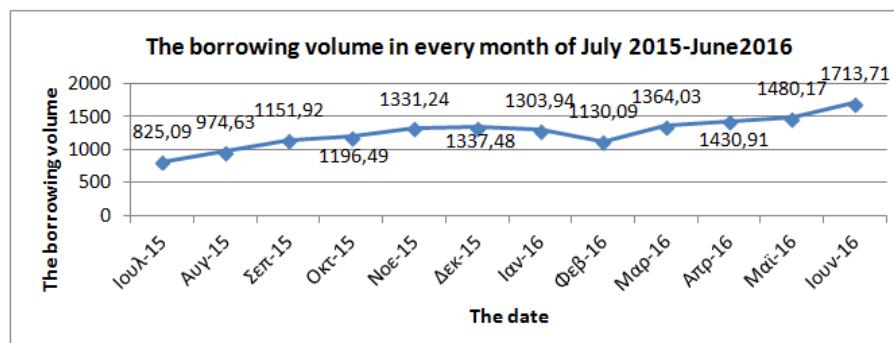
Picture 1.1 date from www.wangdaizhijia.com

2.2 The borrowing volume

Recent years, the borrowing volume in China has showed a trend of explosive increase. See picture 1.2, in 2010, the industry's borrowing volume was only 600 million yuan, but by the end of 2016, the whole industry has been leaps and bounds to a volume of 2804.938 billion yuan. China has been ranked the world's largest P2P lending services market, the industry total lump sum of the total volume of loans in September 2015 and May 2016 has broken through the trillion yuan mark and 2 trillion yuan mark. Since the second half of 2015, in addition to the volume in January and February 2016 which has a slight callback, China's P2P lending services industry has withstood pressure and kept a rapid growth. See picture 1.3.



Picture 1.2



Picture 1.3

To sum up, either the number of platforms or the volume of loans, there have an explosive growth and a period of down time, you can see that the development of P2P in China is not stable, even not mature. We are still in the step of "feeling the stones to across the river." When everyone drove into the market to set up P2P companies , at the same time, it seems that few people really know about the essence of P2P, what is the key factor in the success of P2P in China. What's more they can not clearly recognize the fundamentally different of P2P between China and Europe and the United States. It only because the seemed "low limitation" in this industry, they eager to step in it with a neglected fact that "The essence of interenet finance is still finance". Finance is a field usually faced with many risks, and P2P is a new thing without any experiences to followed, so there have a higer request about management ability to P2P platform. All can imagine is that behind the quick expansion of the volume of platform, hided many problems such as the lack of risk control ability, the chaos of management etc. It's just like a time bomb, which will explode everytime.

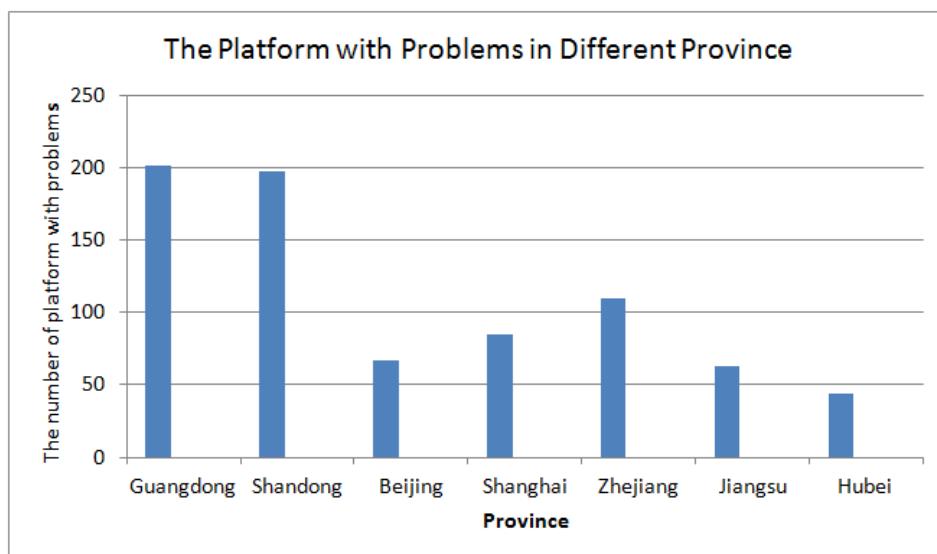
Only by deep analysis of P2P development problems and risks, recognize the key point can we find a solution to keep P2P platform's stability and prosperity in China, and contribute to China's economic development.

II. Investigation on the Development of P2P in Shanghai

1. The design of investigation

1.1 The reason of why choose Shanghai as typical cases

The development of P2P in Shanghai is more earlier, and the number of problem platforms under the huge data basis is small, which shows that there are rich accumulated experincces, and there are more success stories about P2P management and operation.(see picture 2.1). Therefore, use the development of P2P in Shanghai as a microcosm of China's financial market, the research of it is a typical example.



Picture 2.1 data from The Bund Credit

1.2 The reason of why choose LUfax

There are many P2P platforms in Shanghai, it is impossible to recognize them one by one. So Lufax, as the industry leader in Shanghai, was selected as the main research object of the paper.

The LUfax is established in September 2011 in Shanghai with the support of Shanghai government, its registered capital is 8.37 billion RMB. The Lufax is a subsidiary of Pingan Insurance plc. located in Shanghai LuJiazui, the international finance center. Lufax is an internet financial company started with P2P whose business scope covers a wide range, and among these aspects it focuses on the Internet finance. Lufax's P2P business can cross the geographical constraints and build a bridge and platform to the investment and financing point, bring the private lending to sunshine. And its borrowers mainly from the second and third tier cities, and investors from the north of Guangzhou and Shenzhen and other first-tier cities, which can effectively use the power of private capital to achieve the effective allocation of resources to help solve the reality problems of China's regional economic development imbalance. In May 2014, Lufax was named one of the most important P2P companies in China by Lend Academy, the largest P2P research firm in the United States, and was ranked among the top three global peers by its online trading services. From the establishment of the date, Lufax has gained many industry honors, and has become a leading financial assets trading service platform in China with an important international influence. It is expected to become China's Lending Club (the largest listed P2P platform in US).

According to Ping An Group's annual report of 2016, by the end of December 31, 2016, Lufax platform had cumulated registered users 28.38 million, increased 55.0% over the previous year, the number of active investment users is 7.4 million, increased 103.9% over the previous year, the new Increased number of investment users in 2016 is 4.45 million, in an increase of 33.3%. In addition, in 2016, Lufax holdings completed a B turned financing of \$ 1.2 billion, valued at \$ 18.5 billion. In 2016, Lufax holdings completed the reorganization of financial inclusion's business and Chongqing funded business, thus formed a strategic layout of Lufax, Chongqing finance, Qianhai finance and financial inclusion. Widely covered the field of wealth arrangement, transaction between agencies and consumer finance.

As the industry leader, Lufax naturally have great research value. The paper made a visit to the relevant person who had served as senior product manager of Lufax, and gave a more comprehensive understanding of Lufax's development and operation status.

2. The substance of investigation

In the range of my ability, I found a person who had a better understanding of the situation of the Lufax. He was a senior product manager of Lufax, who has been in this field for four years and has been in the Lufax for about three years. He just throughout the vigorous development to the downturn of P2P in this time, so he had

experiences in person in the existed problems of P2P platforms. But in the interview, he said he was reluctant to disclose his name.

Reading from a financial report in 2016, I learned that, Kuisheng Ji, the chairman of Lufax, had said that the IPO listing of Lufax was likely to be postponed to this year. Although over half a year has passed this year, the listing trend of Lufax has never been heard of so far. I have also inquired the related people who were interviewed on this matter, but they claimed that they could not comment too much on the decision made by administrators. Actually, the hearsay about the listing of Lufax has been existing for a long time. Kuisheng Ji has indicated before that most administrators were planning to list Hong Kong stocks, but he was inclined to listing at home. Why the listing of Lufax is being continuously postponed since the trend has already been exposed? The interviewed mentioned that it might be closely related to the frequent Personnel changes in top management of the company. Lufax is called among people as “the permanent chairman and changing executive”, because Lufax changed management too often such as general manager, deputy general manager and chairman of the board. Xiaojun Yang, the vice chairman, who had taken office less than a year, quitted firstly. Then it was exposed by the media that several deputy general managers left in succession as early as 2015, and four general managers had been changed since the establishment of the company in all. However, changes happened to “the permanent chairman” in 2016. Renjie Li, former president of Industrial Bank, assumes the office of the chairman, and Kuisheng Ji works as Co-Director as CEO. This series of personnel changes immediately aroused my interest. Generally speaking, as an authoritative business, these essential high-level positions should not be changed too continually, which can cultivate a team with collaborative ability. So why Lufax changes high-level positions so often?

As far as the problem is concerned, I have also inquired the interviewed. He surmises that what the business focuses will always alter with the development and transformation of a firm, which needs various people with different ability to manage the firm. In addition, through consulting for a number of information, I learned in an interview in financial newspaper that Kuisheng Ji showed that there were more than a dozen departments in Lufax, so the base of senior executive was large originally, and a new enterprise, especially an Internet Finance Company, tended to implement personnel changes. It is understood that in 2015, Lufax adjusted business transformation for several times, from the focus on P2P business at the beginning, changing into the open platform currently. The interviewed also mentioned that Lufax paid attention to Internet Finance instead of P2P.

Lufax is started with P2P, develops with virtue of the superior market conditions and excellent risk control system supplied by its parent company, PING AN INSURANCE (GROUP) COMPANY OF CHINA, who holds strong financial strength and a solid foundation of the industry, and it has already been regarded as one of the most famous platforms in P2P. However, why does it give up P2P? Why does it get rid of P2P absolutely in restructuring, though innovation and restructuring in the development of an enterprise? The interviewed listened to my question then

smiled, with a "the answer is actually obvious" tone blurted out and said," Because P2P carries a great risk, and the management needs to be improved in all aspects. What's more, what is of great importance is that P2P has been discredited by some small platforms, which reduces the interest of investors and increases the supervision of the government. The listing of Lufax depends on the attitude of the government, so the peeling of Lufax in P2P is an inevitable result.

Another question came into my mind," Is the exfoliation in P2P only Lufax's alternative or the trend of most enterprises in the industry?" The interviewed stated that several enterprises such as Zillion Fortune and Tangxiaoseng began with P2P, stripped P2P without exception, and were carrying out a positive transformation nowadays.

What kind of risks, which makes so many authoritative platforms in the industry try their best to avoid, exists in P2P? Will P2P decline and disappear in the end? Whether the risks brought out by P2P can be dominated available? What the future of P2P may be? We will focus on all of these problems mentioned above in this paper.

3. The brief summary of the result from investigation

In the background of the times, if you want to survive and develop, you must will be pushed forward by the situation step by step. "Survival of the fittest" "natural selection" is not only applicable to the law of the biosphere. From the appearance so far, P2P platform's frequent problem is insolvency, high risk but can not guarantee a high returns so that investors were discouraged. E rent treasure, Jinlu financial, Zhongjin assets and other scandals in the series of outbreaks, make the development of P2P on the thin ice, always walking on the edge of the cliff. Peeling P2P to make the transition seems to be a choice. But the existence of P2P should not be a "disaster", its appearance would have been more convenient to the public, we can not expel it from history stage only because of some platforms which encumber P2P by conducting fraudulent act such as illegal financing in the name of P2P. It still has the necessity of its existence.

What we should do is deeply dissect the risks and problems brought by P2P and positively find a way to solve these problems. Only do this can we provide a better developed space to P2P. In my interview with the interviewee, the primary problems he came up with is the legal and moral risks exist in P2P and payment crisis in such a environment which has a decline in the real economy, the high rewards committed by P2P platform can not match the reality solvency of borrowers. Besides, we also need to pay attention to the lack of supervision in this industry. Among these problems, there are some that met but overcame by Lufax. Maybe Lufax hasn't met all these problems, but Lufax has seen all of them on the way to today.

III.The primary problems in the development of P2P in Shanghai

1. The legal risk

It is common sense that interests come with risks. Restricted by the factors, such as the system of our country's economy, P2P itself lacking complete credit system and

normative financing model, and the defects laying in the technical and management of electronic information systems, the internet finance still has big criminal risk.

1.1 Illegal absorption of public deposits

With the development of P2P, some P2P financing platform has seriously deviated from the positioning of financial intermediaries, from the initial independent platform gradually transformed into a financing guarantee platform, and then evolved into the financial institution running deposit and lending business, which is already far beyond the development of P2P financing platform boundaries. Some P2P network financing platform use the borrowing needs of the financial products to design a product and sell to the lender, or through a way that collect the funds and then find the borrower etc., so that the lender funds into the middle of the platform account to found a pool of funds. The supervisory department stipulates that it may be suspected of illegally absorbing public deposits for more than one week to enter the platform intermediate account. And P2P intermediate account of the funds stay time will generally be more than a week or even longer, so it is easy to constitute the crime of illegal absorption of public deposits.

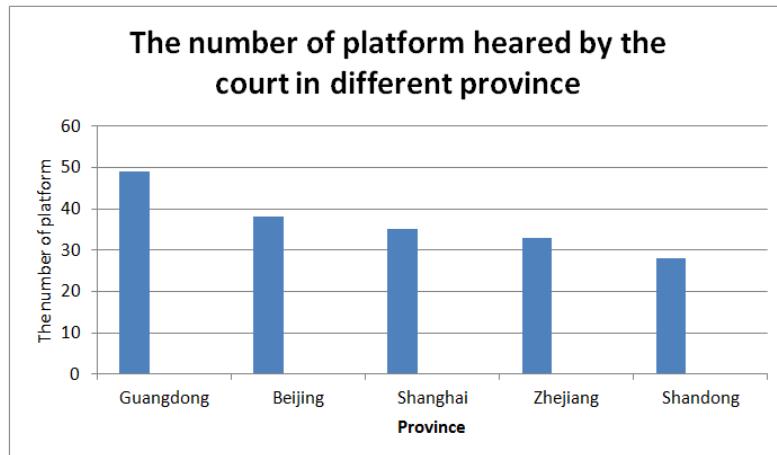
In accordance with the provisions of Article 176 of the Criminal Law, the illegal absorption of public deposits or disguised absorption of public deposits, which disrupt the financial order, constitute an illegal absorption of public deposits. According to the provisions of Article 4 of the Measures of the State Council on Illegal Financial Institutions and Illegal Financial Business Activities, the so-called "illegal absorption of public deposits" means "the activities that without the approve of the People's Bank of China ,absorb the funds from not specific people and give a voucher and commit to pay the debts in a certain periods. " Many P2P platform in order to attract investors will commit a interest return of 10% or 20% under the premise that without the approve of relevant departments, rather than link the investor's income to the borrower's operating status in order to absorb a large number of investors. In line with the "illegal" and "open" nature of the crime of illegally absorbing public deposits.

1.2 The criminal of fund fraud

According to the Supreme People's Court "the explanation about the specific application of the law of a number of issues on the crime of fraude" provisions, the fraud method of the fund fraud is "the perpetrators cook up the use of fund-raising, and use the false documents and high returns as a bait"to raise funds.

The crime of fund-raising fraud and the crime of illegal absorption of public deposits belong to the same scope of illegal fund-raising, the difference lies in the fact is that fund fraud is fraudulent, that is, there is false propaganda, misappropriation of funds and other acts, subjective to illegal possession for the purpose. Some people may say that most of the financial sector is playing the law on the edge of the cliff, these legal risks are only theoretically exist, but in fact not necessarily be convicted. While there may be true from some aspects in this theory, not every company can play well. In fact it's not a small deal of companies which stumbled by the legal risks. Following is some statistic data out of the region there are court records of the number

of platforms, see picture 3.1. This shows that there are lots of companies in the first-tier cities which develop P2P to a certain stage can not play the edge well. But we can see that the platform interrogated by the court in Shanghai is in a small number, which shows that the P2P platform in Shanghai surely did well in the aspects of legal supervision.



Picture 3.1 data from the Bund credit

At present, Most of the P2P platform funds banks custody are not implemented. Many platforms claim that it has a third party to pay custody or bank custody, etc., in essence, both borrowing funds will continue to pass platform account and gathered to form a "pool of funds." But now industry does not have substantive custody so that it cannot guarantee the safety of funds, coupled with lack of investor confidence in the platform, it is easy to pay. In this case the risk of the platform itself will be greatly improved.

2. The safe of information

This is a legal risk for borrowers. Because the P2P platform will require customers to upload their personal informations which include name, ID number, home address, telephone number and so on to ensure the authenticity of the identity of both parties. If the P2P platform can not do well confidential measures on customer's personal information, it will easily lead to personal information disclosure, the platform is also easy to violate customer's right of privacy.

3. The moral risk

Moral risk is the most important risk in the financial sector. It can be divided into platform aspects of moral risk and customer aspects of moral risk.

First of all, on the platform side, in order to attract customers, company will use false propaganda or self-financing to create illusion of high-yield and steady growth. The main borrower of the P2P platform is the SMEs which banks do not want to cooperate with, and because the recent market downturn in the economy, the situation is not optimistic, that lead to poor management and insolvency of the SMEs. However, the platform still need to pay the maturity of investors, since their

limited capacity, they had to use the new investor funds to pay the principal and interest of the old investors to create the illusion of making money to cheat more investment, this is the so-called "Ponzi scheme". One day, this behavior will cause the platform's capital chain break, and outbreak other crisis, it will damage the interests of investors.

Second, the customer's main moral risk is false identity information. Borrowers forged identity information for loans and refused to repay after expiration, the platform can not recover, that cause a huge amount of bad debts for the P2P platform and investors.

It is obvious that no matter which aspects of moral risk, the victims are investors. It is the reason why Investors lack of trust on the P2P. But if they do not want to put money into the platform, the platform will not work, it will lead to some platform closure, and other platforms will fall into the vicious circle of self-financing.

4. The Capital flow risk

Some P2P platform violations to carry out the duration of mismatch, capital pool and other business, it lead to the pool of funds is not enough to meet the short-term repayment needs or unexpected funds out, resulting in liquidity risk.

Platform does these things in order to meet the needs of investors. In the initial stage of P2P loan service industry, , because investors lack of trust, most people want to achieve high-yield, and they more willing to invest in some small amount and short period investment project. But this project is not available for the platform, especially in the highly competitive platform now, stable high-quality borrowers are harder to find than investors, so the platform will be through the period mismatch to attract investors to invest. But with the increase in the size of investment, it will lead to liquidity risk, and then the platform will be poor to cope with a variety of payment, once this model can not rely on flow of funds timely, it will form a long snowball model, Ponzi scheme.

Since lack of quality borrowers, it is easy to make investors' funds cause "funds guard" phenomenon which can not provide cash flow for the platform, and increase the platform's operating pressure.

5. Technical management risk

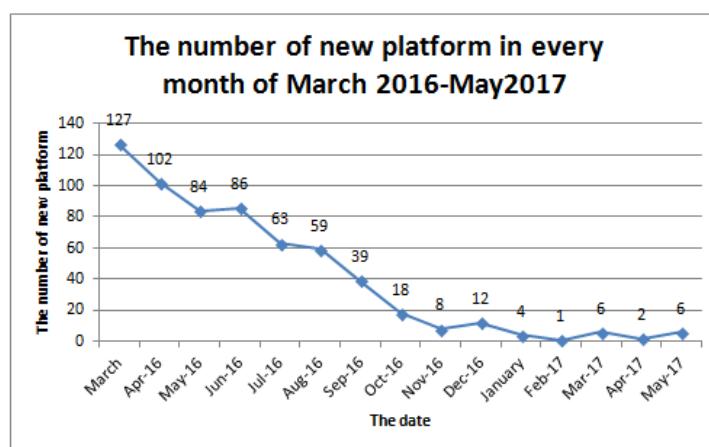
P2P industry on the surface looks "low threshold" so many people want to be among the ranks even without another thought, want to share a cup of soup. Everyone can do P2P ,but not everyone can do a good job. If you want to do a good job, must have an independent business understanding, and also have a strong risk control system. The direct impact of the low threshold is the lack of industry standards, a variety of rough-and-tumble platforms are take activities under the name of P2P, badly interfere the normal trading activities, and also makes the overall quality of P2P industry became uneven.

In a interview by Sina Financial, Mr.Gregory said that only two companies in P2P industry in China has passed the test about risk control. "A powerful risk control model need at least fifty thousand loans to verify, but the third biggest P2P company in China only have thirty thousand loans."

Obviously, the risk control in entire P2P industry are not perfect and will bring disasters to platform at everytime.

IV. Sum-up

Because of the existence of above risks, the development of P2P industry has no longer flourishing like before. Since the second-half of 2016, the number of P2P platform was plummeting. To May 2017, it has been from the original one or two hundred new platform increasian per month fell to single digits. What's more is in February 2017, there is only one new platform, which has a sharp contrast to the former explosive growth. See picture 4.1.



Picture 4.1 data from www.wangdaizhijia.com

The fast and dfficient of P2P fast and efficient is obvious to all, if these uncompletely avoided risks lead the withdraw of P2P, It's undoubtedly a loss.

For the P2P loan service industry, the long-standing problem is the lack of necessary regulation, the threshold is too low, too little norms, resulting in industry systemic risk gradually accumulated. From the research situation we can see, P2P industry risk is not isolated, but interlocking and mutual influence. This increase the difficulty to the risk management of P2P.

I think the most urgent is to strengthen supervision, step by step to improve the industry credit system, and strictly regulate the industry threshold. the SFC should regularly conduct inspection and assessment on the normative nature of the industry , and actively urge the major platforms for strict self-discipline, timely banning industry "cancer", to maintain a good environment for the development of the industry.

1. Enhance the supervision

As an emerging industry which is still in the development period, regulatory issues make the regulators "have a bad headache", the regulatory dilemma that "once they loosen or tighten their policy, the industry will be in a chaos or dead" need to be solved. Throughout the development of the industry in recent years, to consider the P2P lending as the representative of the Internet finance, it is full of innovation and its business changes rapidly, the original model often has already changed before the regulatory policy carried out. Therefore, the supervision matters of P2P is always controversial in government departments and the industry, which is one of the reasons that the "weak supervision" are taken in few years ago. However, with the risk of the industry soaring, social pressure and the economic chain reaction is obvious, regulators began to make a determined to regulate the chaos.

Take the 《The Guidance to promote the healthy development of internet finance》 which published in July 18, 2015 as the symbol, the industry regulation began to turn the "weak supervision" more and more severe, in the same year, December 28, the announcement of 《Internet lending information intermediary business activities Management of the Interim Measures (draft)》 represents the industry officially starts to regulate.

The draft made it clear that no public deposits should be absorbed and no funds pool could be set up. Platform itself can not provided any kinds of guarantee for lender. Since 2016, the supervision and rectification efforts are constantly overweight, after April 1, 2016, the Shanghai Municipal Trade and Industry Bureau has suspended the registration of Internet financial companies. These registered agents said that they can not be approved as long as the scope of business include the "financial", "outsourcing" and other words of the registration. Which makes a lot of people in the industry have feeling of entering the "winter".

Now the regulatory authorities is moving to control the industry, and guide the industry develop in the direction of the standard, which in fact to provide a good opportunity to practice internal work for some fast development companies. Platform should take this opportunity to temporarily slow down to lay a solid foundation for better and faster development in the future. Because the country set off remediation storm, some platform choose rational exit, and some companies divest or exit the P2P lending business, Lufax, Kai Xin credit and other industry leaders deepen the representative business, in the transition of comprehensive service platform , Or try to get involved in the target area through mergers and acquisitions. P2P borrowing blind expansion stage has become a history, the platforms have a clear understanding of the Internet financial. And they want to return to the financial framework for further development.

But the regulation also need to moderate regulation, if the supervision is too harsh it will inhibit the industry vitality, making the industry can not expand. For example, the suspension of registration of Internet finance companies, to completely suspend registration is clearly impossible, which is equivalent to the P2P industry completely expelled from the financial sector approach, It is unscientific and unrealistic. I think it

can be appropriately open the Internet financial company's registration, but should develop stringent registration standards to enhance the industry threshold. In specific it can follow the insurance company's registration criteria, insurance also belongs to the financial sector which has a larger risk section, but rarely heard the news about insurance company to pay the crisis or insolvency, which is highly related with the insurance industry's high access principle. Only a few individual whose risk control system is complete can get insurance license, rather than the same as P2P which can find a platform everywhere.

We have reason to believe that recognize the essence of P2P, strengthen the P2P market regulation, P2P industry development must have a bright foresight.

2. Complete the credit system

Actually in European and American market, Internet Finance is not as popular as in Chinese market. Instead, these Internet financial enterprises markets, which are usually considered as a supplement to financial or "Bridge funds", are just branches in most cases. Due to mature credit system in European and American market, FICO and other information are not only convenient to gain, but also to apply professionally, added to big data and other technologies, so all of them can be able to complement the entire financial market commendably. In contrast, it is the lack of such a sound credit system and transparent information disclosure that expands the scope of the industry risk so that it deepens the degree of industry risk.

Renjie Li, the chairman of Lufax, stated at a press conference that it was very necessary and urgent for the Internet financial industry to strengthen credit construction and promote credit information sharing. Dongrong Li, the president of National Internet Finance Association of China, expressed that Internet financial industry credit information sharing platform was a brand-new exploration for the association to carry out self-management, and also the new initiatives for industry to promote the development of Internet financial. If the credit information sharing platform can be widely and deeply constructed, it would be greatly conducive to the construction of the Internet financial industry credit system, and cover the shortage made by national financial credit information basic database and other industry credit database, and further consolidate the foundation of social credit system construction. In this way, it is more conducive to strengthen the Internet financial risk management system, to break up the "information island" between different institutions, to enhance the level of risk management in the industry overall. At the same time, the establishment of credit information sharing platform is also beneficial to improve the Internet financial industry self-discipline system. The platform will help to supervise the use of data of member organizations under the framework of existing laws and rules and fulfill legal obligations, to protect customers' private information, to improve the level of credit information management, and to promote the continuous improvement of self-discipline system.

In addition, China Securities Regulatory Commission's regular inspections and assessments to enterprises in the industry are of equal importance. After all, it also

boosts the sound development of the industry to keep abreast of industry trends, participate ahead of time in order to obstruct anything abnormal of the platform, and then maintain vitality and formality of the industry.

3. The self-supervision of industry and the innovation

Government regulation is the most important but not a panacea, while the government strengthens supervision, the industry should upgrade their own regulatory system and be better self-discipline at the same time. Secondly, one of the most important elements that decide whether an enterprise can "Long-term continuous operation" is the level of creativity (innovative ability). Only when an enterprise keeps on innovating and always walks in the front of its industry, it can stand firm in its industry. Respondents mentioned that there is an upsurge of "custom" of products has been set off in the current market. Everyone pursues tailored and customized and perhaps P2P can also create some customized products on platform products. For example, P2P can use large data support and according to the requirements of investors and the needs of borrowers to match them automatically. The P2P platform only plays the role of middleman. So that the benefits of investors can be linked with the solvency of the borrower, rather than the platform promises the benefits, and also better contribute to the advance of "to the pool of funds" and "to guarantee". This effectively reduces the risk of corporate redemption and the appearance of "Ponzi scheme".

Finance is often called the "blood" or "lubricant" of the market economy. Economic decision-making financial and economic development level determines the level of financial development. When Wang Qishan assumed the office of Vice Premier of State Council, he also said, "If every industry is prosperous, the financial will be prosperous; If every industry is steady, the financial will be steady." If the financial does not serve the entity economy, there is no soul in financial and it is a meaningless bubble. Let platform play the role of a middleman and let investors' income be linked with borrowers' solvency is the behavior to let everything serve the entity economy. If we can fully implement this case, it should be a large wealth of P2P platform.

Finally, I believe that as long as all of partners do their own works, coordinated development and let reduce the risk as the only indicator to business activities. After striving for a long time, we will be able to discover new broad world for the development of P2P.