A STUDY OF MIXED-OPERATION OF WESTERN BANKING INDUSTRY AND THE INSPIRATIONS TO CHINA

——THE GERMAN BANK A AS AN EXAMPLE

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JIANG PENGFEI

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ABSTRACT

Title: A STUDY OF MIXED-OPERATION OF WESTERN BANKING INDUSTRY AND THE INSPIRATIONS TO CHINA: THE GERMAN BANK A AS AN EXAMPLE

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The mixed operation of the financial industry refers to the integration and concurrent operation of various sub-sectors in the financial industry, such as banking, securities, insurance, and trust, as opposed to separate operations. With the increasing development of economic globalization and financial liberalization, the global banking industry has become increasingly competitive, and mixed operation has become an inevitable trend for the development of the global banking industry. From the perspective of Chinese situation, with the reform and opening up and the deepening of financial advancement and the continuous improvement of the financial needs of residents and enterprises, the financial industry's separated business landscape has been difficult to adapt to the needs of foreign market demand and competition, and thus the Chinese financial industry has begun to Gradually shift to a mixed business model. In 2012, the China Pingan Group acquired the Shenzhen Development Bank through share exchange and opened various sub-industries such as group banking, insurance, securities, and trust, realizing the business synergy of each business. As of February 22, 2016, eight of the 16 listed banks in China have obtained securities licenses through subsidiaries. The mixed operation will help Chinese commercial banks to better cope with the pressure of competition in the international banking industry and better meet Chinese growing financial needs. This is an inevitable choice for the development of Chinese commercial banks. As a model of mixed operation, Germany's universal banking model has accumulated a lot of useful experience in long-term practice, which can be used for learning and learning from China.

Although China is different from Germany in terms of financial industry and economic development level, regulatory capacity, and development environment, it determines that the current mixed operation of Chinese banking industry is dominated by the financial holding group model, but the German all-round banks are in the mode of operation and internal The exploration of governance structure, risk management, and financial supervision has certain implications and implications for the Chinese banking industry's mixed operation and financial supervision. In the future, China may also develop all-round banks after relevant conditions mature. The all-round banking model of German Bank A has certain implications for Chinese commercial banks in carrying out mixed operation. Some problems in their development, such as excessively high proportion of derivatives and mistakes in mergers and acquisitions, also give warnings to Chinese commercial banks. While we are learning from the useful experience of foreign financial mixed industry operations, we must combine Chinese national conditions and strive to explore a road for Chinese banking mixed operation.

Keywords: Mixed-Operation Banking; Universal Banking; German Bank A; Experience and Enlightenment

摘 要

题目：西方银行业混业经营及对中国的启示研究——以德国 A 银行为例

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金融业混业经营是相对于分业经营而言，是指金融业内各子行业如银行业、证券业、保险业、信托业之间相互融和、兼业经营。随着经济全球化和金融自由化的日益发展，全球银行业竞争日益加剧，混业经营已成为全球银行业发展的必然趋势。从中国形势来看，随着改革开放和金融深化的日益推进以及居民与企业金融需求的不断提高，金融业的分业经营格局已经难以适应中国外市场需求和竞争的需要，因而中国金融业开始逐步向混业经营模式转变。截止至 2016 年 2 月 22 日，中国 16 家上市银行中已经有 8 家上市银行通过子公司获取了证券牌照。混业经营有助于中国商业银行更好地应对国际银行业的竞争压力，更好地满足中国日益增长的金融需求，是中国商业银行发展的必然选择。作为混业经营的典范，德国的全能型银行模式在长期的实践中积累了许多有益的经验，可供中国学习借鉴。

虽然中国在金融业与经济发展水平、监管能力以及发展环境等方面与德国不同，但德国全能型银行在经营方式、内部治理结构、风险管理以及金融监管等方面的探索对中国银行业的混业经营和金融监管有一定的启示与借鉴意义。德国 A 银行的全能型银行模式对中国商业银行开展混业经营有一定的启示，其在发展中存在的一些问题，如衍生品占比过高以及并购失误等，也给中国商业银行一些警示。我们在学习借鉴国外金融业混业经营的有益经验的同时，要结合中国国情，努力探索出一条适合中国的银行业混业经营道路。

关键词：银行混业经营；全能型银行；德国 A 银行；经验与启示

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On the occasion of writing, my thoughts are numerous. The completion of the independent study will also bid farewell to my college career. I have been feeling a lot in my mind.

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CHAPTER 1 INTRODUCTION

1.1 Research Background

At the annual meeting of the Boao Forum for Asia on April 10, 2018, China announced further steps to expand the financial sector's opening to the outside world. This measure follows the three principles of opening to the outside world in the financial sector and covers the consumer banking and other fields of insurance banks. With the further liberalization of financial markets, the competition between Chinese and foreign-funded financial institutions will inevitably intensify. It is necessary to stimulate the sense of reform of Chinese financial institutions as soon as possible and increase the core competitiveness of their financial businesses.

“Financial services are often offered through group structures. To avoid regulated entities circumventing prudential rules using such structures and to address group specific risks, individual supervision has to be supplemented by group-wide supervision. For financial groups active in the same business area, the European regulatory framework for such supervision has already existed for some time. The majority of large banks and insurance companies in the European Union (EU) are now part of a wider banking and insurance group. Although the groups can assume quite complex structures, a useful typology for analyzing them starts with four basic models, each having its own strengths and weaknesses: the integrated model, the parent-subsidiary model, the holding company model and the horizontal group model”(Dierick, 2004).

Before 1993, China's financial industry was in a mixed operation stage. Since this model was not suitable for China's national conditions at that time, from 1993 onwards, with the introduction of several regulatory laws such as the Commercial Bank Law, Securities Law, and Insurance Law, China entered an era of strict separation of business operations. However, since 2005, with the changes in the external situation in China, the existing split-business operations have shown signs of loosening. The most typical are the establishment and development of major financial holding companies. The regulatory agencies have also issued relevant policies to support these financial in due course. Holding company development. However, to further promote the development of mixed business trends, it will inevitably pose challenges to the existing business landscape of separate operations. Judging from the current international environment, most countries in the world have already abandoned the operating system of separate operations and separate supervision. Commercial banks have embarked on the road to mixed operations and have carried out various businesses such as banking, securities, and insurance; from the Chinese environment Looking at the current market-oriented of interest rates and exchange rates, the market economy continues to advance. At the same time, deposits, loans, and intermediary businesses of commercial banks are also challenged by emerging Internet finance. Profits are being eroded step by step and net profit growth has even fallen below 1%. It is difficult for traditional commercial banks to rely solely on existing businesses to develop. Commercial banks must expand their business scope and take the path of mixed business to be able to better improve their competitiveness and meet various challenges from foreign financial markets. Therefore, judging from China's external environment, the mixed-business road is an inevitable choice for Chinese commercial banks.

As of February 2016, nine banks in China have obtained brokerage licenses through subsidiaries. Banks of China, Bank of Communications, China Development Bank, and Industrial Bank can engage in securities business in the mainland, while China Construction Bank, Minsheng Bank, Agriculture Banks, ICBC and China Merchants Bank can only conduct securities business in Hong Kong. The obtaining of brokerage licenses by the banking industry can effectively open up various areas such as banking, securities and insurance, obtain synergies of operations, realize cross-selling of products, and provide one-stop services for customers. Under the background of current cuts in interest rates, the mixed operation can better help commercial banks gain new profit growth points.

1.2 Research Purpose

Since China's accession to the WTO, the global financial industry has undergone tremendous changes. Similarly, China's banking industry is also undergoing a transition from split-business to mixed-business operations. In response to the challenges posed by the full liberalization of the financial industry to the mixed operations of the Bank of China, and in order to allow China’s financial system to better serve the socialist economic construction, it is necessary for us to conduct a detailed study of the western banking mixed operation system and adopt Comparing with banks seeking to match China's national conditions. As we all know, Western countries' financial mixed industry adopts the model of American financial holding group and Germany's all-round banking model. The formation of these two models is inextricably linked with the actual conditions of the two countries. Therefore, this article hopes to provide reasonable advice for the Chinese Development Bank's mixed operation by studying the history and current situation of the German mixed banking operation.

“Mixed operation is the optimal choice of the finance under dynamic conditions while pursuing its profits in competition. China finance industry is being transferred from divided operation to mixed operation, the setup of intersection, interpenetration; co-operation and development among finance are coming into being in China. It is necessary to pave the way and improve the level of financial supervision for Chinese financial industry to defense the risks of mixed operation, enhance their international competitiveness"(Wei, 2012).

Since China introduced the Western banking supervision system after the reform and opening up, and from the actual situation in China, no matter whether it is the status of financial market development, the level of financial supervision, or the internal risk management level of financial institutions and corporate governance models, China is required to implement banking integration. Operation, therefore, at this stage, China has appeared in the form of financial holding companies like China Ping An, China Everbright Group and other financial holding companies. However, the level of development of China's banking industry is still not perfect. It also needs to be improved from the aspects of system construction, reasonable supervision, policy support, corporate governance, and risk management to meet the requirements of the bank's mixed operation.

1.3 Research Significance

"Chinese financial industry capital and business are single, and now the international development trend is mixed operation with cross-business integration, utilization of funds and low cost. How to integrate into the fashion trends and improve the competitiveness of the financial sector itself are the hot economy topics for Chinese researchers. Therefore, in order to improve the competitiveness of Chinese financial industry, China must learn a lot of experience of foreign countries, develop suitable national conditions and adapt to the era of the financial industry business model"(Yu, 2014).

First of all, it can provide some inspiration and reference for the Chinese banking industry to turn to the mixed business model. At present, under the background of interest rate liberalization, the separated business model has gradually failed to adapt to the sustainable development of commercial banks, and it is necessary to shift to mixed business operations so that commercial banks can better cope with internal and external challenges. At present, many banks have obtained licenses for funds, trusts, etc., and have also created and developed a number of financial holding companies. This shows that banks are gradually moving closer to mixed operations. However, only by obtaining a brokerage license can the bank integrate bank, securities, insurance and other comprehensive resources for customer service and provide customers with full-service. From the middle of the 19th century onwards, Germany began to implement a mixed business model. In addition to the short-term suspension after the Second World War, it persisted on the road of mixed business and achieved great success in the rest of the period. This can give the Bank of China some inspiration and reference. Although China's banking industry may adopt the financial holding company model in the future, the all-round banking model of Germany has great reference for the transition of the mixed operation of China's banking industry in terms of business operation level and risk management.

Second, it can provide some inspiration for the reform of China's financial supervision. The great success of the mixed business model in Germany is inseparable from its mature and complete supervision. The German supervisory model is characterized by a combination of internal and external supervision. Internally, German regulators require German commercial banks to establish a tight internal control mechanism. From the outside, Germany adopts a combination of federal banking supervision and the Federal Financial Supervisory Authority, and at the same time a third-party auditing agency. The German financial institutions are independently audited and checked to comply with the supervision of the federal supervisory authority. German regulators are extremely strict in the supervision of the German banking industry. They strictly monitor the capital adequacy, solvency, and resilience of the banking industry. These regulatory reassurances have implications for Chinese regulators. Must enlighten. At the same time, the German regulator's timely reform of the regulatory model based on the level of development of the German financial industry also deserves the attention of the Chinese regulatory authorities.

Finally, the study of mixed banking in Germany can provide some references for the internal governance of Chinese commercial banks and the improvement of relevant legal systems. In the process of shifting from separate industries to mixed business models, it is not only necessary for banks to have a strict internal management system, to strengthen early warning and isolation of risks, but also to require external legal systems to cooperate with them. The German Commercial Bank has not only established a unique governance system for internal control, but also has a legal system that has been increasingly refined and continuously modified over time to ensure that all market activities and regulations are enforceable. A good combination of internal and external governance systems has implications for the mixed operation of China's financial industry.

1.4 Research Framework

The main research content of this article includes the following parts:

Chapter 1, Introduction. It mainly introduces the research background and significance of this paper. Based on the information obtained, it is integrated and combed, and the theoretical framework of this paper is elaborated. At the same time, it outlines the concept definition of this paper.

Chapter 2, Literature Review. Based on the literature review, the foreign scholars in China have combed the relevant research results of this topic and clarified the purpose of this study.

Chapter 3,Research Methods. It mainly introduces the research methods, research tools, data collection methods and data analysis methods adopted in this paper.

Chapter 4, Results and Analysis. The concept of mixed banking and separated operation is defined, the advantages and disadvantages of mixed operation are discussed, and the situation of some mixed operating countries is briefly introduced to analyze the development trend of mixed operation in China.

This paper analyzes the characteristics of the mixed development of the banking industry in Germany and the characteristics of mixed banking in Germany. Based on this, it discusses the influence of the mixed banking industry in Germany on the German financial industry and economic development.

Combined with case analysis, as the largest commercial bank in Germany, the all-round banking model of German Bank A has a good representation. This section gives a more comprehensive analysis of the status of the mixed operation of the German Bank A, including the overview of the department setup of the German Bank A, the characteristics of the mixed operation of the German Bank A, the financial status of various departments of the German Bank A, and the internal control of the German Bank A. Risk management and the beneficial experience and problems of the German Bank A's mixed operation.

Chapter 5, Conclusions and Implications. Based on the analysis above, the author summarizes the work done in this thesis, points out the research limitations of this article, and looks forward to the next research work. In addition, on the basis of learning from the experience of mixed banking in Germany, some countermeasures have been proposed for China's commercial banks to turn to mixed-industry operations and financial regulatory authorities.

CHAPTER 2   LITERATURE REVIEW

2.1 China Literature Review

China's research on the financial industry's operating system started relatively late, and it is still at the introduction stage of foreign mixed-business management theory. However, with the continuous development of China's financial industry reform and financial deepening, research in this area is gradually enriched.

“Changes of Chinese Financial Industry Business Model. Development of the financial sector has also experienced three phases: mixed operation, divided operation, division and coexistence.From July in 1993, China starts to rectify the financial order pursuing "separate operation, sub-sector management" system mode. December 25, 1993, "state-owned commercial banks in the human, financial, material and so on was divided from insurance, trust and securities". Thus, it formally identified the divided operation of industry management system in Chinese commercial banks.In June 2001, the People's Bank of China issued the "Interim Provisions intermediary business" to address after the approval of People's Bank of China, commercial banks can run agency securities, financial derivatives, investment funds, financial advisory and other investment banking and insurance agency business, and gradually steps into the division coexisting phases.At present, China has adopted divided operation and sub-regulatory system. The financial holding company does not seem to grow. However, due to historical, administrative or regulatory imperfections and other reasons, different forms of non-standard financial holding company exist at this stage”(Yu, 2014).

Based on the analysis of the original theory of mixed-industry management, Chinese scholars proposed a new hypothesis to explain mixed-industry management. Through this theory, it is illustrated why American commercial banks will operate from separate operations to mixed operations. change. By analyzing the different business models and reasons employed by foreign commercial banks in different periods, and analyzing the advantages of Chinese banks, securities, and insurance cooperation, we will discuss how to leverage the advantages of China's financial industry and prevent financial risks. It is believed that the practice of separate operations does not reach the beginning of the establishment. Separate operations make bank funds only available for deposits and loans, resulting in a large amount of non-performing loans. At the same time, due to the isolation of banks and capital markets, they also have a certain degree of Impeded the development of the securities industry.

Chinese scholars also believe that the split-business model is not only unfavorable to the development of financial institutions themselves, but also increases consumer transaction costs, while the mixed-business model can better solve the above problems. “By expounding the theoretical foundation of mixed operation, the history of globalization and the regulatory history of China's financial industry, the paper explores the path of mixed financing in China's financial industry, and believes that the financial holding company model is more suitable for China's situation”(Chen, 2009). “It is believed that Germany can always insist on mixed operation because it has a complete supervision system”(Wang, 2008). The reason that thinks that Germany has risen rapidly after World War II and that it can maintain good development in the subsequent European debt crisis lies in its universal banking system.“After introduced the history and characteristics of Germany's all-round banks, compared the conditions of mixed operation between China and Germany, and have great significance for reference”(Chen, 2008). After analyzing the situation of financial operations in various countries after the crisis, the German universal banking system has played a greater role in this crisis and has drawn some inspirations.

Chinese scholars have put forward several corresponding suggestions by expounding the characteristics, operational advantages, and changes of universal banks. The internal and external environment, organization system, and supervision mechanism formed in Germany's mixed-business operation have been elaborated to facilitate a comprehensive understanding of the relevant conditions of German mixed operation. Analyze Germany's all-round banks and support Germany's universal banking system. “It is believed that as the mixed business model advances, the goal of financial supervision will become single and clear. Chinese scholars believe that due to the different national conditions in different countries, the regulatory model will vary from country to country”(Chi, 2003). “The choice depends on the country’s economic development level, politics, and historical culture”(Feng, 2006). Chinese scholars have proposed three steps for the future reform of financial supervision in light of the continuous development of mixed business operations. They are the primary stage, the stage of financial holding company, and the stage of comprehensive mixed management. Chinese scholars have analyzed in detail the mixed business operations in Germany and their regulatory status so that we can understand more about the related conditions of mixed business operations in Germany. “After compared the history of Germany and Britain's mixed industry, we believe that the development trend of China's financial industry is mixed operation, and financial supervision must also be adjusted accordingly”(Qi, 2009).

Chinese scholars have analyzed the history, system, and supervision of mixed operations in Germany and the United States. They have implications for Chinese mixed operations and supervision; Chinese scholars analyzed several stages of the German financial supervision and management system, and introduced German finance. “Regulatory framework, laws and events, characteristics of financial supervision; through the introduction of the characteristics of the German financial supervision system, the reasons and content of its financial supervision system are analyzed”(Li, 2006). “After analyzed some adjustments made by Germany's financial supervision after the subprime mortgage crisis and have certain implications for China”(Zhou, 2008). Chinese scholars believe that due to the economical nature of the supervision of mixed operations, they can use the homogeneity of modern financial activities to reduce regulatory costs.

2.2 Western Literature Review

Financial mixed operations originated in the western countries at the end of the 19th century and first appeared in Germany, the Netherlands, and France. Until the great crisis of the banking industry broke out in the 1930s, the mixed business model was taken seriously. The economists in various countries began to argue about the advantages and disadvantages of separate financial operations and mixed operations. “In the theory of financial deepening, the researchers define bank as accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise and withdrawal by cheque, draft, and order or otherwise. Some of the Act prohibits any institution other than a banking company to accept deposit money from public withdrawal by cheque. We may note that the essence of banking business is the function of accepting deposits from public with the facility of withdrawal of money by cheque. In other words, the combination of the functions of acceptance of public deposits and withdrawal of the money by any institution cannot be performed without the approval of Reserve Bank. The bank is an institution which deals in money and credit. Thus, bank is an intermediary which handles other people's money both for their advantage and to its own profit”(Wei, 2012).

Western scholars mentioned in the financial deepening theory that the monopoly position of some financial institutions in depositing and lending should be weakened, and a universal banking system should be implemented. Recent research shows that investors have received good underwriting services provided by commercial banks. The overall strength of the bank has been enhanced. "It was found that legislators supported the separation of the industry at the time based on some signs that were not very reliable. Later they insisted that the results of the separation of businesses only weakened the bank's ability to reduce risks through the provision of diversified services"(Edward, 1989).

Western scholars did not find that commercial banks prevailed in the underwriting of low-quality securities to social investors to pass on the bankruptcy risk, compared to the previous underwriting of securities by commercial banks and investment banks. Western scholars have designed a simulated merger method for the study of cross-industry life insurance and property and casualty insurance business of U.S. commercial banks. The results show that commercial banks' insurance operations can effectively reduce their own risks, and to a certain extent, they support the commercial banks' mixed-business insurance business. Western scholars pointed out that U.S. bank holding companies are more risky because they can manage diversified financial businesses. Banking alone is low and the reward is high. Western scholars believe that the combination of securities business and commercial banking business will increase the risk of bank failures, mostly in developing countries; it is believed that financial groups will make acts that harm financial consumers, such as the financial group’s investment banking department selling to bank customers. Bad bonds, misuse of group internal information, etc.

Western scholars examined the impact of banks' access to securities and insurance system risks, and found that non-banking financial activities reduced the company's overall risk, but it increased the market's systemic risk. Western scholars put forward the theory of financial system reform based on functional perspectives for the first time, which provides a theoretical basis for the reform of the supervision system of mixed operations. “The viewpoint that comprehensive supervision has economies of scale is proposed, which can reduce waste of resources and avoid regulatory vacuum”(Dierick, 2004). It is proposed that financial supervision must change with the development of mixed management to unified supervision, and that unified supervision has the advantages of low cost, information sharing, and economies of scale.

Western scholars propose that the diversity of banking business will bring moral hazard. "Therefore, it is not enough to supervise the bank only for capital adequacy. Supervisors must shift the focus of supervision from compliance to prudence"(Miller, 1997). Western scholars have studied the problem of financial group regulatory arbitrage, and believe that the supervision of financial groups needs to start with capital adequacy ratios, internal transactions and disclosure of large-scale risks, organizational system requirements, regulatory information exchange and coordination.

CHAPTER 3 RESEARCH METHODS

3.1 Research Design

This research addresses the problems of Chinese financial industry and discusses the ways in which allocation of resources and innovation can manage their exposure to these problems. “Starting from the present situation of Chinese financial industry, based on the different background, it makes some comparisons between foreign countries and China for the reasons of choosing different business model. In view of the existing problems, it puts forward some unique insights and perceptions”(Yu, 2014).

This research mainly adopts the following research methods:

1. Document analysis
Through consulting a large amount of literature, we have collected, integrated and combed the research results of domestic and foreign scholars on this subject, to understand the concepts, characteristics, and patterns of the bank's mixed operation, so that the writing of the paper provides a theoretical basis and reference.

2.Case analysis
This article first defines the concept of mixed operation and separate operation, explains the advantages and disadvantages of mixed operation, discusses the development of global financial industry mixed operation and the development trend of China's financial business model, and on this basis The relevant conditions of the mixed banking industry in Germany are outlined. Taking the German Bank A as an example, a comprehensive analysis of the mixed banking industry in Germany is carried out.

3. Comparative analysis
Germany adopts a universal banking model. At present, China mainly adopts a financial holding company model. The economic, legal, and regulatory environments required by these two business models are different. Therefore, this paper compares the differences between universal banks and financial holding companies, and compares the differences in the economic, legal, and regulatory environments between developed countries such as China and Germany, and explains why China's banking industry has adopted the financial holding company model.

3.2 Research Tools

The research tools used in this article mainly include excel 2007, visio2010, etc. Among them, excel 2007 is a tabulation tool, which is mainly to edit the operating data of the German Bank A, which makes the operation status and various data of the German

Bank A simple and clear and clear at a glance.

The Visio2010 is a drawing tool, which is mainly used to draw the operation and management flow chart of the German Bank A. It shows the specific business management flow through the form of drawing, and can determine the operation development according to the specific flow during the operation and management analysis. The corresponding links, and provide the basis for the corresponding countermeasures.

3.3 Data Collection Methods

The data collection method of this paper is mainly through the operating data, financial statements and relevant data collected through the Internet provided by German Bank A.

3.4 Data Analysis Methods

The data analysis method is mainly through statistical analysis of software such as excel 2007. Such a data analysis method is relatively easy to operate, and the involved calculation is relatively simple and does not increase the corresponding workload.

3.5 Research Process

The research process of this article is shown in the figure below:

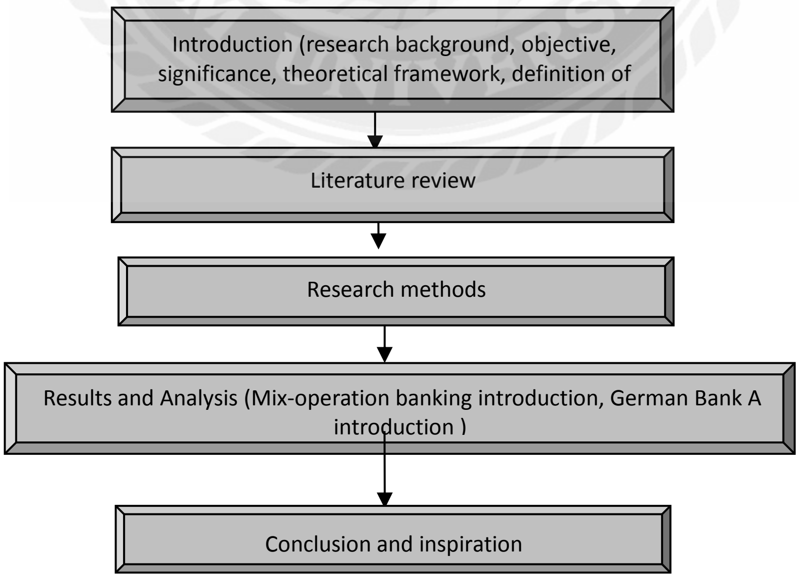

Figure 1: The research process of this article

CHAPTER 4　RESULTS AND ANALYSIS

4.1 Overview of Financial Industry Mixed Business Development

4.1.1 The Meaning of Mixed Operation and Separated Operation

The financial industry has two basic business models—separate and mixed operations. Separate operation refers to the fact that banks, securities, insurance, trusts and other institutions in financial institutions strictly operate independently and assume sole responsibility for their own profits and losses, and each of them cannot operate other industries. For example, the banking industry can only operate deposits and loans and intermediate income businesses. It is not possible to operate securities and insurance businesses across industries. The meaning of mixed operation is broad and narrow. "The narrowly defined mixed operation mainly refers to the business relationship between the banking industry and the securities industry, that is, banking institutions and securities institutions can enter into each other fields to conduct cross-business operations"(Wei, 2012). In the broad sense, the mixed industry refers to the operating relationship among all financial industries, financial institutions such as banks, insurance, securities, and trust institutions can enter any of the above business areas or even non-financial fields and conduct business diversification. The mixed business model conforms to the trend of the times and has been adopted by more and more countries. Typical mixed business models include financial holding companies and universal banking models. The former is represented by the United Kingdom and the United States, while the latter is represented by Germany. Figures 2 and 3 are typical frameworks of universal banking and financial holding companies, respectively.

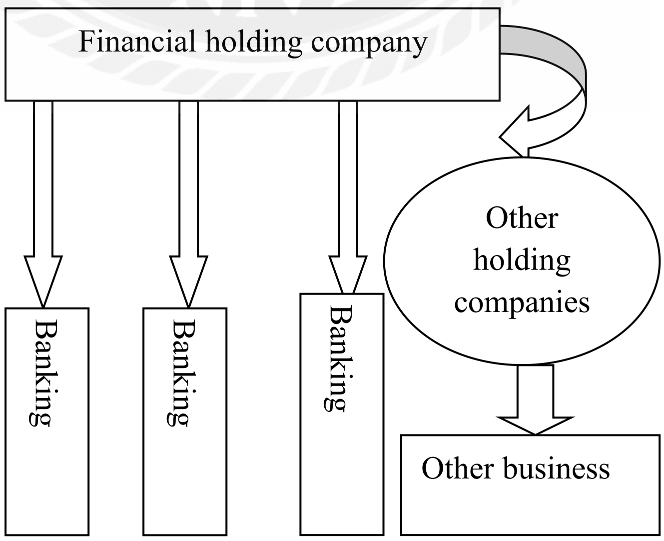

Figure 2　The organizational structure of a typical universal bank

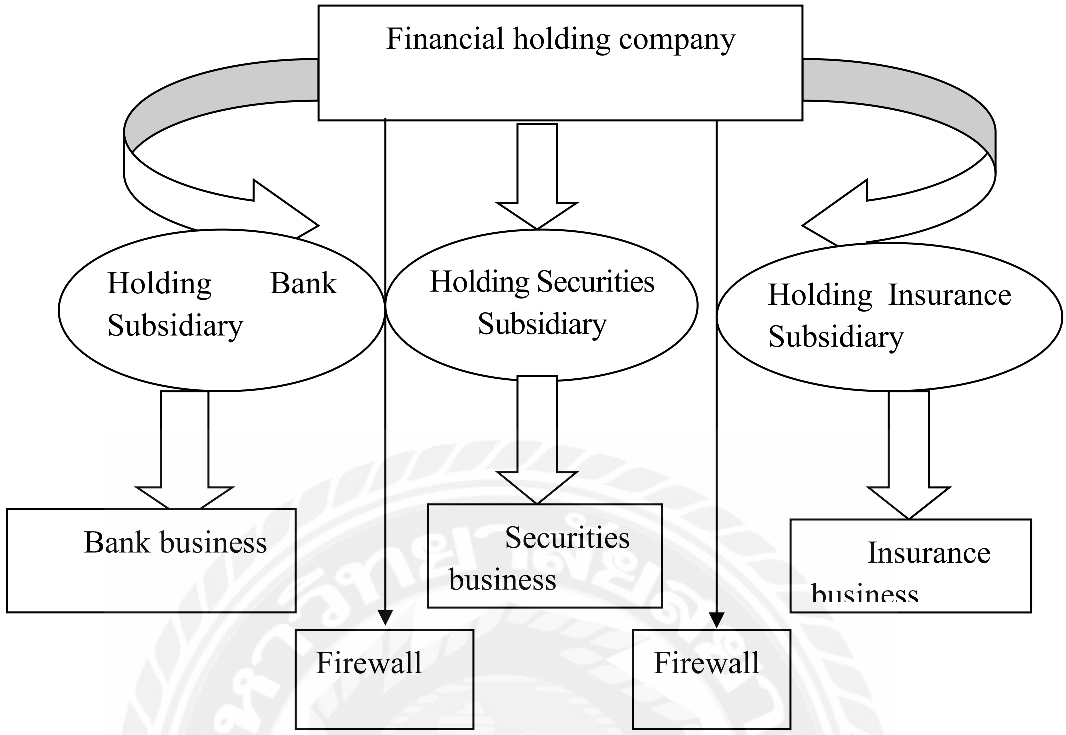

Figure 3: The organizational structure of a typical financial holding company model (controlling shareholders do not engage in specific business)

Although the universal banking model and the financial holding company model are mixed business models, the following differences exist:

First, the scope of power given to banks by the two is different. The universal bank model represented by Germany has greater power, and it has a share in the general company, which can influence the company's decision-making; whereas the financial holding company has a much smaller right.

Second, the two avoid different levels of conflict of interest. In order to prevent many risks arising from conflicts of interest, the law imposes many restrictions on financial holding companies and closely guards against various risks arising from mixed operations. In the all-encompassing banking model, banks have strong choices in business methods. Autonomy increases the likelihood of conflicts of interest and avoids conflicts of interest in ways that are relatively small.

Third, both ways of risk prevention are different. Financial holding companies pay great attention to the construction of firewalls and isolate the mutual influence between banks, insurance, and securities; however, all-round banks do not have a firewall mechanism. Since the all-round banking model is a form of a higher degree of blending, it has higher requirements on all aspects of a country, and employees, self-regulatory environments, and internal controls are also more rigorous. Therefore, these methods avoid the system to some extent. The "vacuum."

4.1.2 Advantages and Disadvantages of Mixed Operation in the Financial Industry

1.Advantages of mixed financial operations

First, financial industry mixed operations can provide customers with a full range of financial services to meet various business needs of customers. Under the traditional business separation system, banks, securities, insurance and other businesses have low levels of cooperation. They have low attention to customer needs and poor customer experience, which is not conducive to commercial banks to increase customer loyalty. In the context of mixed operations, commercial banks can help their customers achieve various needs such as banking, securities, and insurance by cross-selling business, cross-selling various financial products, creating a one-stop customer experience, and increasing business. income. Mixed-business operations include both direct financing, such as loan requirements, and also cover indirect financing such as bond financing and securities financing needs. When customers need loans, commercial banks can provide loans in time, and when customers need to issue indirect financing tools such as bonds and stocks, commercial banks can also provide timely services such as securities underwriting and sponsorship to form a one-stop financial service platform. Not only help customers reduce costs, but also help financial institutions improve their own income levels and market competitiveness.

Second, the mixed operation of the financial industry will help reduce costs, create economies of scale and scope, and promote financial innovation. Under mixed management, various businesses such as banking, securities, and insurance can share an internal information system and financial system, which increases the efficiency of the use of fixed assets. When customers increase, costs do not increase proportionately. The various financial businesses can effectively coordinate with each other through mixed operations to jointly serve customers, share information, facilitate cross-selling, and closely cooperate with banks, securities, and insurance businesses to provide all-round service to customers' various needs and increase resources. The use of efficiency; Finally, the mixed operation is more conducive to financial innovation. Under the traditional separation system, there is a lack of mutual integration between banks, securities, and insurance businesses, each operating in its own field, and the atmosphere of innovation is not enough. Through mixed operations, financial institutions can develop their businesses from a more macro perspective and seamlessly link various businesses such as banking, securities, and insurance. Under the mechanism of competition, financial institutions can effectively promote how financial institutions think more effectively. To improve the synergy of business to meet the needs of customers and create a more favorable environment for innovation.

Thirdly, the mixed operation of the financial industry is conducive to the formation of large-scale multinational financial groups and has greater advantages in the global market. As a result of the mixed management system, financial institutions provide a wide range of products, involve a wide range of businesses, have a large customer base, and serve a wide range of services worldwide. They can effectively help financial institutions expand their business outside of China and make full use of the various Business Advantages The development of various innovative businesses has led to the formation of super financial groups that span all walks of life. The majority of financial institutions in mixed operations come from continuous mergers and acquisitions, such as the acquisition of Bankers Trust Bank of the United States by German Bank A, the merger of Citi and Traveler Group, and the merger of Tokyo Bank of Japan and Mitsubishi Bank. Through continuous mergers and acquisitions, financial institutions have greatly strengthened their own strengths, and gradually expanded their business scope, business strength, and service area through acquisitions, and finally the formation and development of financial groups.

Fourth, financial industry mixed operations can effectively enhance China's financial market and even China's overall strength. The effective promotion of mixed-business operations can help financial institutions to grow bigger and stronger step by step, forming one-of-a-kind financial department stores. This is undoubtedly an increase in the strength of China's entire financial sector. Furthermore, strong financial strength is an important pillar of a strong national power. Mixed business operations can not only promote the development of the financial industry, but also can better serve the real economy, and ultimately effectively enhance the economic strength and international competitiveness of the entire country. The table is the briefly summarizes several potential benefits and specific performances of mixed operations:

Potential income	Specific performance
Scope economy	For financial institutions, the scope of the economy may come from customer relationship management, product sales network, information sharing, risk management, etc.; For consumers, the scope of the economy may come from low transaction costs and information search costs, inexpensive products and services.
Economies of scale	The economies of scale may come from: Investment banking; Network Information Technology; Corporate administration; Extensive exploration of economic scope.
Risk dispersion	The risk distribution effect of the portfolio; Suppress fluctuations in the industry cycle; Generate more stable cash flow;
Information advantage	Provide comprehensive services for more information

Table 1: Potential benefits and specific performance of mixed operations

Source: China's financial mixed operation under modern financial system(Chen, 2009).

2. The shortcomings of the financial industry mixed operation

First, the mixed operation of the financial industry amplifies the route of transmission of risks, and it is more likely to evolve local risks into systemic risks and destroy the entire financial system. Under the separate operating system, various businesses such as banking, securities, and insurance are strictly separated from each other and operate at their own risk and responsibility. Even if a risk arises from each other, a strict risk isolation mechanism reduces the risk transfer effect. In the context of mixed business operations, banking, securities, insurance and other industries have become more closely linked with each other. They are not as loose as each other in the context of separate operations, and the transfer of risks between various businesses has also become easier. In the context of mixed operation, there will be a phenomenon of shared capital. The share capital refers to the group's withdrawal of provisions from each department. The group then makes a provision for a certain percentage of the provision. Because the departments need to obtain higher efficiency, under the protection of the common capital, each department counts Provisions for provisioning will be insufficient. Although this kind of situation can be used to save capital and increase leverage when the market is relatively stable, in the event of extreme market fluctuations, the sharing of capital will increase the spread of risk, and ultimately from "shared capital" to "shared risks"; In the context of separate operations, various financial institutions can choose to end their operations in bankruptcy if they have a risk, so that risks can be effectively isolated.

Second, the mixed operation of the financial industry can easily lead to the emergence of moral hazard and dilemma choices. Due to the diversity of products provided by financial institutions to customers in a mixed-industry system, not only indirect financing services such as loans and settlements, but also direct financing services such as bonds and stock financing for companies such as companies, once the two are in conflict At that time, financial institutions were prone to cause moral hazard and make erroneous decisions under a dilemma. For example, financial institutions have already issued loans to customers. Later, the credit status of customers has deteriorated, and the loans are exposed to the risk of losses. At the same time, customers have applied to the financial institutions for bond underwriting, and financial institutions tend to relax audits to help customers issue bonds. Repossessing loans, which in the short-term helped customers get through difficulties, but it hides long-term risks and, in the long run, is not beneficial to financial institutions and customers.

Third, financial industry mixed business is more likely to produce financial monopoly. Under the mixed operation system, the entire country is dominated by fewer large financial groups. For example, a few banks such as Germany's German Bank A and German Commercial Bank account for most of the market's market share. The United States also has eight consortium. Said. With their dominant position in the market, these financial groups have the incentive to continuously merge and squeeze those financial institutions with weaker powers and thus lead them out of market competition. Ultimately, the entire country is controlled by a few financial institutions. These few financial groups can Through the agreement and other means to divide the market share, so as to benefit each other, eventually forming a monopoly financial group. This will not be conducive to the full play of the entire market competition and hinder the progress of the financial industry.

Fourth, the mixed operation of the financial industry tends to exacerbate the volatility of the market, raising the difficulty of supervision by the regulatory authorities and affecting the implementation of national policies. Under the mixed management system, financial institutions can decide for themselves how much money to invest in what kind of business. This has virtually stimulated the short-term profit-taking behavior of financial institutions and thus ignored the long-hidden financial risks. Once the risk erupts, the blow to financial institutions is fatal. For example, when the stock market is good and deposit and loan business is poor, financial institutions have the incentive to shift more resources to the securities market, chasing the proceeds of the securities market. It is likely that many deposit funds have also flowed into the stock market through various means. This kind of behavior will allow financial institutions to obtain greater returns in the short term, but it will contribute to the bubble of assets. Once the bubble bursts, the impact will be unthinkable. Under the background of mixed operations, the flow of funds has become increasingly frequent and hidden, and the difficulty of supervision has become greater, which has seriously interfered with the implementation of national monetary policies.

4.1.3 Development of Mixed Operation of the Global Financial Industry

With the development of economic globalization and financial liberalization, the global banking industry has become increasingly competitive, and mixed operation has become an inevitable trend in the development of the global banking industry. According to statistics, as early as the beginning of the 20th century, out of 73 countries in the world, 39 countries have adopted mixed business models. At present, the major developed countries in the world and some developing countries have shifted from separate business models to mixed business models. Under such a background, it is necessary for China to switch to mixed operations in a timely manner in order to better cope with the mixed operation from foreign financial industries. The challenge. Since the development of mixed operation in Germany will be elaborated in the following text, we will only discuss three typical mixed operating countries in the UK, the United States, and Japan.

Before 1930, the U.S. financial industry was in the stage of natural mixed operations, and banks could concurrently run securities business. However, with the outbreak of the US financial crisis in 1930, the United States embarked on the financial development path of separate operations and separate supervision. However, in order to bypass regulatory restrictions, the U.S. financial industry has continued to innovate in finance and set up bank holding companies. In order to adapt to this trend of mixed operations, the United States promulgated the "Financial Services Modernization Act" in 1999, breaking the restrictions on separate operations and allowing mixed operations between banks, insurance, securities, and other financial services. Embark on the road to mixed operations.

The UK's financial industry has also undergone two phases of separation and mixed industries. Before 1971, the separate operations in the UK financial industry, although not legal, were based on industry self-regulation. Banks, securities, insurance and other industries operated independently. With the changes in the external environment of China, traditional specialized banks have been unable to adapt to the development of the times. To promote the development of the banking industry, the British government has implemented relevant policies aimed at improving the competitiveness of the banking industry, supporting banks in participating in investment banking, brokerage, etc. Investment banks can organize new share offerings, handle long-term and short-term deposits, and conduct trade financing; Banks are also encouraged to enter the insurance business through various channels. In 1986, the United Kingdom promulgated the "Financial Services Law," which stipulates that financial institutions can all engage in securities trading activities and abrogate the restrictions that brokers and dealers can't take on concurrently. From then on, Britain has embarked on the road to mixed operations.

After the Second World War, Japan imposed stringent financial industry regulations, separated banking, securities, and trust businesses, separated life insurance and property insurance, and even separated long- and short-term banking operations. With the integration of industrial capital and financial capital, the rapid development of bank-based enterprise groups has led to the formation of a number of large enterprise groups that play a major role in the Japanese economy. In early 1997, Japan revised the relevant laws and redefined the financial holding company. In December of the same year, the Japanese parliament passed two related laws and formally legally established the legal status of the financial holding company. Since then, various mergers and acquisitions have taken place one after another, and Japan has also embarked on the road to mixed operations.

4.1.4 Development Trend of China's Financial Industry Business Model

Before 1993, China's financial industry was basically in mixed operation. From 1993 to 2005, with the introduction of several regulatory laws such as the Commercial Bank Law, the Securities Law, and the Insurance Law, China entered an era of strict separation of business operations. With the changes in the situation outside China, after 2005, although China’s law is still a separate operation, separate supervision system, banks, securities companies, insurance companies and other independent operations, independent accounting and independent supervision, but due to this strict The division of operations greatly limits the optimal allocation of financial resources. As a result, various activities to break such strict restrictions have emerged in an endless stream. The regulatory agencies have also introduced some measures to guide them in due course, effectively promoting the development of the financial industry's mixed operations. The typical mixed-business operation pilot is a variety of financial holding companies established in China. There are bank holding companies controlled by banks, including Bank of China, Industrial and Commercial Bank of China, Construction Bank, etc. They have established subsidiaries such as insurance, investment banking, securities, leasing, and funds to operate the corresponding business areas; also controlling shareholders do not engage in specific businesses. Instead, it holds various financial groups that are engaged in specific sub-businesses such as banking, insurance, securities, and trusts.

Typical are Everbright, Ping An, and CITIC Group; there are also non-financial organizations involved in the financial industry, such as New Hope, Shandong Power group etc. Regulatory authorities also issued policies to encourage the development of such mixed operations in due course. In February 2008, the People’s Bank of China clearly stated in the “Eleventh Five-Year Plan” that it would steadily promote the pilot operation of China's financial industry. Financial institutions are encouraged to develop cross-market, cross-institutional, and cross-product financial services through the establishment of financial holding companies, cross-selling, and mutual representation. As of February 22, 2016, eight listed banks in 16 listed banks in China have obtained securities licenses through their subsidiaries, and China Development Bank, which was established by China Development Bank, currently has 9 banks indirectly holding securities dealer licenses. They are Bank of China, Industrial and Commercial Bank of China, Construction Bank, Agricultural Bank of China, Bank of Communications, China Merchants Bank, Industrial Bank, Minsheng Bank and China Development Bank. Although China’s current laws do not clearly stipulate that banks can conduct mixed-business operations, international practices generally allow a group of banks to pilot mixed-industry operations first. After the pilots mature, they will revise their laws accordingly. Therefore, in the current Under the development pattern of the country, the country may grant special licenses to some banks directly to hold brokerage licenses. All these indicate that China's financial industry is gradually shifting from split-business to mixed-business operations.

4.2 Overview of Mixed Operation of Banking Industry in Germany

4.2.1 Overview of the Development Stage of Mixed Banking in Germany

Looking at the history of mixed operation in Germany, we can see that Germany's all-round banks are the inevitable result of the development of industry and commerce. They have experienced the establishment of a universal banking system until the temporary suspension of universal banks after the Second World War, and the subsequent institutional reconstruction. Today's system booms at several stages of development.

Germany’s universal banking system can be traced back to the 1850s. At that time, German industry was in a period of rapid development. Not only did it have a need for bank loans, but also it also needed services such as bond issuance. Banks seized this opportunity. The company not only provides enterprises with funds, but also invests in enterprises, and timely dispatches bank personnel to hold important positions in the company. Since there are no relevant legal restrictions, banks can naturally assign directors to enterprises to help their business development. The establishment of such an early system has greatly strengthened the relationship between banks and enterprises, and industrial and commercial enterprises have become more dependent on banks. With this advantage, banks have provided banks with comprehensive financial services. This type of financial service model of the German Commercial Bank has effectively ensured the rapid development of German industry and commerce, and the banking industry has thus achieved faster development. In this context, many comprehensive commercial banks emerged in Germany. In 1853, Germany established its first universal bank. At the same time, Germany has also established a number of small and medium-sized and regional commercial banks to serve regional economic and regional customer groups. These banks complement each other to serve the development of the German economy. It can be said that the birth of a universal bank was accompanied by the inevitable development of German industrial and commercial development, and its development has also greatly assisted the development of German industrial and commercial enterprises. The two complement each other and grow together.

After the Second World War, Germany's all-round bank was briefly interrupted. After World War II, Germany was defeated and was forced to implement an American-style banking system in the western areas occupied by western countries, that is, a separate operation system. In the late 1950s, West Germany re-entered the path of mixed operations. However, in the East German region occupied by the Soviet Union, a highly centralized and unified banking system of the Soviet Union has been implemented. The original human, material, and financial resources have been absorbed by newly established national financial institutions. After the reunification of Germany and Germany, the German Federal Bank rebuilt a universal banking system in the East German region and continued to this day. Since then, the German Commercial Bank has been able to carry out various fields such as commercial banks, investment banking and insurance according to the needs of its own business development. There are no clear legal restrictions. Germany has gradually formed a large-scale all-round commercial bank represented by German Bank A, Dresden Bank, Commerzbank Germany, and Hypovereins Bank. These banks not only lead the industry in deposit and loan business, but also hold the national level. Most securities issues and securities transactions, and participate in the development and trading of financial products, corporate mergers and acquisitions and restructuring.

4.2.2 Characteristics of Mixed Banking in Germany

1. Established a good legal system

According to the German Federal Credit Industry Act, "commercial banking business includes deposits and loans, securities underwriting and brokering, discounting business, custody business, investment business, guarantee business and transfer business, in addition to such activities as trust, leasing, and agency. Various commercial banks and investment banking services such as insurance and consulting. Commercial banks in Germany participate in the entire process of establishing, reorganizing, merging and operating management decisions of enterprises and can also hold shares of the company." The business of the German Commercial Bank not only includes suction Banking services such as deposits, mortgages, underwriting commitments, and settlement agents, but also full-service financial services such as securities brokerage, securities self-operation, securities underwriting and sponsorship, trust investment, foreign exchange trading and insurance, etc. Network and infrastructure, financial institutions can provide customers with a full range of services. Take German Commercial Bank as an example. At present, the bank's main business is very extensive. It not only includes traditional commercial banking services such as SME financing, trade financing, real estate financing, but also main emerging securities trading, private banking, asset management, and investment banking. Business, in Germany, Commerzbank has approximately 1,100 branches and 94 customer consulting centers serving customers in more than 50 countries worldwide. In 2014, it had operating income of 684 million euros.

2. The use of universal banking business model

There are two models of typical mixed-industry operations. One is the financial holding company model represented by the United States. This model consists of financial holding groups that separately control subsidiaries such as banks, securities and insurance, and has a relatively low degree of mixed industry; The other is a universal banking model represented by Germany. Under this model, commercial banks can set up corresponding departments to operate banking, securities, insurance, trust, asset management, investment banking and other businesses. Different businesses and different departments closely cooperate with each other to provide a full range of services to each other. The proceeds will serve the Group as a whole, ensuring the stability of the Group's earnings and enhancing its ability to resist risks.

As the German industry and commerce have deeply imprinted the stigma of commercial banks in the process of development, the relationship between the two is very close. Banks also provide consulting services such as consulting and investment banking for companies to solve capital problems. They help companies to develop themselves better. Even many German companies have equity participation and even control by banks. Overview of the voting rights of German banks in companies:

Rankings	Company Name	Bank holdings	Shares held by subsidiaries' investment funds	Total entrusted voting rights	Total
1	Siemens		9.87	85.61	95.48
2	Volkswagen		8.89	35.16	44.05
3	Hoechst		10.71	87.72	98.76
4	BASF	0.09	13.61	81.01	94.71
5	Bayer		11.23	80.09	91.32
6	Thyssen	6.77	3.62	34.98	45.37
7	VEBA		12.62	78.23	90.85
8	Mannets		7.76	90.35	98.11
9	Deutsche Bank		12.41	82.32	94.73
10	MAN	8.67	12.69	26.84	48.20
11	Dresden		7.72	83.54	91.26
12	Prussig	40.65	4.51	54.30	99.46

Table 2: Overview of the voting rights of German banks in the company (as of 2002)
Source: A Comparative Study of Universal Bank (Ye, 2001).

From the above table, it can be seen that German commercial banks have a greater voting power advantage at the shareholders meeting of German companies and can even influence the business decisions of the companies. At the same time, the companies can participate in the management of the banks. This close bank-enterprise relationship has led to the formation of many large banking groups or financial giants in Germany. Facts have proved that it is precisely this close bank-enterprise relationship that has promoted Germany's economic success.

3. Pay attention to the expansion of overseas business

Germany's universal bank not only actively develops its own business, but also actively expands its overseas business by establishing branches, mergers and acquisitions overseas, and other overseas financial institutions. Take German Commercial Bank as an example, the bank has several branches in many countries in the world, and in 2008 it acquired Dresdner Bank. After the merger of the two, the new German Commercial Bank surpassed German Bank A both in terms of number of customer services and outlets. At the same time, German Commercial Bank is the largest shareholder of BRE Bank, Poland's third largest financial institution, with 70% the right to vote.

4. The formation of a more complete regulatory system

Prior to 2002, Germany implemented a mixed-industry operation and a separate-industry supervision system. The Federal Banking Regulatory Authority, the

Securities Exchange Authority, and the Insurance Supervisory Authority each exercised supervision over banks, securities, and insurance. The table shows the main legal basis, regulatory objectives, and specific measures of the relevant regulatory authorities.

Regulatory authority	Main legal basis	Regulatory objectives	Specific measures
Bank supervision department	The Federal Bank Law and the Mortgage Bank	Act ensure bank solvency and banking stability to protect the interests of depositors and investors to the maximum extent.	Bank supervisors obtain information through the annual audit report of the auditors' association of auditors. The strengthening of unconventional audits will enable regulators to better understand the bank's operating conditions. If the depositor is convinced that the bank is at risk, the regulator will take steps to warn these dangers.
Insurance Supervision Department	Insurance Supervision	Act protects the interests of the insured and ensures that the insurer can assume the expected responsibilities at any time.	Insurance supervisors check whether the annual accounting accounts are properly handled in accordance with accounting standards and conduct regular on-site inspections of insurance companies. Adequate preparations, whether sufficient funds are available.
Securities Regulatory Authority	The Federal Securities Exchange	Act prohibits the use of internal information to conduct transactions in order to enhance investor confidence in fair trading.	Supervisors mainly identify abnormal price movements and transactions through analysis reports, prevent internal transactions, and violate internal regulations. Will be fined or imprisoned for no more than five years; requiring listed companies to increase transparency.

Table 3: The regulatory measures of relevant regulatory authorities in Germany
Source: China's financial mixed operation under modern financial system(Chen, 2009).

From the table, we can see that Germany's financial supervision has a clear supervision department, legal basis, regulatory objectives, and specific measures, which will help improve the efficiency of supervision.

After 2002, Germany merged the original Federal Banking Regulatory Authority, Securities Securities Trading Regulatory Authority, and the Insurance Authority into the Financial Supervisory Authority to conduct supervision together with the Federal Bank. The merger supervision after the merger has not only reduced manpower and material resources. Loss, increased information sharing, and effectively avoided the regulatory vacuum, improved the efficiency of supervision, and promoted the development of mixed operations in Germany.

4.2.3 The Influence of Banking Mixed Industry on the Development of German Financial Industry and Economy

1. Positive impact of the mixed banking industry on the development of the German financial industry and economy

The mixed banking industry has greatly enhanced Germany’s overall national strength and world influence. 20 In the 1960s, Germany relied on the excellent services of an all-round bank to allow Germany to take the lead in the European region and become a world power. Until today, Germany is still the most powerful country in the European Union and the country with the largest discourse, and its overall strength in the world. It is also among the best, and the function of the mixed banking system of the all-round banking system is self-evident. It can be said that without an all-round bank, there will be no Germany’s powerful comprehensive national power. Furthermore, the strength of the German industry in the world today. It is also second to none that world-famous companies such as Audi, Mercedes-Benz, Volkswagen, and Siemens have been born. It is the universal banking system that brings banks and companies closer together. Banks help companies get the most out of every stage of development. High-quality financial services provide debt and equity financing services for corporate investment, financing, mergers and acquisitions and other businesses.

The mixed banking industry helped Germany improve its financial strength and crisis resistance. The development of universal banks has gradually helped Germany's financial market become one of the world's leading financial markets. Under this system, Germany has created many world-renowned financial institutions, such as the German Bank A, the German Commercial Bank, Dresdner Bank and other universal banks are still very famous in the world. Furthermore, the universal banking system has also increased Germany's crisis resistance. After the financial crisis in 2008, Germany, with its all-encompassing banking system and strict financial supervision, suffered a smaller impact compared with the United States.

The successful universal banking system in Germany proved the superiority of this system to the world. Throughout the world, Germany is one of the few countries that has consistently adhered to a mixed business model. Even the United States was forced to shift its mixed operations into a separate business operation due to the financial crisis of 1929. It was not until the end of the 19th century that the “Financial Services Modernization Act” was passed that it gradually became a mixed-business operation. .

Today’s strong German power has proved to the world that mixed business operations are not the source of financial crisis, but can enhance their ability to resist the crisis.

2. the negative impact of mixed banking operations on the German financial industry and economic development

Mixed banking operations may create financial monopolies. Due to Germany's universal banking model, Germany has a large number of large-scale financial institutions such as German Bank A and German Commercial Bank. These financial institutions provide customers with comprehensive financial services. Through continuous mergers and reorganizations, most of the current market share in the German market is occupied by a few large financial institutions. These financial institutions gradually strengthen their own control and pricing power in the process of serving customers, and customers interact with them. In the process, some unreasonable requirements of financial institutions sometimes have to be accepted, which is not conducive to the full play of market competition; and because of its large scale, there is a phenomenon that cannot but be overwhelmed. When these financial institutions encounter difficulties, the government has to Helping them through the crisis has indirectly contributed to the moral hazard of financial institutions and prompted them to engage in some high-risk businesses, which is not conducive to the stable operation of financial markets.

The banking industry's mixed operation has increased the difficulty of supervision. With the development of financial institutions, business types are constantly increasing, and the links between businesses are becoming more and more complex and complex. Due to the relative lag in financial supervision, it is difficult for regulators to conduct strict supervision on them and increase the difficulty in the supervision of regulatory authorities. At the same time, due to the cross-operation of various services of all-round banks, financial institutions sometimes engage in pursuit of excessive profits. Some unsustainable types of business, these high-risk businesses did not impose excessive restrictions on risks before they occurred, and once the risks broke out, the contagious nature of the risks would intensify the losses of financial institutions. Ultimately, regulators can only Taking remedial measures afterwards has weakened the effectiveness and forward-looking nature of supervision.

4.3 Analysis of Mixed Operation of the German Bank A

4.3.1 Overview of Various Business Units of the German Bank A

In order to serve its customers better, German Bank A re-adjusted the structure of the department and adopted a new department structure from January 2016. See Table for specific adjustments. This article will elaborate on the overview of various business units of the German Bank A based on the new department structure.

Current Division		Future Division (effective January 2016)
Corporate Banking and Securities	Sales and Trade Debt	Bonds Global Markets
	Corporate Finance	
Global Transaction Bank	Global Transaction Bank	Corporate and Investment Banking
Personal and corporate clients	Personal and corporate clients	Personal, wealth and commercial clients
German A Asset and Wealth Management	Personal Wealth Management	German Bank A Asset Management
	Asset Management	
Infrastructure and Functions Department		Infrastructure and Functions Department
Non-core business unit		Non-core business unit

Table 4: Departmental Adjustments of the German Bank A
Source: German Bank A Annual Report 2014-2015

1. Corporate and Investment Banking

Corporate and investment banking consists of corporate finance and global transaction banks. As a world-renowned bank, German Bank A's corporate finance business provides a full range of comprehensive investment banking products and services for various financial institutions, governments, government agencies, hedge funds and financial sponsors. The department works closely with the industry sector, national and regional expertise, and serves customers with high-quality customer solutions. It mainly provides comprehensive financial advisors, including mergers and acquisitions (M&A) of buyers and sellers, restructuring consultants and financing services. Supported through the world’s largest debt and equity capital market platform, strong risk management and support for the global distribution network; thanks to the comprehensive layout in the Americas, Asia Pacific, Europe and Oceania, the Bank of Germany A can cross border Comprehensive advice services with local affairs provide strategic advice.

2. The asset management department

The German A Asset Management Department is one of the world's leading investment management organizations, providing global and individual companies and institutions with traditional and alternative investment services between different asset classes. Its products and solutions provide a wide range of investment opportunities in a variety of asset classes, ranging from pooled funds to highly private customized portfolios for a wide range of investors, including active and passive funds, institutional directives, and structured products. German Bank A's consultants and investment specialists are dedicated to providing asset management solutions based on each client’s needs, risks, benefits, and liquidity preferences. German Bank A established a chief investment office to manage the group's asset management business, supervise the investment process, and write the global investment report.

3. The global market

The Global Market Department combines sales, trade, and structuring of a wide range of financial market products. This transaction combines debt transactions, including foreign exchange, interest rates, credit, structured finance and emerging market, stock and equity-linked products, exchange-traded and over-the-counter derivatives and money market and securities instruments. The institutional client group is responsible for serving the institutional client base, while the research department is responsible for analyzing the market, product, and trading strategies for the client. It mainly includes equity instruments, credit instruments, interest rate instruments, and foreign exchange trading tools. It provides institutional and retail customers around the world with a variety of financial instruments available for trading.

4. Personal, wealth and business customers

The newly established Private, Wealth and Commercial Clients Division of German Bank A combines the bank's previous professional experience in private and commercial banking and wealth management in one corporate sector. Starting from January 1, 2016, the Private, Wealth and Commercial Clients Division will unite private and business financial services and wealth management businesses in a unified department, but wealth management will remain independent and have its own brand. Whether it is in the Chinese market or internationally, the department provides unified high-quality advice and extensive financial services. With two independent partners working closely together in the new corporate sector, the two will together increase the influence of the German Bank A; with capital market and financing expertise, a strong global network and advanced digital services The department will have a reputation in the world. The department’s products and services include payment and current account services, investment management, retirement plans, and deposits, loans, and mortgages. For small and medium-sized customers, the department provides a full range of services, from start-up financing to structured financing. German Bank A wealth management department provides customers with more services ranging from tailored loan solutions and wealth planning to more specialized home office resources and charity consulting services.

5. Non-core business units

The goal of the non-core business unit (NCOU) is to free up capital, reduce the balance sheet, and protect shareholder value by reducing the risk of non-core assets, liabilities, and operating activities. Since the implementation of strict capital and balance sheet management is crucial to the success of German Bank A, the non-core business unit also serves as an important strategy for the development of the German Bank A. The unit's asset portfolio includes non-core strategic activities of German Bank A, including assets that are subject to significant changes in business, legal, and regulatory matters. It reduces the size of the balance sheet by disposing of third-party investors and committing itself to finding the optimal complex structure through cooperation with internal and external participants to seek risk-resolving solutions.

6. Infrastructure and Regional Management Department

Infrastructure and regional management departments such as Finance, Legal, Compliance, Group Audit, Risk, Communication, Corporate Social Responsibility and Public Events, Human Resources, Group Technology and Operations, Group Strategy, Corporate Insurance, and German Bank A Research Department, etc. The respective strategies, risk control functions, etc. serve the decision makers. Regional management departments cover the responsibility of the regions in the world and represent the interests of the group in the region.

4.3.2 Features of Mixed Operation of the German Bank A

1. the income from intermediate business such as investment banking, trading and wealth management accounts for a relatively high

The current divisions of German Bank A include the Corporate Banking and Securities Division, the Global Transaction Banking Division, the Assets and Wealth Management Division, the Personal and Corporate Clients Division, and the newly established non-core business unit established for the purpose of divesting bad assets in 2012. The German bank A's interest income was 25 billion euros, while the non-interest income during the same period reached 176.77 billion euros. The difference between the two is not significant, and non-interest income is even higher when considering the consolidated statement of consolidated income. A similar situation can also be seen from the historical data of Bank German Bank A. The table below shows the changes in the income structure of German Bank A from 1999 to 2006:

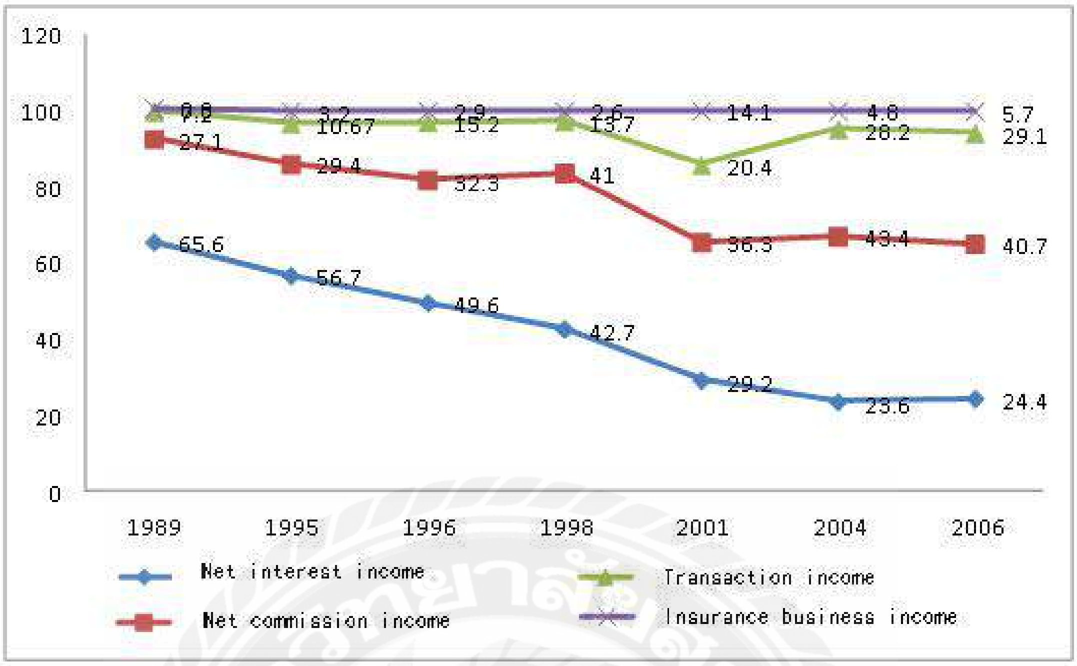

Figure 4: Change in income structure of German Bank A in 1999-2006
(Unit: 1 Billion Euros)
Source: German Bank A Financial Report 1999-2006

As can be seen from the figure, in the income structure, the proportion of net interest income fell from 65.6% in 1989 to 24.4% in 2006, while net commission income continued to rise, from 27.1% in 1989 to 2006. 40.7% of the year. And the fund trading business also belongs to the middle business category. If the revenue of the transaction business is taken into account, then the intermediate business income accounted for approximately 70% in 2006.

2. To create a one-stop financial services for customers

German Bank A's corporate banking and securities, asset and wealth management, global trading markets, and individual and corporate client departments focus on investment banking, asset and wealth management, trading and retail operations, respectively. Have their own focus, but in the process of serving customers, these departments are not absolutely independent business, they will also closely cooperate with each other, and integrate each other resources to better serve customers. For example, high-net-worth clients of wealth management business services will cooperate with the global trading department to provide customers with a convenient trading system. They need to cooperate with the corporate banking and securities departments to provide customers with personalized and diversified investment and financing programs; at the same time, if customers have In other cases, such as listing and mergers and acquisitions needs, the company's bank and the securities department will also be promptly approached. For example, when it comes to retail and corporate customer services, if the customer has investment banking business needs, the company's bank and securities department will meet customers in a timely manner. At the same time, the Global Transaction Banking Department helps customers actively manage cash and provide trade financing and securities services to customers with international trade needs.

3. According to customer needs to form and adjust business units

German Bank A announced that from January 2016, the company's banking and securities divisions were divided into two parts, one part was divided into the global market department, and the other part was merged with the global transaction bank into a new department called the corporate and investment banking department. The original asset and wealth management department will also be split. The asset management department will set up a new department alone, and the wealth management business will be merged with another department, called the personal, wealth and commercial customer departments. From these adjustments, we can see that German Bank A closely focuses on the customer as the center and integrates its resources to better serve its customers according to changes in customers. Moreover, the existing four departments have also gradually improved during the process of German Bank A's continuous expansion of its own business. After the listing of German Bank A in New York, it integrated the original five major businesses of retail and private banking, corporate and real estate, global companies and organizations, asset management and global technology and services into corporate business and investment banking, personal business and asset management. Large business units to more effectively serve customers. This practice of constantly adjusting the business sector based on changes in the internal and external environment has promoted the development of the German Bank A.

4.The unique internal management

Due to historical reasons and the fact that most shareholders are mainly institutional investors, German Bank A has two management agencies - the management board and the supervisory board. Although the management board is responsible for the specific business, the supervisory board has the right to appoint and administer the qualifications of the management board. This virtually increases the supervision of the board of directors on the management board. At the same time, the members of the supervision board of directors come from shareholders and employee representatives, who can better represent the interests of small and medium-sized investors and the interests of employees, constrain the behavior of management, and urge the company to be in a healthy governance structure; in the management board, there are two chiefs. The executive officer, both of whom exercise their authority, and there is no chairman of the management board, the spokesperson of the election has no more real power.

4.3.3 Analysis of Financial Status of Departments of the German Bank A

At the end of 2015, the total assets of German Bank A reached 1.629 trillion Euros, which was lower than the 1.7 trillion euros in 2014. The total equity was 62.7 billion Euros in 2015, which was 5.7 billion lower than the 68.4 billion euros in 2014. EBIT was

3.116 billion euros in 2014, more than doubled from 1.456 billion euros in 2013, but due to the huge losses of German Bank A in 2015, its pre-tax income was -60.97 billion euros; Net income increased from 681 million euros in 2013 to 1.7 billion euros in 2014, an increase of 150%, but the net income in 2015 was -67.72 million euros. The following will be carried out respectively from various business units to its financial status analysis.

1. Financial status of corporate banking and securities

Financial data of company bank and securities divisions of German Bank A.

	2013	2014	2015
Net income	13526	13629	14219
Credit losses provision	189	103	265
Non-interest expenditure	10162	10348	15963
Pre-tax income	2891	2909	-2035
Pre-tax return on capital (%)	16	13	-7
Risk-weighted assets	114729	175561	195096
Total assets	1102007	1213612	1145004

Table 5: Financial Data of the Banking and Securities of German Bank A in 2013-2015
(Unit: 1 Million Euros)
Source: German Bank A Annual Report 2013-2015

From the above table, it can be seen that in 2015, the net income of Bank A and Banking Company of German Bank A increased by 693 million euros compared to 2013, and the provision for credit losses increased by 162 million euros in 2015 compared with 2014, and the risk-weighted assets in 2015 Compared with 2013, there has been a significant increase, with an increase of 80.367 billion euros, but the pre-tax income of the corporate banking and securities sectors decreased significantly in 2015, from 2.909 billion euros in 2014 to 2.035 billion euros in 2015, with total assets. 2015 was not as high as 2014 and 2013, and non-interest expenses increased year by year from 2013 to 2015. The pre-tax profit rate also decreased from 16% in 2013 to 13% in 2014, and even to -7% in 2015. In 2014, the company's banking and securities department achieved results thanks to the increase in sales, mergers and acquisitions and consulting business revenue. In the fourth quarter of 2014, the volatility increased due to geopolitics and the drop in oil prices. At the same time, the U.S. capital market is in an upward phase due to the good stimulus from the U.S. economy. Active trading sentiment has also promoted the development of corporate banking and securities, especially in the capital market and M&A market.

Corporate Banking and Securities Sector Government-bond trading volume and market share during 2010-2014:

Figure 5: Government bond trading volume market share 2010-2014 (Unit: %)
Source: German Bank A 2014 Annual Report

From 2010 to 2014, the scale of government bond and corporate securities government bond transactions has been steadily increasing. In 2014, government bond trading volume accounted for 8.4% of total market share, ranking third in the world and leading the world status.

The Corporate Banking and Securities Division continued to reduce its leverage exposure on fixed income and currency operations, while redeploying resources to achieve specific market opportunities in its preferred credit solutions. In the equity business, the department is committed to optimizing the sources of revenue on its platform and deploying resources to serve customers and increase revenue. The figure shows the fixed-income market share and ranking of corporate banking and securities departments for 2010-2014:

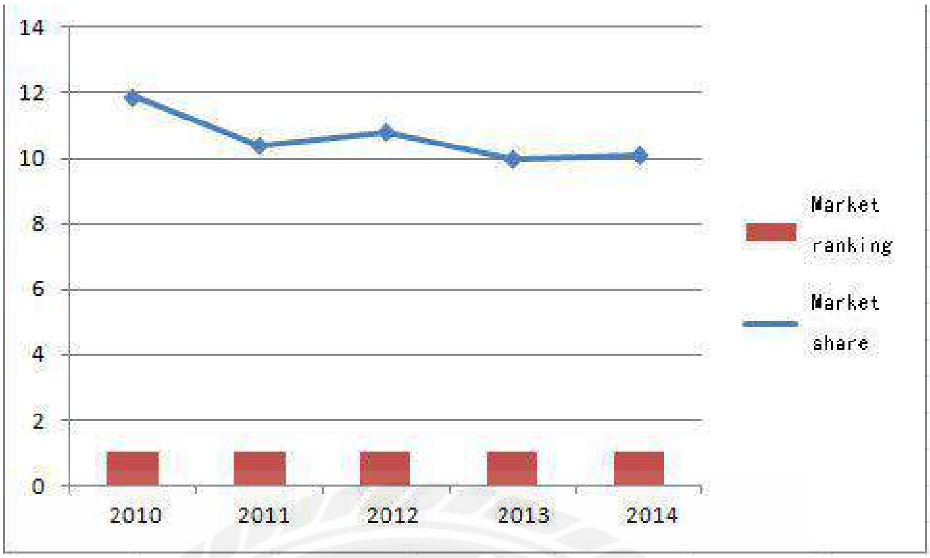

Figure 6: Fixed Income Market Share and Ranking in 2010-2014 (Unit: %)
Source: German Bank A 2014 Annual Report

From the table, we can see that from 2010 to 2014, the department has maintained the market's top position in terms of fixed income, although its income has been slowly declining in the face of unfavorable circumstances. In the debt capital market, German Bank A ranked first among international bond underwriters in 2014. In the equity financing market, German Bank A has been the underwriter of several largest listed companies with the largest market value in the world. Corporate banking and securities companies have also gradually increased their market share worldwide. The figure shows the market share and ranking of the Bank of Germany and Bank of the Company's business volume in 2014:

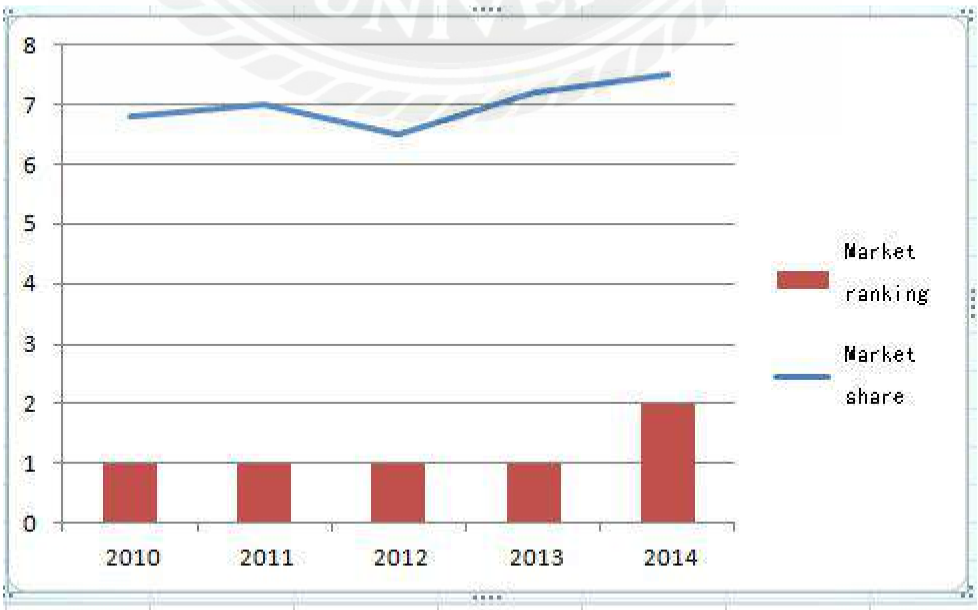

Figure 7: Market Share and Ranking of Corporate Banking and Securities in 2014

(Unit: %)
Source: German Bank A 2014 Annual Report

From this figure, we see that the company's securities and investment departments have steadily increased their market share in the world's business volume. The market share of the company has entered the top three in the world and is in a leading position.

As the environment changes, corporate banking and securities companies will reshape their business to better adapt to changing conditions and create higher returns for shareholders. In the future, the department will continue to maintain its leading position in the market by optimizing its customer structure, investing more resources in technology and generating higher-yield businesses.

2. Financial status of individual and commercial customers
2013-2015 Personal and Commercial Banking Customer Department Financial Data:

	2013	2014	2015
Net income	9550	9639	8911
Credit losses provision	719	622	501
Non-interest expenditure	7276	7682	11700
Pre-tax income	1555	1335	-3291
Pre-tax return on capital (%)	11	9	-22
Risk-weighted assets	73001	79571	80016
Total assets	265360	258381	257121

Table 6: Financial Data for Individuals and Commercial of German Bank A 2013-2015
(Unit: 1 Million Euros)
Source: German Bank A Annual Report 2013-2015

As can be seen from the above table, the personal and commercial customer sector revenues in 2014 decreased from 1.6 billion euros to 1.3 billion euros in 2013. This was mainly due to the fines from the regulatory authorities, the costs of acquiring German postal banks, and the implementation of the Operational Excellence Plan. In 2015, the pre-tax income of this sector was -3,291 million euros, which was mainly due to the divestment of Deutsche Post AG and the impairment loss of assets. Net income increased 1% in 2014 to 9.6 billion euros in 2013, mainly due to the higher The level of transactions and the net inflow of investment and insurance products. However, net income declined in 2015 to 8.911 billion euros. Credit loss provisions fell by more than 200 million euros in 2015 compared to 2013 due to the favorable German environment. Investment assets increased by 9 billion euros in 2014 compared to 2013, mainly due to a net inflow of 6 billion euros in securities and market appreciation. However, the pre-tax income and the pre-tax return on capital have declined at different levels in 2014 compared with 2013. In

2015, this trend has not been reversed, and the rate of decline has increased. As customer demand for credit, investment, and insurance products has boosted revenues, continued low interest rates have led to a drop in deposit revenue; regulatory requirements such as payments, credit cards, and accounts have also had an impact on revenues.

As the leading retail bank in Germany, the personal and commercial customer department of Bank A Germany provides services for deposits, loans, payments, current accounts, and investment management for approximately 23 million German domestic customers and approximately 5 million foreign customers in 2014. There are approximately 2,700 branches in Germany, Italy, Spain, Belgium, Portugal, Poland, and India and are supplemented by independent consultants and direct distribution channels on the mobile network. The department is composed of three parts: personal and commercial banks, international consultancy banks and Deutsche Postbank. Affected by low or even negative interest rates, the department's deposit business has been affected, but at the same time, it encourages customers to invest in securities and insurance products. At the same time, it encourages clients to install loans in installments. The figure shows the income composition of the sub-sectors of the individual and commercial client departments:

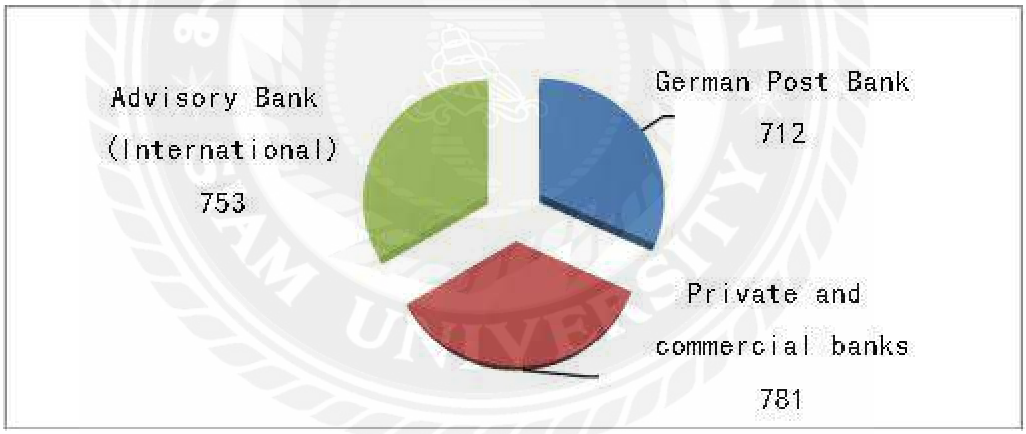

Figure 8: Percentage of personal and business client department revenue
(Unit: 1 Million Euros)
Source: German Bank A 2014 Annual Report

As can be seen from the above figure, the income gaps between the three sub-sectors are not very large, with personal and commercial banks being the highest, close to 800 million euros.

The strategy for the individual and business client departments is to maintain its position as a retail bank in Germany and maintain its core consultancy status in some European and Asian markets. In the local market, the individual and commercial client departments have completed the integration of SME customers in a private and commercial banking sector. Customers can enjoy the services of an additional 180 advisory centers, and the consultants' staff will work with the global marketplace. Working closely with customers to improve their trade finance and cash management services programs, as well as the German Bank A global product and global network. The integrated postal bank of Germany also enhanced the sector's competitive position in the German market, and in 2014 it took another step forward. In 2014, all overseas departments achieved profitability and scale growth, and in China, they continued to benefit from Huaxia Bank. In 2014, the three departments jointly upheld the promotion of digital banking services. The seamless improvement of multi-channel access will enable the department to serve customers more effectively. The favorable market environment in 2014 also helped the department to increase its income through loans and installments. Although deposits were subject to low interest rates, the department actively adopted innovative deposit products and was welcomed by customers, attracting an additional €7 billion. deposit. With the increase in customer demand for investment, the individual and corporate client departments have actively expanded their markets in Europe and India, achieving a net inflow of investment and insurance assets of 6.5 billion euros, the highest level in 10 years.

Personal and Commercial Clients 2012-2014 Net Investment Assets and Insurance Product Trends:

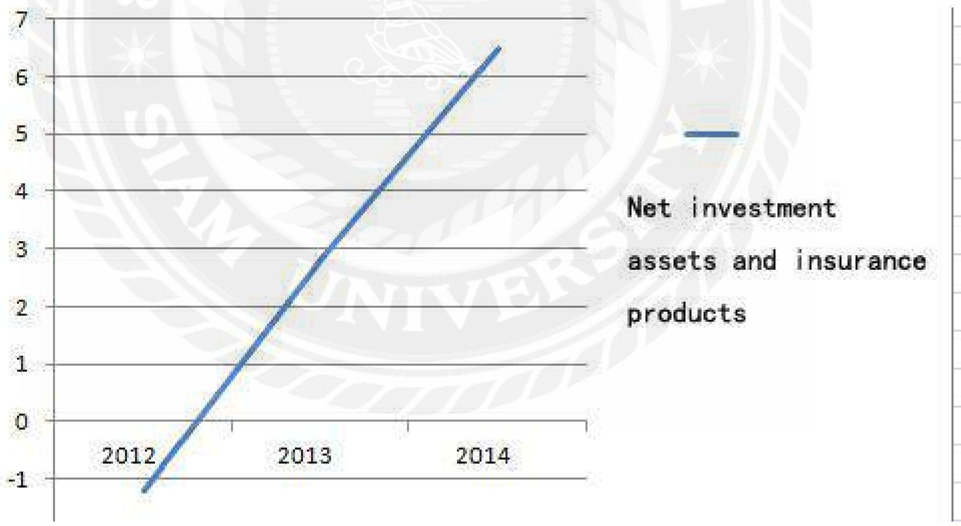

Figure 9: Trends in Net Investment Assets and Insurance Products in 2012-2014
(Unit: 1 Billion Euros)
Source: German Bank A 2014 Annual Report

From the above figure, it can be seen that the investment assets and insurance products of the individual and commercial client departments have rapidly increased from -1.2 billion euros in 2012 to 6.5 billion euros in 2014 and have seen tremendous growth in three years, showing the strong growth potential of the business. At the same time, the department is actively streamlining the structure, simplifying products and processes, and committing to a higher level of automation. Digitization is a key strategy for the sector in

2014. German Bank A has allocated 200 million euros to the sector for three consecutive years to expand its digital services. The individual and commercial client departments have also initiated comprehensive measures to further enhance the digital access channels in the three sub-sectors. They are dedicated to responding quickly to customer needs, providing a wider range of professional skills and information, helping customers to use online devices more and to handle business.

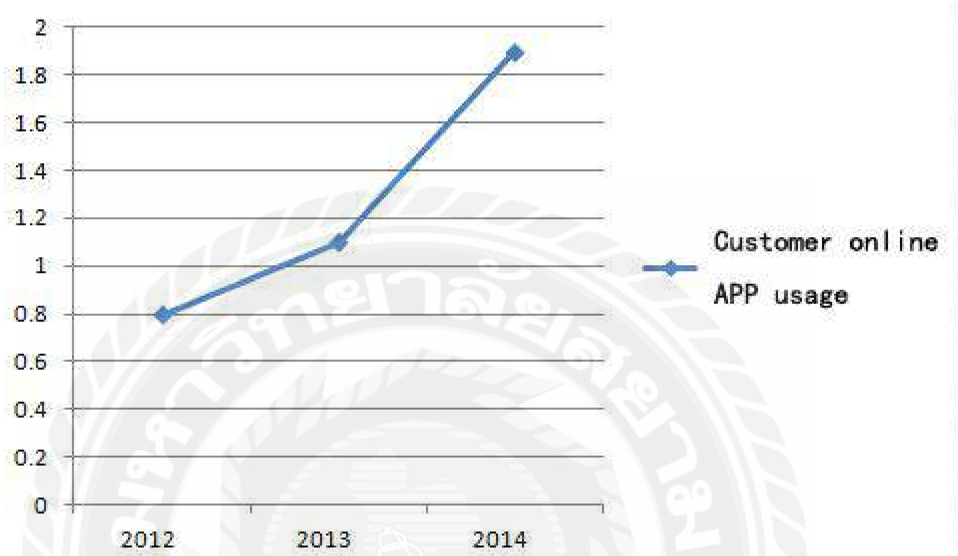

Figure 10: The number of online APP customers use in 2012-2014 (Unit: 1 Million)
Source: German Bank A 2014 Annual Report

As can be seen from the above figure, the number of online APP downloads by retail customers has increased from 8 million in 2012 to 19 million in 2014, indicating that the personal and commercial banking departments of German Bank A are actively engaged in the expansion of online business. Expand the customer base of online services.

3. The global transaction banking sector financial status

2013-2015 Global Transaction Banking Department Financial Data:

	2013	2014	2015
Net income	4069	4146	4616
Credit losses provision	315	156	127
Non-interest expenditure	2648	2791	3050
Pre-tax income	1107	1198	1439
Risk-weighted assets	36811	43265	52062
Total assets	97240	106252	99953

Table 7: Financial Data of the Global Transaction Banking Department, 2013-2015
(Unit: 1 Million Euros)

Source: German Bank A Annual Report 2013-2015

In 2015, the global transaction market sector realized a pretax income of 1.439 billion euros, more than 300 million euros more than the 1.1 billion euros in 2013. From 2013 to 2015, net income and risk-weighted assets showed an upward trend year by year, while credit losses were allocated. There is a declining trend year by year, with only 127 million euros in 2015.

The success of the global trading market benefits from its diversified product portfolio and problem-oriented, scale-driven business models. Currently, the division has offices in 49 countries and serves 47,000 clients in more than 190 countries and jurisdictions worldwide, and it has already enjoyed rapid growth in markets such as China, India, and Latin America. Established a solid connection. The average daily liquidation volume of the department in Europe, Central Asia and Africa has maintained its leading position in 2014, with a market share of 8.5%, and it is also continuously increasing its business volume and market share in the Americas and Asia, and for the first time in 2014. The clearing system is set up in Shanghai Free Trade Zone to provide solutions for RMB clearing business.

Global Transaction Banking Sector 2010-2014 Euro Clearing Market Share and Market Ranking:

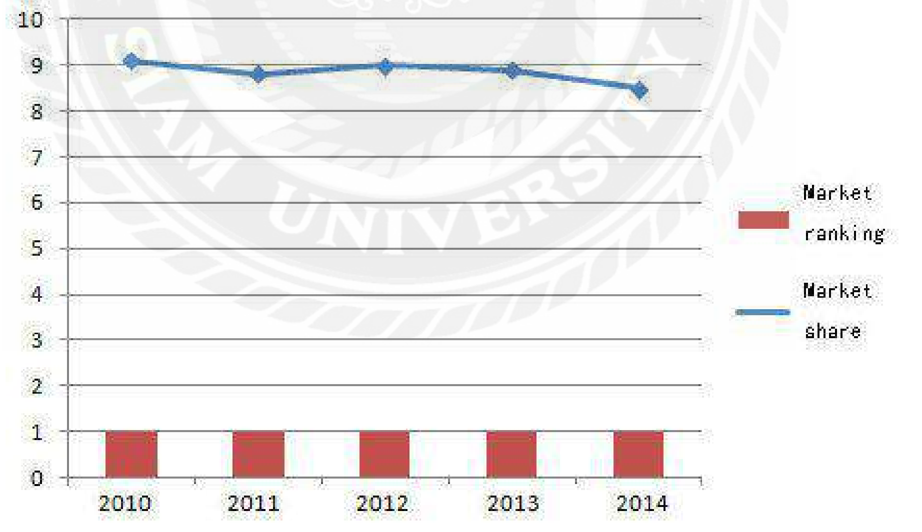

Figure 11: Euro Clearing Market Share and Market Rankings in 2010-2014 (Unit: %)
Source: German Bank A 2014 Annual Report

As can be seen from the above figure, since 2010, the department has been ranked first in the euro clearing, and the market share has remained stable.

International Transaction Bank continued to expand its market share in advanced institutional management and securities business. Its subsidiary deposit receipts business has grown 25 times in 2014, maintaining its second leading position in the world, and its institutional cash management system is one of the few institutions. One of the systems used by customers, the provided FX4 Cash payment settlement system provides customers with cross-currency liquidation services, gaining a lot of market share. The Global Transaction Banking Department continues to work closely with customers in each phase of foreign trade in the area of trade finance, helping them to provide solutions for working capital and accounts receivable. In 2014, the overall trading volume in the trade finance sector increased by 15% compared with 2013, and the supply chain financing business grew by 25%, accounting for 20% of the German market share.

2010-2014 German Bank A's business volume changes in the field of trade financing:

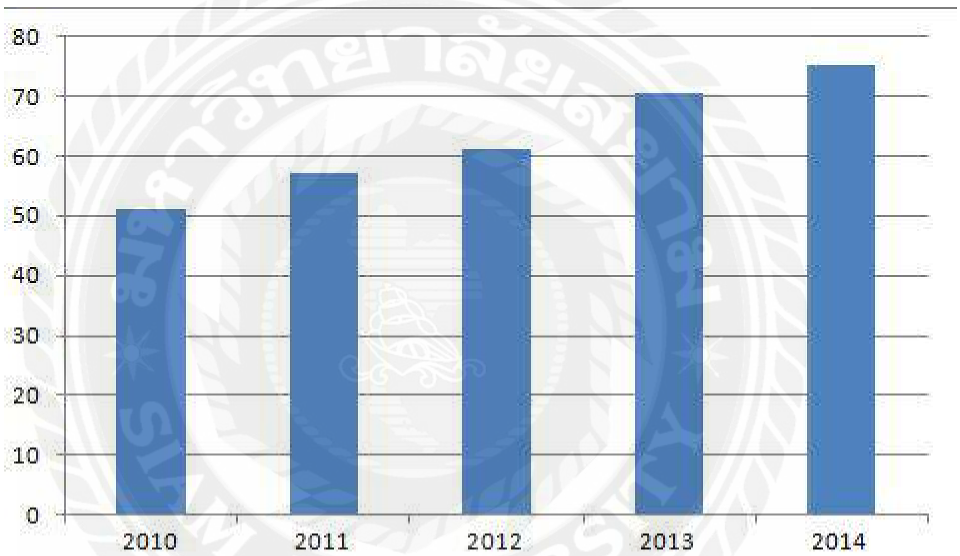

Figure 12: Changes in business volume in the area of trade finance in 2010-2014
(Unit:1 Billion Euros)
Source: German Bank A 2014 Annual Report

From the chart we can see that the trade financing volume of German Bank A has shown signs of increasing year by year, reaching 71.5 billion Euros in 2014.

The Global Transaction Banking Department will continue to implement strict cost and risk management to ensure effective capital utilization and attractive returns, and maintain the advantages of Bank A in this area. At the same time, the Global Transaction Banking Department will continue to focus on cultivating and developing customer relationships in mature markets and emerging markets, and will work closely with other banks to ensure that customers can enjoy products, programs and services from the global transaction banking sector.

4. Financial Status of Assets and Wealth Management Department

2013-2015 Assets and Wealth Management Department's financial data:

	2013	2014	2015
Net income	4735	4708	5408
Credit losses provision	23	-7	9
Non-interest expenditure	3929	3685	4149
Pre-tax income	782	1027	1250
Pre-tax return on capital (%)	13	16	16
Risk-weighted assets	12553	16597	23795
Total assets	73613	81132	89001

Table 8: Financial Data of Assets and Wealth Management Department, 2013-2015
(Unit: 1 Million Euros)
Source: German Bank A Annual Report 2013-2015

As can be seen from the above table, the assets and wealth management departments of German Bank A achieved a pre-tax income of 1.25 billion euros in 2015, an increase of nearly 500 million euros over 2013, a growth rate of 59%; net income 2014 was slightly smaller than 2013 The decline was mainly due to market fluctuations in the policyholder position of Abbey Life, an insurance company affiliated to German Bank A, but net income increased to 5,408 million euros in 2015; credit losses are set to decrease by 30 million euros in 2014 compared to 2013, but Compared with 2014, it increased by 16 million euros in 2015, risk-weighted assets, total assets, and pre-tax capital gains have increased year by year from 2013 to 2015, with pre-tax capital gains equal to 2015 and 2014; other businesses Alternative investments, passive investments, wealth management, and lending businesses all create a large source of revenue for the sector.

In 2014, assets and wealth management assets of German bank A increased by 160 billion euros, which was mainly due to the increase of 50 billion euros in foreign currency fluctuations. The market added value of 43 billion euros and a net inflow of 40 billion euros. Through these investment assets, Value-added, making the department's asset management scale exceeded 1 trillion euros.

Assets and Wealth Management Department's Change in the Scale of Investment Assets 2012-2014:

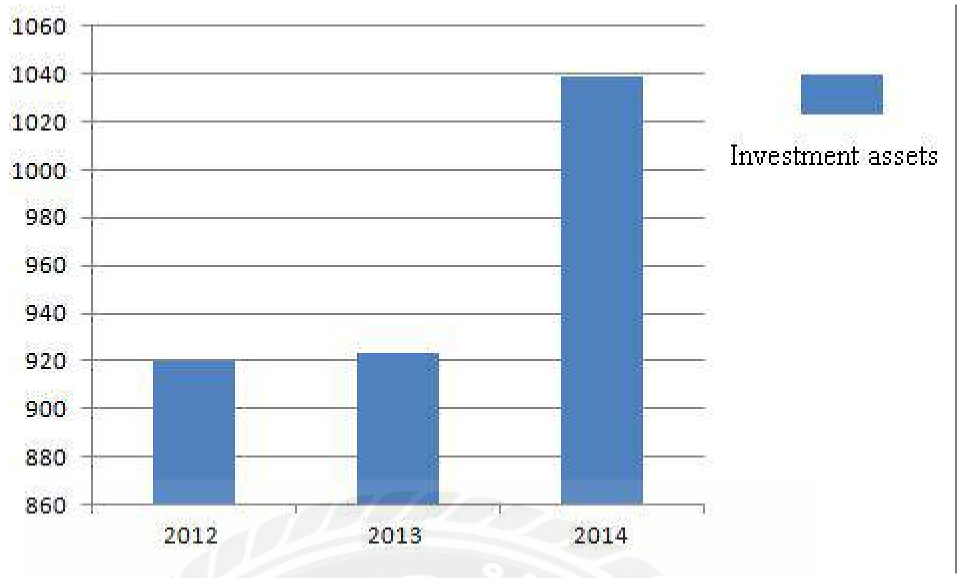

Figure 13: Changes in the scale of investment assets during in 2012-2014
(Unit: 1 Billion Euros)
Source: German Bank A 2014 Annual Report

As can be seen from the above chart, the assets of the asset and wealth management sector are slowly rising, and exceeded 1 trillion euros in 2014. This is mainly due to the creation of a unified and customer-centric business platform for the assets and wealth management department of German Bank A. Through this business platform, all customers can access the system of assets and wealth management departments of German Bank A through a specific team. Global customer groups are concentrated in institutional and individual customers, and customer relationship managers in regional wealth management teams provide private customers. As well as high-net-worth customer investment proposals, ultra-high-net-worth customers are serviced by key customer cooperation teams. The assets and wealth management department of German Bank A is in charge of the chief investment office, merging about 1,500 professionals in global investment, research and trading fields to conduct global investment research, and designing regional management teams for equity, fixed income businesses and cross-asset portfolios. Determine the criteria. Business managers will combine the perspectives of research institutions and their analysis of local businesses to execute strategies on the customers and asset portfolios they manage. At present, the asset and wealth management department provides six categories of global products including deposits and loans, wealth management products, active and passive investments, alternative investments, and physical investment and fund solutions.

The composition of each part of the total investment assets of the asset and wealth management department in 2014:

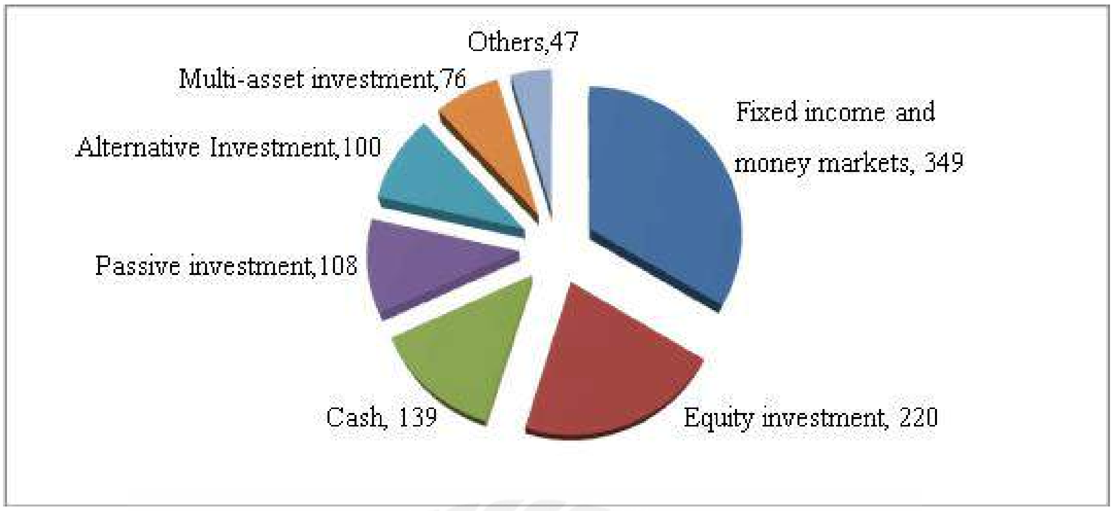

Figure 14: Portfolio of Investment Assets of Assets and Wealth Management in 2014
(Unit: 1 Billion Euros)
Source: German Bank A 2014 Annual Report

From the above figure, we can see that the fixed income and money market products of the sector reached 349 billion euros, which is the largest proportion, while the mixed assets were only 76 billion euros, accounting for a relatively small proportion, and the equity assets had 220 billion euros, which also accounted for a large proportion. The weights show the strong investment strength of the Asset Management and Wealth Management Department.

In 2014, the division actively transformed its operating methods and implemented new applications in asset management and wealth management departments to help customers provide a strong technology framework to support their investment process. At the same time, the department is committed to its core business and gradually reduces the complexity and cost of its products. Geographically, the Department of Asset Management and Wealth management closely focuses on the German domestic market and other European markets, further expanding the proportion of high-net-worth customers in North America, the United Kingdom, and some emerging markets, and reducing the proportion of its operations in Russia and the Philippines. At the same time, in order to save costs, the department will shift the business to a lower cost place. On the other hand, the department actively gains revenue through excellent investment customers and product innovation. Through recruitment of talents, it has expanded the group of people serving high-net-worth customers. In terms of product innovation, the department has actively invested in cash income investment methods to expand. Business, using innovative methods such as direct index replication instead of derivative products to innovate product offerings, increased the provision of private funds and institutional accounts in 2014 by 6 billion euros, and increased the scale of assets by 19 billion euros. At present, there are more than 60 products. At the same time, the Asset Management and Wealth Management Division actively cooperates with other departments to conduct business. In 2014, the division managed 50 billion euros of assets on behalf of the individual and commercial client departments. It is a liquid asset for global transaction banking sector managers. It develops ultra-high-net-worth clients together with the corporate banking and securities departments, creating and advising key client advisers. Close cooperation with corporate banking and securities departments provides professional investors seamless access to various asset classes and cross-regional investment opportunities and financing options.

The regional distribution of assets under management of assets and wealth management in 2014:

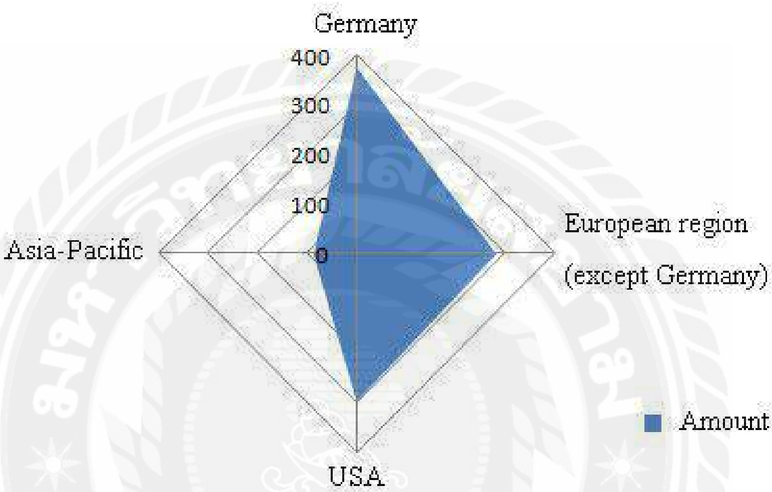

Figure 15: Regional distribution of assets under management in 2014
(Unit: 1 Billion Euros)
Source: German Bank A 2014 Annual Report

It can be seen from the above figure. The asset management of this sector is mainly distributed in Europe and the United States, while the Asia-Pacific region is relatively small, with only 86 billion euros.

5. Financial status of non-core business units

2013-2015 non-core business unit various financial data:

	2013	2014	2015
Net income	964	211	401
Credit losses provision	818	259	54
Non-interest expenditure	3550	2804	3079
Pre-tax income	-3402	-2851	-2732
Risk-weighted assets	52443	58538	34463

Table 9: Financial data for non-core business units for 2013-2014
(Unit: 1 Million Euros)

Source: German Bank A Annual Report 2013-2015

From the above table, it can be seen that the non-core business income before 2015 pre-tax compared to the 3.4 billion euros recorded in 2013 decreased by nearly 700 million euros, mainly due to the reduction of net income and lower credit losses. Reflects the progress of de-risking. The non-interest-rate costs decreased rapidly compared to 2014, mainly due to lower litigation-related costs and benefits from the implementation of bank de-risking strategies, but this trend was not continued in 2015; risk-weighted assets compared to 2015 The year-on-year drop of 2.407 billion euros was mainly due to the aggressive withdrawal of non-core assets by German Bank A.

In 2014, the non-core business units focused on the business assets previously invested in the company's investment department and successfully sold the BHF-BANK and Las Vegas hotels. These divestments are supplemented by the reduction of traditional bank assets, such as the early ending of credit derivatives hedging of some single insurance portfolios and the sale of some potential bonds. Significant nominal reductions in credit-related portfolios also resulted in a significant reduction in assets, which in total helped reduce assets by 25 billion euros in 2014. With the launch of the Group's bulk commodities business, the department received a total of 2 billion euros in risk-weighted assets at the end of the first quarter of 2014, and at the end of 2014 these assets were already less than 1 billion euros.

The reduced risk assets of non-core business units during 2012-2014:

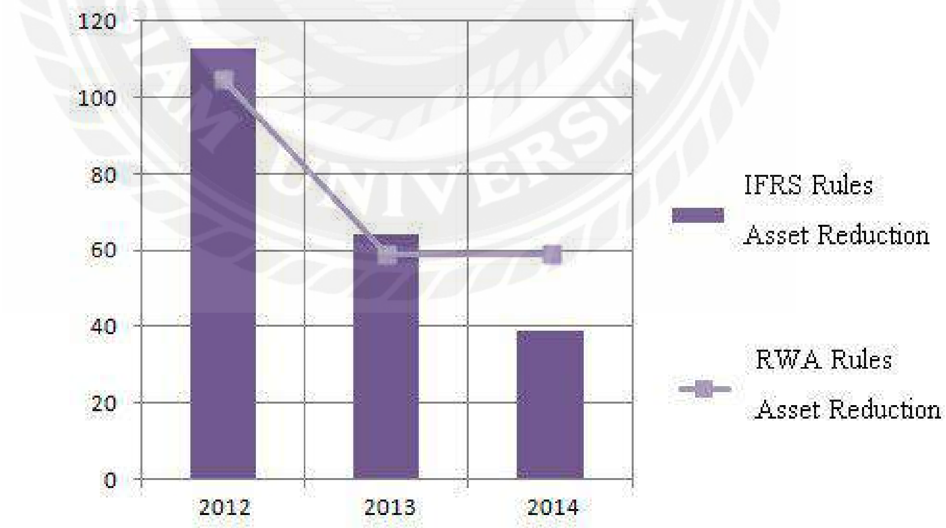

Figure 16: Reduced risk assets for non-core business units in 2012-2014
(Unit: 1 Billion Euros)
Source: German Bank A 2014 Annual Report

From the figure, it can be seen that from 2012 to 2014, the department significantly reduced the assets under IFRS (International Accounting Standards) from 113 billion euros in 2012 to 39 billion euros in 2014, thereby increasing the capital adequacy ratio.

RWA (risk-weighted assets) also fell from 105 billion euros to 59 billion euros. In 2014, it successfully reduced the assets under international accounting standards from 64 billion euros to 39 billion euros, a decrease of 39%. The non-core business unit has accumulated 4.8 billion euros of after-tax self-regulatory capital since its inception, which is equivalent to an increase of 110 basis points of the ordinary first-class equity ratio; at the same time, the department also bears a high amount of existing liabilities. And litigation-related expenses have a significant impact on non-interest expenses. By divesting these non-core assets, the risk of German Bank A has been reduced, and the quality of assets has also improved significantly.

4.3.4 Internal Control and Risk Analysis of the German Bank A

1. Internal Control of German Bank A

German Bank A mainly strengthens the internal control of the bank from the supervisory board and the management board. The German Bank A corporate governance structure is a typical dual board system, which is jointly managed by the supervisory board of directors and the management board. The former is composed of directors elected at shareholders' meetings and staff meetings, and has the power to appoint and remove members of the management board. The management board is responsible to the supervisory board and supervises the board of directors to set up special committees to manage specific areas. As some of the directors of the Supervisory Board come from employee representatives, they can better protect the interests of employees and small and medium shareholders.

The management board is responsible for managing the company, maintaining and improving the organizational structure of the group and also exercising control. The management committee implements a dual-chairmanship mechanism. Both represent the meeting of the management committee and the leadership management committee. They have a decisive vote in major events and coordinate the activities of the management committee. The co-chairs lead the group executive committee, including all members of the management committee and some senior managers. The Executive Committee fulfills its role as an adviser and coordinator and advises the decision of the Management Committee. The management committee plays a central management role, including strategic management, the rational organization of German Bank A and group, the identification of key businesses, and the appointment of senior managers.

The supervision committee is responsible for supervising and recommending the management activities of the management committee. The major decisions affecting the German bank A need to be approved by the supervisory board. The Supervisory Committee appoints members of the management committee and establishes a succession plan for the management committee. It can specify more information and reporting responsibilities that the management committee needs to implement outside the scope of the law. The supervision committee regularly reviews the efficiency of the work. In 2014, the Supervisory Committee consisted of seven committees, namely Chairman, Audit, Risk, Nomination, Compensation Control, Mediation, and Integrity Committee. The Supervisory Committee does its utmost to ensure the balance of membership and they have the necessary knowledge, abilities and skills. According to the German Bank A's national activities, the Board of Supervisors also has a certain percentage of members with long-term international experience. The Board of Supervisors encourages the diversity of members, especially when appointing management members and nominating members of the election supervisory board.

2. The German Bank A risk management

The first, the risks faced by various departments of German Bank A.

The risk-affected situation of various departments of the German Bank A during 2013-2014:

	Time	Corporate Banking and Securities Division	Private and Corporate Clients Division	Global Transaction Banking	Germany A Asset and Wealth Management Division	Non-Core Business Units	Merge with Adjustment	Total	Proportion
Credit Risk	2013	4597	3742	1900	373	1392	9	12013	44
	2014	5799	3547	2302	323	868	46	12885	40
Market Risk	2013	4658	2967	193	1535	1565	1820	12738	47
	2014	5153	3200	185	1987	1308	3020	14852	47
Management Risk	2013	2453	803	96	580	1320	0	5253	19
	2014	3569	1088	150	722	2070	0	7598	24
Business Risk	2013	1413	0	0	1	263	0	1682	6
	2014	2581	0	4	1	499	0	3084	10
Diversified Income	2013	1945	842	156	467	974	120	4515	17
	2014	3441	1095	262	611	1087	59	6554	21
capital Total	2013	11175	6671	2039	2010	3566	1710	27171	100
	2014	13661	6740	2379	2420	3658	3008	31886	100

Table 10: Risk impact of various departments of German Bank A from 2013 to 2014 (Unit: 1 Million Euros)

Source : According to the consolidation of the German bank A's 2013-2014 financial statements

From the data, it can be seen that all the data in 2014 have been improved compared to 2013, but the proportion of the data is the rise and fall. Total capital rose from 271.71 billion euros in 2013 to 31.886 billion euros in 2014; the revenue from the adoption of a diversification strategy also increased from 4.515 billion euros in 2013 to 6.554 billion euros in 2014.The risks faced by German Bank A are various, and the risks faced by various departments have similarities and differences.

The second, the risk management principles of German Bank A.

The German Bank A's risk management has a complete set of processes from identification, assessment, measurement, consolidation to management risk, etc., and effectively allocates capital according to business needs. Risks and capital are closely linked to the group's departments and business, and are achieved through the principle framework, organizational structure, and measurement and inspection processes. German Bank A has a series of risk management principles in risk management.

The core risk management duties are the responsibility of the management committee and the senior risk management committee is entrusted with the execution and supervision. The board of supervisors regularly monitors risk and capital conditions. The risk of cross-cutting is implemented by the group to ensure sound risk management practices and overall risk awareness exists.

A three-level risk defense management model was established. The front desk is responsible for the office and the risk management department is responsible for oversight. Each insurance role independently performs its duties. The risk management strategy needs to be approved annually by the management committee based on the annual basis and the entire group's risk appetite, strategy and capital plan to meet risk, capital and performance targets.

All major risk categories are achieved through risk management processes. Models and measurement methods for quantifying risk and capital requirements are implemented in combination with various risk categories. Non-standard risks (mainly including credit, model, compliance risk) are included in the economic capital framework of German Bank A, mainly in operational and strategic risks.

The third, the analysis on the setting of risk management department of the German Bank A.

The setting of risk management department of German Bank A:

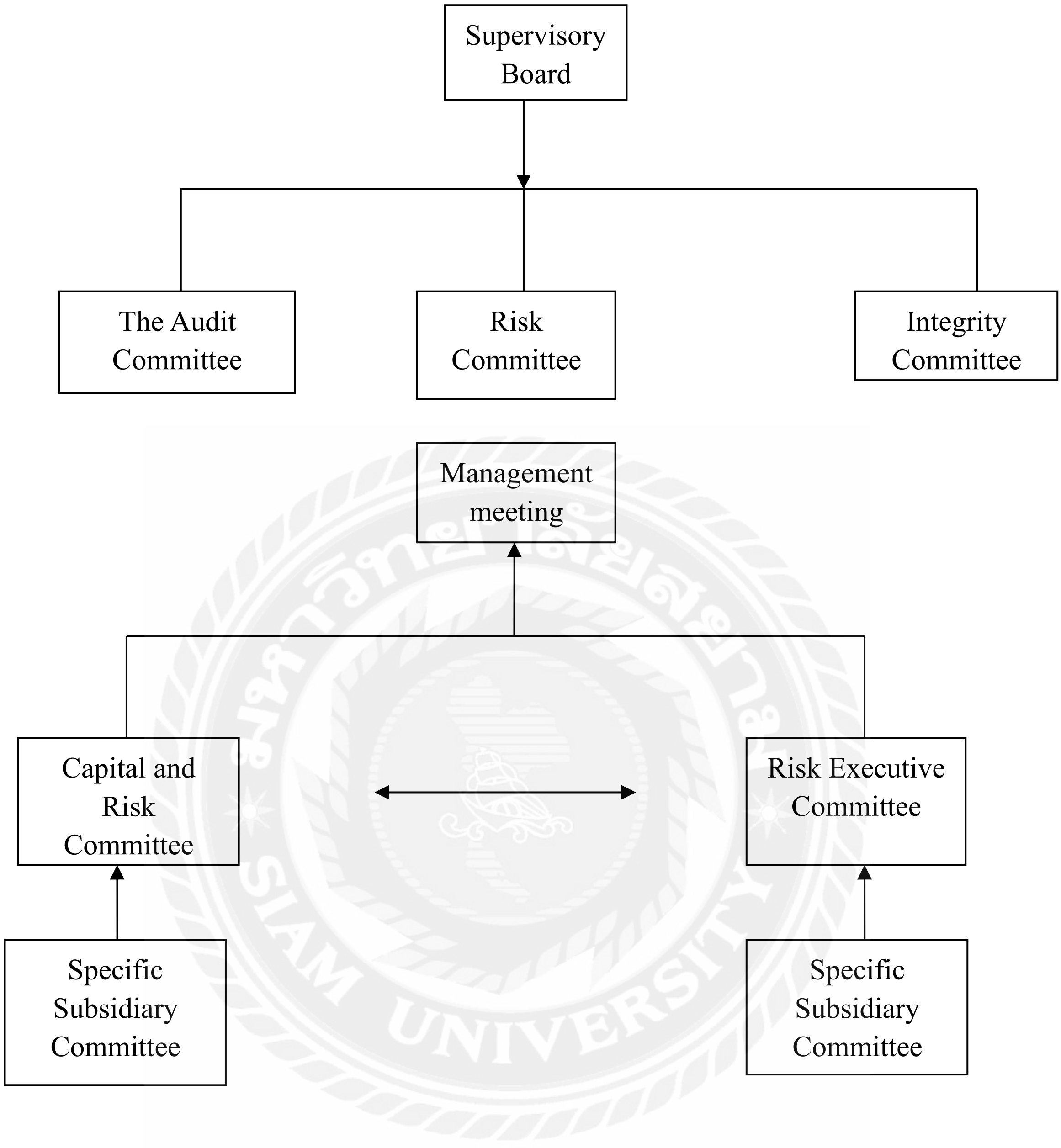

Figure 17: Risk Management Department of Germany Bank A
Source: German Bank A 2014 Risk Management Report

The management board is responsible for managing the German Bank A Group on the basis of compliance with laws, administrative regulations and the terms of trade associations, and considering creating lasting value for the company, employees and shareholders. Management will be responsible for establishing a suitable business organization, including a suitable and effective risk management framework. The Management Committee has established a capital and risk committee and a risk implementation committee based on the effective management of risks by the Supervisory Board. The chief risk officer is one of the members of the management committee and is responsible for comprehensive risk management within the group and super organization, and continuously develops risk management methods. The Risk Implementation Committee is responsible for identifying, controlling, and managing all risks, and even the concentration of risks at the group level. It is responsible for the formulation of risk policies, organizations, and risk management. Supervision within the scope of risks and capital strategies approved by the management committee includes identification, evaluation, and risk reduction implementation.

From the above departmental setup, we can see that German Bank A attaches great importance to its risk management work. Risk management is regarded as the focus of work from the top level of the group to subordinate departments and all regions of the world. At the group level, not only the management committee and the supervisory committee are involved in risk management, but also the supervisory committee is responsible for overseeing the risk management effectiveness of the management committee and enhancing the effectiveness of risk management. At the same time, a dedicated chief risk officer is responsible for the risk management of the entire group. The risk management officers of each group's various departments and regions in the world report the risk management status. The chief risk officer will submit all the collected information to the management meeting, thus forming a whole bottom-up risk management; the risk management function is independent The business department has avoided the weakening of risk management capabilities under conflicts of interest; at the same time, it can also be seen that German Bank A has set up a unified risk management committee at the group level to exercise its risk management responsibilities in a unified manner, and based on this, for different risks. The Group has dedicated risk management committees that are dedicated to their work, and can use the professional advantages of each committee to focus on managing their own risk work.

The fourth, the analysis of risk management tools of German Bank A.

German Bank A has comprehensively used various risk management tools to deal with various possible risks. Some of these risk management tools are for a series of risks and some for specific risks, as the following will describe specific risk management tools. Here is a brief analysis of the former.

Expected loss. This tool is used to measure the credit and operational risk of the German Bank A. It refers to the average loss that the bank can predict and assess during a certain period of time under normal circumstances. It is mainly based on historical data. When calculating the expected loss of credit risk, the bank will consider the ratings, mortgages/ pledges and deadlines corresponding to the Competitor to reflect the different credit risk exposures. The parameter setting is based on the default and historical loss data inside and outside the bank. determine. The expected loss has become one of the risk management processes of German Bank A. The provision for losses in the financial statements should also be based on the expected loss. The expected loss of operational risk is estimated mainly through the average of historical data, expert assessment, and future risk trends.

Economic capital. The expected loss reflects the loss that can be expected and can be offset by the loss preparation. For the unintended loss, German Bank A adopts the method of extracting economic capital. Economic capital refers to the amount of capital needed to absorb the very serious unanticipated losses suffered by risk exposure. German Bank A uses economic capital instruments to manage credit, market, operational and commercial risks, so that it can better examine the level of risk from a single business to the group as a whole, which helps to assess the risk-adjusted profits of German Bank A and further optimize German Bank A has a rational allocation of products and services to optimize return on investment.pressure test. This tool is used to test credit, market, liquidity, and operational risk. The German Bank A conducts stress tests on a regular basis and aims to evaluate transaction combinations under extreme market conditions that exceed the confidence limits of the risk model. The stress test of market risk can help banks recognize the impact of extreme market changes on the risk exposure position of the bank market; the liquidity stress test aims to assess the impact on bank liquidity conditions when market extremes such as run, etc.; credit risk stress test can Help banks make correct decisions when economic conditions are unfavorable; Operational stress tests can allow banks to better assess the adverse effects of extreme operational risk events on banks. The Bank included the basic risk factors applicable to different products in the scope of the stress test. By applying the worst market conditions to various combinations, the expected losses were calculated and adjusted according to the worst changes in the history of the current market structure. Stress situation.

Comprehensive assessment of risk management tools. On the whole, German Bank A not only pays attention to the expected losses, but at the same time, when the market suffers from unpredictable and extremely unfavorable circumstances, German Bank A will also adopt a comprehensive approach to economic capital and stress testing. At the same time, German Bank A is not instead of managing the risks faced by each bank, management tools that can cope with multiple risks are integrated, which not only saves management costs, but also improves management efficiency. Therefore, it can be said that German Bank A has taken a comprehensive and effective approach to risk management.

The fifth, the specific risk management analysis of German Bank A.

Credit risk rating system. Credit ratings are a very important part of bank loans and credit processes, and they lay the foundation for credit decision preferences, credit approvals, and transaction prices. Each borrower must be rated and undergo follow-up review at least annually. Continuous supervision ensures the advanced nature of the rating. In assessing Competitor, internal assessment models, scorecards, and 21-grade rating systems were used to assess Competitor credits, and the original 26 credit rating model was eliminated. This rating system merges the original seven default conditions into Two kinds, both covering the risk exposure of loss preparation, also include the risk exposure of non-loss provision, and have no adverse impact on risk-weighted assets and economic capital. German Bank A uses the advanced internal rating method to assess credit risk based on the basis agreement. This approach facilitates comparison with market conditions and comparisons with different asset groups of the group.

Credit risk measures. The key credit risk measures for managing credit portfolios are internal credit limits and exposures under these restrictions. The credit limit reflects the maximum credit exposure the bank is willing to bear for a certain period of time. In determining the Competitor's credit limit, German Bank A will consider the Competitor's credit quality through the internal rating system. Both the credit limit and the credit exposure are based on total amount and net amount, and the net amount is obtained after removing the hedging and the specific guarantee in the total amount. For derivatives, the main focus on the current market value and the potential risk exposure of future transactions usually need to be weighed against the retail trade and the risk-return characteristics of the portfolio to measure it. In the course of practical operations, in order to strengthen the management of credit risk, German Bank A has specifically established a loan management team to specifically manage credit risk. The team is directly attributable to the head of the group headquarters.

Overall assessment of credit risk management. From the above analysis, it can be seen that German Bank A has a sound management system for its credit risk, and has a close system from the previous review of Competitor to the follow-up. At the group level, a credit risk management committee specializing in credit risk management has also been established and an advanced information system has been established to manage credit risks so as to ensure that risks are controllable. Market risk is due to changes in market value caused by transactions and investment positions, mainly due to interest rates, credit spreads, foreign exchange rates, commodity prices, and other related parameters such as market volatility and potential market default probability. German Bank A faces three distinctly different market risks, which mainly include trading market risk, transaction default risk and non-trading market risk. The following briefly describes the measures for market risk management.

Risk value (VAR). German Bank A used the risk value method to measure the market risk of trading accounts under normal market conditions. For a given risk portfolio, the risk value refers to the maximum loss that may occur under normal market conditions within a defined period of observation and confidence. The measurement of risk values enables German Bank A to continuously monitor and manage all its trading operations and products, and facilitates its regular comparison of actual daily transactions and market risk forecasts. German Bank A used a 99% confidence level and the observation period was 1 day. The risk value model used took into account all the major risk factors under normal market conditions. These risk factors include: interest rates, stock prices, exchange rates and prices and their implicit volatility.

Market risk management system. The Market Risk Operations Department is responsible for the collection, processing, management, calculation and report output of German Bank A's market risk related data through different systems. It also supervises the accuracy and completeness of risk data with the Business Area Services Department. There is enough system support.

Overall assessment of market risk. Through the management measures of credit risk of German Bank A, we can see that the Bank has used advanced management methods to manage market risks and has a corresponding committee responsible for ensuring that market risks are within a reasonable range of operation. It can be said that German Bank A successfully managed its market risk. However, German Bank A has a relatively high position in derivative assets. Even if there are good management measures, due to the characteristics of high leverage, high volatility and other characteristics of derivatives.It is difficult for these measures to fully manage them.

Operational risks mainly include: initiation and execution risk, fraud risk, business continuity risk, regulatory compliance risk, information technology risk, information security risk, supplier risk, trustee service risk, equipment and infrastructure risk, employee risk, taxation Compliance risk, transaction process risk, legal risk.

Operational risk management organization structure. The chief leader of the Operational Risk Management Department is a member of the Group's Operational Risk Management Committee and is a subsidiary of the Permanent Risk Management Committee and is the main decision-making committee responsible for operational risk management. The department and infrastructure functions are responsible for daily operational risk detection, while the operational risk management department is responsible for cross-departmental and cross-regional operational risks and risk concentration to promote the continuous application of the operational risk management system within the bank. The following briefly introduces the operational risk management measures.

The liquidity risk arises mainly from the inability to meet all due payment obligations in time or to meet these obligations will incur additional costs. The group's management committee will formulate liquidity risk strategies, and in particular formulate risk appetite based on the recommendations of the Capital and Risk Committee. The following is a brief description of the liquidity risk management measures.

Stress test and scene analysis. This method plays an important role in liquidity risk. It is used to assess sudden and severe stress events that affect liquidity conditions. Stress test results are often used to test the Group's continued compliance with the board's overall liquidity risk appetite. The stress test analysis assesses whether German Bank A can generate sufficient liquidity in extreme market conditions and has a key input variable in defining the target liquidity risk position. The scenario analysis mainly considers historical events that have occurred in the history of the German Bank A, such as the

1990 American liquidity crash and the 2001 terrorist attack. Stress tests and scenario analysis include an extended period of money market and the freezing of guarantee funds, guarantee refusals, reduced currency interchangeability, stranded syndicated loans and other systemic shock effects. Scenario analysis covers the organization's specific events, market-related events, and both at the same time, linking the systemic market shocks with the reduction of multi-gap ratings.

Funds matrix method. Used to identify assets that are greater or smaller than the liabilities at each time period to help manage open liquidity exposures. The funding matrix system, along with the process of forecasting funding for different business units and the demand for strategic liquidity planning processes, provide key input parameters to guide the annual capital market issuance program. Once approved by the management committee, the capital market issuance plan will establish the goals for the issuance of securities, including deadlines, scale, and instrument selection. German Bank A maintained an independent matrix of US dollar funds, limiting the short-term position of all deadlines to 10 billion euros; it added to the risk appetite of the funds matrix of the total currency and required maintaining a positive fund position at any time.

Liquidity reserve. The reserve consists of cash and cash equivalents, highly liquid securities, including government and agency and government guarantee agency securities, and central bank assets that have no additional burden. The size of the liquidity reserve is derived from the monthly total level and the expected stress test results at the individual currency level. If German Bank A increases the short-term wholesale liabilities that are prone to high pressure, the bank will use these advanced and highly liquid bonds as pressure relief. Liquidity reserves only include those assets that are easy to change or can be used to resist local pressure outflows. The liquidity reserve covers the major currencies, but how much and composition is subject to regular senior management reviews.

Overall assessment of liquidity risk management. Overall, German Bank A has better managed its liquidity risk. Not only has a relevant department responsible for liquidity risk management been set up, but German Bank A has also had a comprehensive and close management measure to manage liquidity risk in terms of specific measures, ensuring that the liquidity of the German Bank A is fully realized.

Strategic risk analysis. Strategic risk means that in a certain period of time due to the decline of operating income cannot be compensated by the reduction of costs, resulting in banks suffering unanticipated operating losses. Strategic risk includes only fluctuations in income or costs that are not attributable to market risk, credit risk, and operational risk because these risks are already covered by the respective risk types. German Bank A is committed to reducing strategic risks by designing diversified asset portfolios to reduce dependence on individual and niche markets and products; continuing to strengthen product innovation and closely monitoring strategies and implementation of capital plans to ensure flexibility in the cost base. For example, through outsourcing.

Reputation risk analysis. Reputation risk is managed by a reputation risk management plan. The plan is dedicated to providing continuous recognition, promotion, and resolution of reputation risks arising from transactions with customers or from different business activities. Each employee is obliged to analyze and evaluate any upcoming transaction that may generate risk factors in his business activities to reduce reputation risk. If potential reputation risks are discovered, they first require their respective business units to analyze and consider them within their internal senior management. If the problem persists, they must be reported to the senior management of the more senior business and management group for processing. . If the reputation risk does not reach a satisfactory conclusion through informal discussions, it must be reported to the top level for review and a final decision is made through the reputation risk reporting process. The Group's reputation risk committee provided review and final decisions on all matters relating to reputation risk and customer adoption. In 2014, the committee became a sub-committee of the management council.

Model risk analysis. The new model risk function was established in 2014. This function integrates all German Bank A core model risk management activities in a single function. Model validation provides an independent verification model. The main purpose is to verify that the model is operating as expected, consistent with the design intent, and compliance with commercial applications. It is committed to ensuring that the model is logically and conceptually complete, and evaluates the method of implementation. Applicability and accuracy. Model risk management supports the establishment of a front-to-back model risk management framework that includes common standards that define the development, use, and characteristics of models, problems identifying and salvaging models, and non-persistence and maintenance of bank-wide model lists. The group model risk management committee and the pricing model management committee are the corresponding departments to solve the model risks. Both of these departments are subsidiary committees of the Capital and Risk Committee and the Risk Executive Committee, and the representative management will exercise power. The pricing model management committee is responsible for managing the model risks associated with monitoring the value model. The group model risk management committee is responsible for managing and monitoring model risks from the capital model.

Compliance risk analysis. This risk is managed mainly by the following methods. By identifying material, violations of these rules and regulations will lead to the incorporation of bank assets; advice and support management will respect major regulatory and regulatory requirements and take actions to implement effective procedures to comply with available rules and regulations. Through the business unit, infrastructure functions or regional management, including the potential implementation of appropriate control plans to oversee the new or changed rules and the scope of regulatory requirements. Compliance management is not very obviously required to run the monitoring plan of their business itself, but they have the right to supervise the activities; assessment and banking departments, facility functions or regional management departments have important rules and supervision regulations to ensure that there is a corresponding control the environment; report it at least once a year to the management council and the supervisory committee, and report to the former if there are significant situations.

4.3.5 Existing Problems of Mixed Operation of the German Bank A

1. The Beneficial Experience of the Mixed Operation of the German Bank A

Since its establishment, German Bank A has been sticking to the mixed business model of universal banking, and has accumulated a lot of useful experience in the long-term practice of mixed operation.

The first, we must focus on customers, focus on customer needs, and continue to help our customers, and be bigger and stronger.

As a global all-round bank, German Bank A has always been guided by customer needs in the development process, providing customers with one-stop financial services. The company's corporate banking and securities, asset and wealth management, global transaction banking, and personal and business client departments assist clients in investment banking services, asset management, and financial management services, foreign exchange services, and retail operations, respectively, as long as customers have corresponding needs. German Bank A will integrate its own resources, and the departments will closely cooperate with each other to provide customers with one-stop financial services; in addition, German Bank A will provide corresponding financial services, such as personal and business, according to the needs of different customer groups. The client department is more to help individuals and SMES achieve their retail financial needs, such as deposit and loan, account management, investment and insurance product sales and management, etc. If some customers have wealth management needs, then contact the corresponding assets.

With the wealth management department to serve; and corporate banking and securities, asset and wealth management departments and global transaction banks are more for large multinational corporations, institutional investors and high net worth and ultra-high net worth customers and other groups. They conduct various mergers and acquisitions, claims, and right financing, asset management, wealth management and global trading business not only served the customer's financial needs in such a clear division of labor, but also optimization the resource allocation of the German Bank A and achieved a win-win situation for both; the last was from 2016. The restructuring of the sector that began in the month was also a restructuring of the Bank of Germany (ADB) with customer demand as its orientation. This reform first separates the global market sectors of the corporate banking and securities sectors, focusing on global financial instruments such as foreign exchange, interest rates, credit, structured finance and emerging market, stock and equity-linked products. The sales and trading of products such as trading and over-the-counter derivatives use their comparative advantages, and the company's corporate finance department is merged with the Global Transaction Banking Department to create a one-stop financial service for the company and help companies in mergers and acquisitions. On the basis of investment and financing, it will meet the trade financing, cash management and securities service requirements in the international transaction process.

The second, it constantly adjusts its strategy, expands its share in the global market, and becomes bigger and stronger through mergers and acquisitions and other businesses.

The German Bank A first expanded its business to other European countries, expanded to the North American market, and finally expanded to Asia Pacific, Latin America and Oceania. Before expanding into the international market, German Bank A first focused on the local market and the neighboring European markets. Consolidating its own strongholds and then developing international market operations is in line with the development strategy of German Bank A, meanwhile, German Bank A is developing. In the process, the advantages of the acquired objects were used to integrate with the Group's existing businesses, significantly enhancing its comprehensive service capabilities.

The third, the company will spin off non-core businesses through "slimming".

As a universal bank, German Bank A has been striving for the full development of its business in the early stages. Banks, securities, and insurance have been making progress together and have achieved good results. But later, the contribution rate of German Bank A's insurance business to the group is getting lower and lower, but the occupation of funds is relatively large. If it is not stripped, it will have an adverse effect on other businesses of German Bank A. Therefore, in September 2001, German Bank A signed an agreement with Zurich Financial Services Group. German Bank A transferred its life insurance business and a 75.9% stake in German Herpld Company and its subsidiary Bonnfinanz and DGV to Zurich Financial Services Group. A 100% stake in Zurich Scudder Investment Company, a company with a market capitalization of 2.5 billion U.S. dollars under the Zurich Financial Services Group. After the acquisition of Scudder in 2002, German Bank A took over the asset management business of ZFS in Germany and Italy, greatly enhancing the asset management and investment business strength of the two major markets.

Through the replacement of assets with other companies, although the insurance business was lost, it also replaced the high-quality asset management business and achieved synergy between the businesses. The facts also prove that this targeted asset stripping has greatly promoted Germany. The development of Bank A since 2015, the top level of German Bank A has announced that the gradual divestment of the assets of

Deutsche Post AG and the sale of the equity of China Huaxia Bank is a good asset stripping option for itself. By divesting the equity of Hua Xia Bank, the capital of German Bank A can be effectively released, its own capital adequacy ratio can be increased, its investment income can also be increased, and the occupation of funds can be reduced; at the same time, due to the retail banking business of Deutsche Postbank. The synergy effect between German Bank A's business is smaller. Therefore, the timely divestment of the German postal bank can release capital and reduce the burden, which is a correct strategic choice.

The fourth, a strong risk management and internal control capabilities help the long-term development of the German Bank A.

German Bank A is gradually becoming stronger as it continuously manages risks. In terms of internal control, German Bank A not only established a dual internal management mechanism at the group level by the supervisory board of directors and the management board, significantly enhancing corporate governance capabilities, but also established various committee members responsible for different areas of business governance. Promoted the healthy development of German Bank A. In terms of risk control, German Bank A considers risk management to be of paramount importance from the group as a whole to the specific business units. Not only under the leadership of the management board and the supervisory board, but also the risk executive committee is set up to take charge of the management of the group. Risk, the chief risk officer is specifically responsible for managing the risks of the group's different businesses. At the same time, various high-level committees have been set up to manage the risks. The German bank A has provided credit, market, operations, reputation, supervision, strategy and model risks. All aspects have a set of strict monitoring measures and procedures to avoid the emergence and development of many risks and ensure the stability of the Group. At the same time, we also see that when controlling risks, German Bank A has both economic capital and expected losses. As well as stress tests, management measures for various risk groups are also based on credit risk. The individuality of different risks, such as market risk, operational risk, and reputation risk, should be used to develop management tools suitable for different risks in a timely manner. This operational wisdom is also worth learning.

The fifth, a strong foreign talent team and advanced corporate culture have laid a solid foundation for the long-term development of the German Bank A.

The development of an enterprise requires not only a leading business level, but also a set of advanced corporate culture and a first-class talent team to ensure the long-term development of the company. As a highly international, all-round bank, German Bank A has gradually established a corporate culture that is unique to the company during the development process, thereby attracting outstanding talents from outside China. This strong soft power is the result of German Bank A far ahead of its peers. Strong support. In

2014, German Bank A had a total of 98,138 employees, of which there were only 45,392 employees in Germany, which accounted for less than half of the total number of employees. This fully shows that the employees of German Bank A have a diverse background and can have a variety of background talents in the team. Learn from each other to help German Bank A provide more comprehensive and high-quality services. Moreover, from the composition of German Bank A, its personnel are from various countries around the world, while the proportion of female employees has steadily increased and maintained Gender ratio of men and women, this diversified team of talents is a major competitive advantage of German Bank A; besides German Bank A is worthy of China's learning in terms of talent construction, German Bank A has also made its own attempts in corporate culture. After the financial crisis of 2008, German Bank A reviewed the situation, reshaped the values of corporate responsibility as the core, and continued to put it into practice, thus unifying employees' ideology and strengthening the group's cohesion. In order to ensure the continuity of the cultural construction of the German Bank A, the Bank has embedded its values and beliefs in recruitment, interviews, and subsequent development activities. At the same time, in order to supervise the employees of Bank A Bank in Germany, they will observe good practices. In accordance with the Code of Ethics, German Bank A has established a supervision mechanism, which is under the responsibility of the Integrity Committee, and is responsible for supervising the compliance activities of the Management Committee, the group's ethical standards of conduct, business practices, and the group's laws and reputation risks; in order to meet the needs of cultural development, German Bank A changed the past as a result-oriented bad operating mechanism. It became concerned with the results and also focused on the behavior of the business process. This effectively suppressed the bad behavior of employees and maintained the responsibility and professionalism of German Bank A. The company's corporate image will benefit German Bank A in the long term.

2. Problems in the Mixed Operation of the German Bank A

The first, the group has faced greater losses as a result of operational risks and improper management of regulatory risks.

Although German Bank A has developed many risk prevention measures in the process of its development, it may not be implemented due to interest-driven reasons, such as operational risk, compliance risk, legal risk, etc., resulting in German Bank A in certain situations. The field is in a trap, causing irreparable damage. For example, on May 3, 2011, German Bank A was charged by the U.S. judiciary for the quality of the mortgage loan issued under the lied for registration. Mortgage IT, which is responsible for the U.S. home mortgage loan business of Bank A, became a direct defendant; April 23, 2015 Due to the alleged manipulation of the London Inter-bank Offered Rate, German Bank A paid United States and British institutions a record $2.5 billion in fines. These huge fines revealed that German Bank A still has a big shortage in certain aspects such as the management of operational risks and regulatory risks. The pursuit of profits ignores the management of risks and eventually causes bad consequences.

The second, the proportion of investment banking business is too high, and the position of derivative products is too large, which has increased the risk exposure of German Bank A.

Banks are risk-taking financial institutions. If they excessively chase some high-yield and high-risk businesses and neglect their relatively small-risk businesses, they will be detrimental to the long-term development of banks. First of all, the proportion of investment banks in German Bank A was too high, which dragged down the development of the German Bank A. At the end of 2015, the German Bank A disclosed a loss of 6.8 billion euros. This was the first loss since the bank was established. The third quarter loss reached 6.2 billion yuan, which was mainly due to Bankers Trust Bank and Deutsche Post AG, which were engaged in the investment banking business. The impairment of goodwill and the large amount of litigation fines; secondly, the high position of derivatives and the excessive investment in the capital market increase the difficulties faced by German Bank A. The first is that German Bank A previously mismanaged its global operations, resulting in a loss of 11.5 billion euros in stock market investment revenue in 2013 and 2014, which severely weakened its financial strength. Second, as of the end of 2014, the global off-site The nominal principal amount of derivatives is approximately 51.8 billion Euros. German Bank A accounts for 9% of the total OTC derivatives market. With such a large exposure to risk, some relatively small fluctuations may lead to catastrophic consequences.

The third, the operating mistakes and improper mergers and acquisitions exacerbated the risk of German Bank A.

In the continuous expansion of German Bank A, the business has expanded to more than 70 countries, but with the expansion of business, the problems faced by German Bank A will increase accordingly. Moreover, the economic situation in some countries is not necessarily suitable for the long-term development of the German Bank A. When the economic situation is not good, these countries will not only bring profits to the German Bank A, but will increase their operating costs and erode the profits of the Group. Recently, the top level of German Bank A has planned to withdraw from nearly ten countries in the future; in addition, German Bank A had purchased Deutsche Postbank at a high price to expand its retail business. However, due to the lack of synergy between the German postal banking business and the existing operations of German Bank A, and with the continuous development of internet finance, its dense network has become a burden for development. In 2014, Deutsche Postbank contributed only 13% of its profits to the entire group. Therefore, in 2015, German Bank A decided to conduct an impairment test on Deutsche Postbank to prepare for the sale. This also reflects the inappropriateness of German Bank A's M&A in certain aspects.

CHAPTER 5 CONCLUSIONS AND IMPLICATIONS

5.1 Conclusion

As mentioned earlier, the Chinese banking industry is gradually shifting from split-business to mixed-business operations, and the Chinese banking industry's mixed operation is mainly based on the financial holding company model. At present, China is still a developing country economically. There is still a certain gap between the comprehensive national strength and the developed countries like Germany, and there are still some deficiencies in the operation and management, mainly reflected in the business, assets and talent structure. It is still relatively backward, and it is difficult to rely on its own capabilities to re-establish departments that were not previously involved, to adopt an all-encompassing banking model, and to establish a financial holding group, and gradually enter new areas through mergers and acquisitions to better match existing businesses of financial institutions. In order to achieve a smooth transition from the perspective of legal and financial supervision, the existing legal system is still established in accordance with the mode of separate operation, and the conflict between adopting the financial holding company model and the existing laws is also small; The establishment of a financial financial holding company is also conducive to adapting to current and future regulatory changes. Although we cannot copy Germany's universal banking model, we can learn advanced business models, close business collaboration, good internal controls and strict risk management by drawing on the all-round banking model of German banks and German Bank A. With useful experience, and in the future when the relevant conditions are ripe, China's banking industry may adopt a universal banking model.

5.2 Research Prospects

With the market-oriented of interest rates and the intensification of international banking competition, mixed operation has become the only way for the development of commercial banks in China. This will not only help promote the development of China's commercial banks, but also help China's commercial banks to better cope with the international banking industry's competitive pressures. Germany's universal banking system is a mixed business model with a high degree of mixed industry. Its successful implementation has set an example in the world. As the largest commercial bank in Germany, German Bank A has been implementing a universal banking system since its inception. During the process of mergers and acquisitions, German Bank A has a global presence and has achieved remarkable results in the world. Based on the analysis of the mixed banking business in Germany and the analysis of German Bank A, this paper believes that mixed business operation is an inevitable trend for the future development of China's banking industry. Although China currently differs from Germany in terms of financial industry and economic development level, regulatory capacity, and development environment, this determines that the future of China's banking mixed operation will mainly adopt the financial holding company model, but we can still learn from the all-around German bank A. The system and some useful experiences in the development of the German Bank A, such as advanced management methods, close business coordination, good internal control, and strict risk management, etc., must also be based on the national conditions, seek advantages and avoid disadvantages, and abandon the German banking industry. In the development process, some measures that are not suitable for China's national conditions include unreasonable development methods such as excessively high proportion of derivatives, excessive proportion of investment banking services, and excessive speculative activities. Only in this way can it be possible to explore a road to mixed banking operations suitable for China’s national conditions.

5.3 Research limitations

In the case analysis of German Bank A, this paper conducts a systematic and in-depth analysis of the status of the mixed operation of German Bank A and summarizes the experience and problems of the mixed operation of German Bank A.

Due to lack of information collection and personal capabilities, it is not yet thorough, comprehensive, and systematic when it comes to analyzing the status of mixed banking in Germany and the all-round banking model of German Bank A.

5.4 Research Inspiration

5.4.1 The Enlightenment of the Mixed Banking Practice in Germany to Chinese Commercial Banks

1. The vigorously develop intermediary businesses such as investment banking, asset management and wealth management

The experience of the development of the German Bank A tells us that relying solely on deposits and loan interest margins is difficult to survive in the long-term interest rate market. “We must vigorously develop the source of income for intermediate businesses, and along with the bank’s access to brokerage licenses, banks can grasp this”(Zheng, 2012). With an advantage, it will vigorously integrate existing resources with the docking of securities business, realize complementary advantages in resources, share customers, and achieve greater and stronger business. Under the background of interest rate liberalization, Chinese commercial banks cannot rely solely on deposit and loan interest margins to develop, but must seize the opportunity to vigorously develop intermediary businesses.

The first, China's commercial banks need to strengthen investment in cash management, payment and settlement, and international trade. In the process of development, banks must firmly establish a customer-centered business philosophy and always aim at helping their customers become bigger and stronger. Only with a wide range of customer business and adequate cash flow can banks be guaranteed a lucrative source of income. The development experience of the German Bank A tells us that we need to provide targeted products and services according to its different needs at different stages of business development. “When the business is more in China, banks need to provide them with account management and cash”(Tang, 2010). Management, risk management and other basic businesses, and when companies go out of the country and face the world, commercial banks need to transform their business strategies, provide more services such as international trade financing, supply chain management, transaction banking, and constantly help customers improve. Its business processes and service methods, so that banks can also benefit from it; Second, commercial banks need to seize the investment bank as a source of advanced business and profit growth, through the investment banking business to promote other benevolent development such as deposit and loan business. At present, with the economic environment in the new normal, various types of M&A transactions, creditor's rights, and equity transactions continue to emerge. Banks must always grasp these sources of profits in the process of serving customers, and use the bank’s talent advantages and resource advantages to expand its investment banking business. As a corporate financial adviser, it helps companies, governments, and other institutions issue bonds. In the future, if the licenses are liberalized, they can also actively engage in equity transactions such as IPO, fixed-income growth, and expand the bank’s income sources.

The second, China's commercial banks need to integrate their advantages and vigorously develop asset management and wealth management businesses. The experience of the development of the German Bank A tells us that asset management and wealth management business are good ways to obtain quality customers, as well as to improve customer service levels and increase sources of bank profits. Therefore, commercial banks need to grasp the development opportunities in these businesses. First of all, for the wealth management business, with the development of China, a large number of middle class will also rise. This is undoubtedly an opportunity for banks. In the future, with the transformation of banks, this business will undoubtedly help banks bring huge profits. Drawing on the advanced management experience of German Bank A, the commercial bank can set up a special wealth management department and dock the research institute of a commercial bank. Firstly, banks need to have a mature and accurate grasp of various markets such as the foreign exchange market, block trading market, bonds, equity markets, and alternative investment markets. On this basis, they use the Bank’s excellent customer service team to implement transactions. Strategies to help clients configure related product projects based on their risk appetite; and at the same time, not only in transactions, but also in daily life to help group customers provide more convenient life services, such as airfare services, credit card services, and some Day-to-day living services allow customers to feel that the bank is at their side and enhance their stickiness and loyalty. Secondly, for asset management business, banks must also combine their own advantages in fund management and closely combine the advantages of the foreign exchange market, block trading market, bond market, and even the equity market to issue more asset management management for individual and institutional clients. Products, and closely cooperate with other departments to achieve more high-quality customer diversion, enhance the strength of asset management departments; at the same time, China Commercial Bank also needs to strengthen cooperation with institutions such as trusts, securities, and insurance, and use each other expertise to serve customers together.

2. Improve internal governance structure and promote mixed ownership reform

According to the advanced experience of German Bank A and the major shareholder of China’s current state-owned banks and many joint-stock banks is still the reality of the state’s dominant position, China’s commercial banks need to improve on the premise that the existing state-owned shareholders’ holding status remains unchanged. Gradually improve the ownership structure, properly introduce social capital investment in commercial banks, and enhance the commercial bank's operating dynamism. On this basis, it will further improve the existing internal governance structure, increase the enthusiasm of private capital to participate in the governance of commercial banks, improve the power and responsibility mechanisms of shareholders' meetings, board of directors, board of supervisors, and various committees, strengthen internal control capabilities, and improve the internal audit system. With the audit process, maintain the independence of the audit department. At the same time, encourage and moderately guide social capital to participate in the establishment of private financial institutions, fill the market short-circuit areas that cannot be reached by existing banks, improve the ability of financial services to serve the real economy, reduce private capital lending, and use regular financial services to reach our customers group.

3. Improve the "firewall" and other risk isolation mechanisms

Even a world-class bank such as the German Bank A faces huge challenges because of regulatory risks. This will undoubtedly have a great vigilant effect on China's commercial banks. “Financial innovation must be carried out under the premise of financial supervision, and violation of existing laws and regulations is the bottom line of innovation”(Yin, 2006). Even if China's commercial banks embark on the road to mixed operations, they must firmly establish a strict awareness of risk prevention. Given that China is more suitable for the model of financial holding companies, it is necessary to establish a firewall mechanism between different businesses such as banks, securities, and insurance to prevent systemic financial risks from being transmitted between different businesses. However, in order to better promote financial innovation, the supervisor can also gradually expand the scope and proportion of the bank's securities and insurance business operations. For example, the bank's investment in securities business cannot exceed a certain percentage of capital, and strict business operations are implemented. The registration system, the improvement of internal governance and other measures to limit. This can not only encourage financial innovation, but also prevent unordered financial innovation, so as not to accumulate a lot of risk.

4. The strict supervision of various risks

At present, China's economy is in a transitional period, and the risk of outbreaks is even greater. Therefore, it is more necessary for Chinese commercial banks to hold onto the risk bottom line and conduct business within a reasonably controllable risk range. Moreover, the banks themselves are a gathering of various things such as the risks faced by various business entities such as credit risk, market risk, operational risk, liquidity risk, legal risk, financial risk, etc., face different risks. If they are not careful, the bank may face greater operating pressure. The case of German Bank A's poor management led to large fines, Lehman Brothers' poor management and direct bankruptcy protection, and Washington Mutual Bank's case of bankruptcy protection due to customer insolvency has given us a wake-up call. Risk awareness cannot be relaxed for a moment. Drawing on the advanced risk management experience of German Bank A, China's commercial banks can also improve their risk management. First, a commercial bank should establish a risk management committee that is directly responsible by the head office and is not subject to any other administrative or business department intervention. The risk management committee is responsible for the unified management of various operations such as operational risk, market risk, liquidity risk, reputation risk, etc. All risks that the Group may face; establish a dedicated department responsible for different risks under the leadership of the Risk Management Committee to prevent and detect various risks while maintaining a good information communication mechanism between these departments and establish an inter-departmental risk response mechanism. Deal with some cross-industry risk issues; secondly, it is necessary to set up corresponding secondary risk management departments at all branches of the head office, responsible for specific inspections and prevention of various branches that may be at risk. China Commercial Bank can learn from the Basel Accord and German Bank A's advanced risk management experience and adopt specific methods such as stress testing, funding matrix, liquidity testing, and advanced measurement methods to prevent and detect risks, and regularly hold departmental exchange meetings, information sharing and communication.

5.Avoid over-exposure to high-risk businesses and rationalize mergers and acquisitions

First of all, financial institutions should reduce their exposure to high-risk investment banks and derivatives businesses, focus on risk management, and focus on the development of low-risk businesses on the premise of appropriate allocation of high-risk assets. The lessons of German Bank A tell us that even under the mixed business model, we cannot blindly expand the proportion of investment banking and derivatives business. Although the traditional deposit and loan business seems to have lower profits, The risk is also lower, and the impact on the entire financial system is relatively small, but businesses such as securities investment and derivatives trading, although they can bring considerable profits to financial institutions when the economic situation is good, the profits are higher. At the expense of risk, once the economic situation is not good, it may bring fatal blows to financial institutions. Second, in today's era of global integration, if financial institutions seek better development outside of China, they will inevitably be accompanied by the occurrence of mergers and acquisitions. If this kind of behavior is evaluated well, it will bring long-term attractiveness to financial institutions. The proceeds will increase its foreign market share, but once it is handled badly, it may impose a heavy burden on financial institutions. The development of the German Bank A tells us that we must combine our own strength and business scope to comprehensively evaluate the synergies between the acquired target and the existing business of the Group, and whether it will enhance the overall strength of the existing business. Otherwise, once the merger and acquisition mistakes, it will give the existing business of the Group has serious negative effects.

5.4.2 Implications of the Mixed Banking Practice in Germany to China's Financial Supervision Department

1.Improve the financial supervision mode, and gradually approach the mixed supervision

In order to adapt to the changes in China's external environment, German in 2002 improved its regulatory model in a timely manner and embarked on the road to mixed regulation, which could provide some lessons for China's regulatory reform. The worsening running conditions of the internet bad operating platform in 2015, the irrational decline in the stock market, and the acquisition of Vanke by Baoneng have exposed the problem of regulatory vacuum and ineffective supervision to a certain extent. The bank financial holding company is moving toward the pace of mixed operations. “The boundaries between banks, securities and insurance industries will become increasingly blurred, and the financial industry will enter the era of cross-border development. Therefore, in this context, it is extremely necessary to improve financial supervision in a timely manner”(Xu, 2007). Specifically, taking into account China’s national conditions, the current more realistic situation is to establish a higher-level substantive information communication department between the China Banking Regulatory Commission, the China Insurance Regulatory Commission, and the China Securities Regulatory Commission to deal with business problems that cannot be handled by the three departments. In the long run, consider integrating the “three sessions” and gradually shifting to unified supervision; another way is to withdraw the China Banking Regulatory Commission, the China Securities Regulatory Commission and the China Insurance Regulatory Commission, and integrate them into the People’s Bank of China. The People’s Bank of China will lead the joint supervision of financial institutions.

2. Develop effective measures to strictly supervise mixed operations

As China's commercial banks gradually shift to the pace of mixed operations, the regulatory agencies need to keep up with the pace of supervision and closely monitor the mix of financial institutions. From market access and withdrawal systems, consolidated statements and capital adequacy supervision to the establishment of funds and business firewalls, information firewalls, and personnel firewalls, and finally to the implementation of strict information disclosure systems and the establishment of a comprehensive risk rating system, etc. Supervision to avoid regulatory vacuum and poor supervision.

3. Improve the relevant legal system

A complete legal system is a powerful guarantee for the implementation of financial supervision. When formulating the relevant legal systems for banking mixed operations, China must draw on the relevant provisions of the Basel Accord, and also draw on the institutional rules of the relevant countries of mixed operations, and at the same time, establish a foothold in China’s practice and gradually repair the commercial bank law , Securities Law, Insurance Law and other related legal systems leave institutional space for the banking industry mixed operation. “Whether it is market access and withdrawal, or the use of funds and related transactions, or risk isolation and internal control, etc. must have a complete legal system as the support, only in this way can we strengthen the supervision of regulatory agencies under the premise of encouraging financial innovation”(Xu, 2007). And control will eventually promote the development of mixed banking business under a complete market system.

5.4.3 Specific Mode Selection of Chinese Financial Industry from Divided Operation to Mixed Operation

“Face with the upcoming influx of foreign financial institutions, how to transition from the current situation to the mixed operation can ensure that Chinese financial institutions in competition with foreign financial institutions will not be at a disadvantage, but also to ensure the safe operation of the financial system. On the one hand is the efficiency, another is safety. And how to balance is a pressing problem”(Yu, 2014).

1. The Specific Choice of Mixed Operation for Chinese Financial Industry in the Future

After the United States "the Financial Services Modernization Act," China has become one of the few countries to implement divided operation in the world. China chose divided operation mode according to age and country background. In 1992 after the financial bubble, Chinese securities and insurance sectors had some development, but development was not great. ability of Internal control and risk control for financial sector was particularly low, so choosing divided operation mode was final result considering financial markets, risk control, internal regulation, the current situation, the pace of national economic development and other factors.

“To achieve the change from divided operation to mixed operation for Chinese financial industry, the important thing to do is the concept of financial supervision. Both the stability and efficiency of financial supervision, changes from a single target to multiple targets, China not only ensure financial sector stability and protect the interests of consumers, but also ensure the provision of a market mechanism"(Yu, 2014).

2. Preparations for Chinese Financial Industry from Divided to Mixed Operation

To improve laws and regulations and establish a sound legal system. China not only has to establish some new rules and regulations but also has to improve details which have been introduced in many legal documents. Also China should take into account the regulatory issues of mixed mode. Internal regulator is very critical part so that China should establish a firewall mechanisms between the various subsidiaries so as to avoid the passing risk causing great losses.But China also needs to establish a strict system of social regulation. "Development of financial regulators and financial institutions are compatible, but not every business model can be found mated to the regulatory system"(Yang, 2013).

"Mixed operation is more difficult than divided operation, so it requires more stringent personnel and high-quality talent pool to ensure an invincible position in the mixed competition. When financial institutions recruit new talent, China can make some demands on the ability to innovate with emphasis on cultivating a part of this innovative talents"(Yu, 2014).

3. Arrangements for Chinese Financial Industry to Prepare

China can make a pilot in bank and allow banks to operate in many other financial institutions business. Let banking, insurance, and securities business cross." Banks have a stable source of funds, and the securities industry has a keen sense of observation in stock market, and the insurance industry has a lot of money, so that cross business integration among the three will play to their strengths to the development of Chinese financial industry and the economy will bring a lot of space"(Yu, 2014).

The law simply provides that domestic banks are not allowed to buy stocks, trading insurance, but did not say banking institutions abroad. Therefore, financial institutions may make a pilot in the foreign countries which does not violate existing legal documents. Legal norms and regulations of the bank do not allow to buy stocks but banks can carry out capital market business. Banking and securities industry can be a cooperation among business, such as wealth management, payment systems and so on.

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