

Necessity Analysis and Core Principles of Internet Financial Supervision

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Abstract. *With the rise of Internet Finance and mobile payment, online payment, mobile banking, Wechat payment and other emerging trading methods are becoming more and more abundant. We classify these network behaviors into the category of Internet finance. However, while these new businesses bring us convenience, there are also great security risks, violations, information security, data leakage, embezzlement and fraud, which seriously affect and disrupt the stability and healthy development of Internet finance. Under the current situation, only by strengthening the supervision of Internet finance can such problems be effectively solved. Based on this, starting with the analysis of the current situation and problems of Internet finance, this paper expounds the necessity of Internet financial supervision from three aspects, and finally explains the core principles of Internet financial supervision from five points.*

Keywords: *Internet Finance; Necessity; Core Principles*

1. Introduction

We know the importance of innovation and market structure for industry. To a certain extent, the competition of new technology and new products is the real dominant position in the market, not the product itself. The rise of Internet finance has not only impacted on the existing financial structure, but also changed people's way of life. From the perspective of economic development theory, scientific and technological innovation has a far-reaching impact on economic development and market operation. We can see that Internet Finance reduces the cost of financial services transactions to a certain extent, but also improves the quality of financial services [1]. The use of Internet technology to transform today's financial services can be said to meet the needs of the times, especially mobile payments, social networks and other innovative results are remarkable. Therefore, for the development of financial economy, Internet finance has potential positive added value and is likely to become an industry with inherent vitality [2].

2. Internet Finance Concept

Internet finance, also known as electronic finance, is a kind of financial activity based on the achievements of financial electronic construction and realized by means of the Internet. It is a financial mode adapted to the information society and also a modern information technology industry. The use of social networking, cloud computing, search engines and mobile payment and other network channels to create a new financial transaction model, greatly affecting our daily life. Compared with traditional finance, Internet finance has its own unique way of information dissemination, so Internet finance can minimize the impact of market information asymmetry on financial activities. Internet financial transaction parties only need to bear a small amount of capital investment and risk, and can complete financial transactions without financial intermediation in the form of entity [3]. Unmediated transactions between the two sides can reduce the cost of information processing, so it is the best way to reduce the transaction cost by minimizing the intermediate costs in financial activities. Fig. 1 Internet Finance Concept Map.

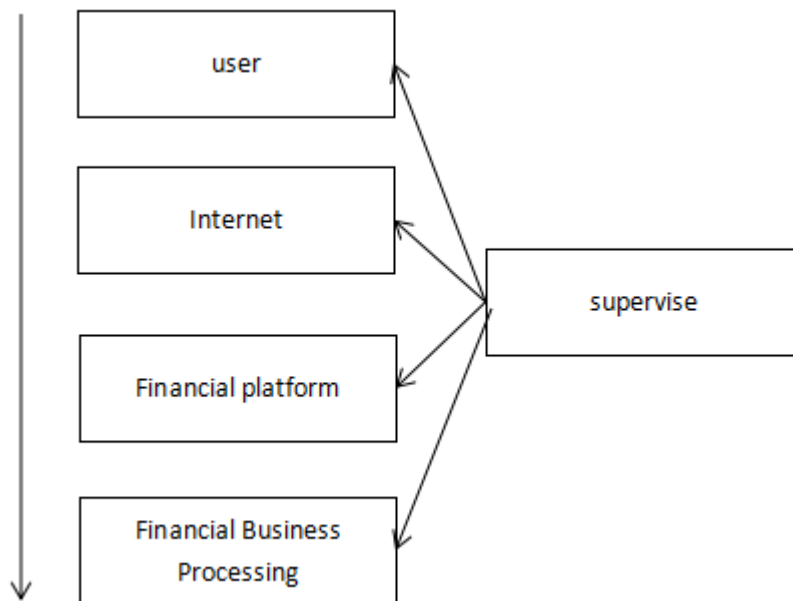


Fig. 1 Internet Finance Concept Map

3. Necessity Analysis of Internet Financial Supervision

3.1 Risks

(1) Hidden dangers in network security

In Internet finance, taking third-party payment as an example, Internet payment has become a comprehensive payment tool covering both online and offline, and an indispensable payment tool in people's daily life. However, due to the huge amount of information and information sharing in the network, it is very easy to cause the leakage of private information of customers. Systematic risk of Internet finance can not be avoided and reduced, but can only change the business model and types of business to reduce systemic risk. This requires that the state's regulatory efforts must be strengthened [4].

(2) Laws and policies are not in place

Internet finance is developing rapidly, but the relevant laws, policies and supervision are not in place. Internet finance belongs to free development in the early stage, and there are not too many restrictions, so there are many illegal forms. However, due to the absence of relevant laws and regulations, the state has not taken appropriate measures to restrict development or impose penalties. The lack of supervision of Internet finance, the blind follow-up of investors, and the loopholes in the law by speculators have brought great risks to the development of Internet Finance [5].

3.2 Supervision System

Figures 2 and 3 are the modern internet financial supervision system, from which we can know the importance of the state to Internet financial supervision, and confirm the necessity of supervision. Fig. 4 is the management category of the regulatory system.

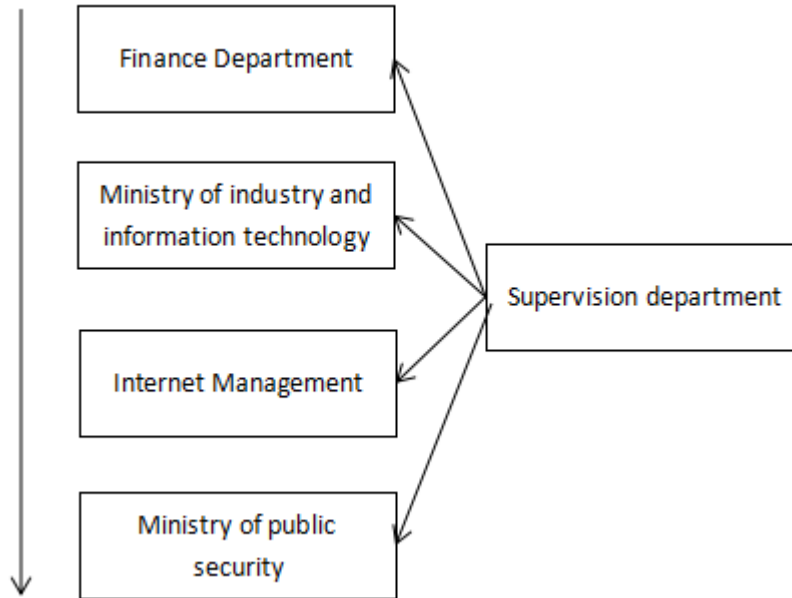


Figure 2 Modern Internet Financial Supervision System (a)

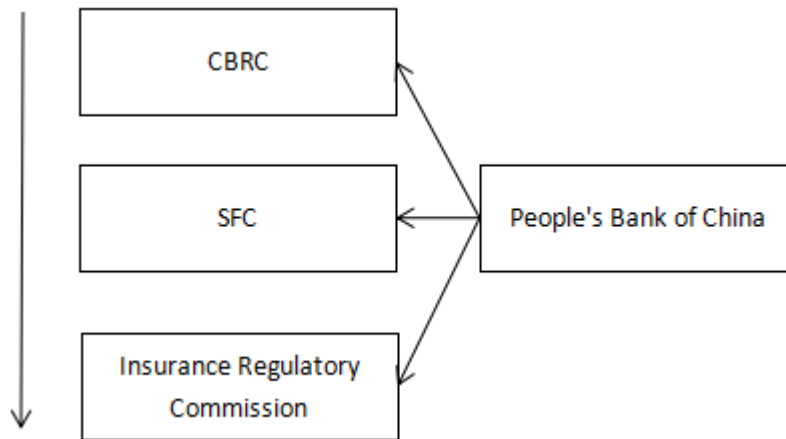


Figure 3 Modern Internet Financial Supervision System (b)

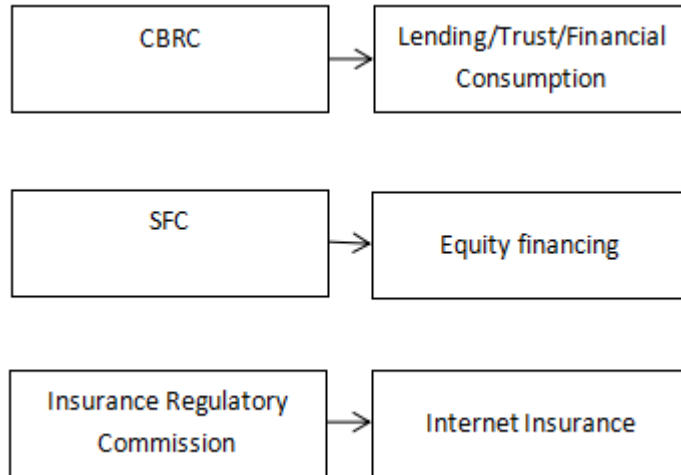


Figure 4 Management Category of Regulatory System

4. Core Principles of Internet Financial Supervision

4.1 Improving the Internet Financial Supervision System

On the one hand, focusing on the dynamic nature of Internet financial supervision can improve the Internet regulatory system with the times, establish a perfect Internet financial operation mode, and promote the procedural nature of Internet finance. For example, the supervision of the market and institutions, strict regulation of market behavior, standardization of business operations, emphasis on training practitioners, improve the quality of practitioners. On the other hand, we should standardize the evaluation and credit degree of the Internet, scientifically improve the personal credit platform, pay attention to the openness of information in Internet transactions, reduce transaction risks as much as possible, and avoid the emergence and expansion of problems in the development of Internet finance. Strengthen inter-industry exchanges, on the one hand, pay attention to the integration of resources in the process of Internet financial development, through the construction of financial network database, sharing platform and other ways to improve the efficiency of the use of resources in Internet financial activities. On the other hand, we should coordinate the functions of various departments, unify government decrees, improve the exchange and communication between industries, promote the marketization of interest rates, and promote the healthy development of Internet finance.

4.2 Improving Internet Financial Supervision Technology and Security Standards

In order to supervise the risks in the financial industry, we should first identify the existing risks, and then make some corresponding countermeasures according to these potential risks, so as to control the losses caused by the risks when they come. Then we need to improve the computer security system and specifications of Internet finance, such as the application of computer network encryption technology, the promotion of network identity authentication, electronic signature technology, prevention of network vulnerabilities and network attacks, and reduce the network risk of Internet finance. Enhance the access management of the Internet financial industry, such as strengthening the registration of access, in order to reduce the risk of the development of Internet finance.

5. Conclusion

Internet finance has not been restricted in the early stage of development, the entry threshold is low, and the development of good and bad is uneven, and has not been effectively monitored. Therefore, we need to build a more perfect Internet regulatory system, starting from the source. Firstly, we should strengthen industry supervision, establish a unified regulatory system, formulate perfect standards and improve the access threshold. Secondly, we should establish information disclosure mechanism, stipulate the content of information to be disclosed, and take preventive measures. Finally, we should give full play to the self-regulation and supervision of trade associations, formulate unified industry rules, and set up Internet financial enterprises.

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