

Research on the Development Status, Problems and Countermeasures of China's Securities Investment Fund Market

Ye Yuan^{1, 2, *}, Azlan Ali²

¹School of Economics, Anyang Normal University; 455000, Anyang Henan, China

²Graduate School of Management, Management and Science University, Section 13; 40100, Shah Alam, Malaysia

*Corresponding author E-mail: 409648987@qq.com

Abstract: Along with the reform of economic system, China's securities investment fund market has better development. Securities investment also developed rapidly in our country, and then promoted the rapid development of national economy. However, the rapid development of the securities investment fund market has gradually exposed the problems. In this context, it is necessary to study the problems existing in the securities investment fund market and put forward countermeasures to promote the stability and development of the market.

Keywords: Securities investment fund, Market, Develop.

1. Introduction

Economic globalization, market integration and asset securitization are the three basic characteristics of modern economy. In this environment, China is taking the road of open economy. In this process, science and technology have also been greatly developed, playing a leading role in many fields. For example, China has made brilliant achievements in the fields of large-scale construction, nuclear industry, aerospace, life science, physics research, water conservancy and other large-scale projects, computer research, agricultural science and so on. The progress of technology affects and changes people's lives. However, the modern financial system of our country is not perfect compared with the developed countries, and there are still many shortcomings, which need to be constantly improved and improved. Only under the condition of complete science, technology and financial system can our country obtain greater development.

Finance is the core of our economic system, and securities investment fund is an indispensable part of the whole financial system. As an important investment channel, securities investment fund greatly influences the development of China's financial system and financial market.

2. The General Situation of China's Securities Investment Fund

2.1. The meaning of securities investment funds

China's securities investment fund is an investment mode in which the interests and risks are shared and shared. It collects the idle funds of social investors through various ways, and the third party acts as the custodian of the fund to store and manage the funds, so as to ensure the safety of the funds. At the same time, the fund manager of the fund management company manages and applies the funds to achieve the purpose of maximizing returns. Securities investment fund is an investment method that invests in the stock market, securities investment fund market, bond market and other financial markets to obtain profits.

2.2. The characteristics of China's securities investment funds

(i). Wealth convergence and professional management

The funds of the fund come from the idle funds in the society, through raising the idle funds in the society, the funds are managed by the relevant professionals of the fund management company, these professionals not only have a lot of theoretical knowledge of investment, but also a lot of practical experience in investment. Under the management of these professionals, we can obtain greater benefits.

(ii). Reasonably optimize investment portfolio and diversify risks

One is that through multiple portfolios, risks can be spread and profit margins improved. The second is that the major small and medium-sized investors in the society invest independently, the risk is too large, and even unbearable, but because of the small and medium-sized investors, by joining together, they can indirectly disperse the risk of each independent individual, so as to disperse the overall risk.

(iii). Share benefits and risks

This is the biggest feature of the fund, which makes the fund different from bonds and stocks, the fund's income is shared by every investor, and the same risk is shared.

(iv). Strict supervision and information transparency

The characteristics of strict management and information transparency in securities investment funds require, in order to effectively protect the interests of fund investors, to enhance the confidence of fund investors in the fund, China's fund regulatory agencies have carried out strict supervision and management of China's fund industry, the Chinese government in order to protect the interests of fund investors, maintain the balance and stability of the financial market, China's fund industry is managed and supervised through various regulatory financial institutions such as China Securities Regulatory Commission, stock exchanges, securities industry associations, and the central bank of China. And through the study and understanding of the European and American countries of the regulatory model, the establishment of our country's regulatory model, the

establishment of a fund evaluation agency, a variety of rules and regulations on the fund to improve, and mandatory fund disclosure of regular information. From the government's point of view, this protects the interests of investors in our securities investment funds.

(v). The independence and security of trusteeship are guaranteed

The independence, safety and security of trusteeship means that the fund manager of a fund company is only responsible for the use and investment of funds, and is not responsible for the deposit of funds. Therefore, the deposit and management of the fund is not responsible for the fund company, but for the fund custodian who is independent of the fund manager. There is a mutual restriction and supervision between the two, which provides an extra layer of security for the investors of the fund.

2.3. Development of securities investment funds

China's securities investment fund began in October 1991, Wuhan, Nanshan securities investment fund, which represents the beginning of China's securities investment fund, China's fund development has gone through the following stages: the initial stage, some financial institutions familiar with overseas business began to carry out fund business overseas, including Hong Kong and other places. At the stage of listing and trading, securities investment funds have appeared in Beijing, Shenzhen, Dalian, Shenyang, Hainan, Wuhan, and Shenzhen. In October 1992, the securities investment fund management company approved by the Chinese government was established, and the fund industry had a great prosperity. Closed-end fund development stage: From the closed-end fund in 1998 to enter the development stage to enter the 21st century, China's fund management companies have reached more than ten, and China's closed-end securities investment funds have also reached more than 30. The Golden Age of open-ended funds: Since 2002, the scale and quantity of open-end funds have been greatly developed. The promulgation and implementation of the Law on Securities Investment Fund marks the improvement of relevant laws on securities investment funds in China, which is a more standardized law on securities investment funds in China, and an important milestone in China's fund industry and China's financial market.

2.4. Factors affecting the development of securities investment funds

With the continuous development of stock and bond markets, securities investment funds in China have become an important investment channel and financial products in our country and even in the world. At present, developing countries have vigorously developed securities investment funds, which has promoted the development of their respective economies. Here are the factors driving the growth of the fund industry:

First, the development of the economy, our government plays a role in the steady development of our economy, under the leadership of the government, China's economic development momentum is getting better and better, the people accumulate more and more wealth, the economy is the cornerstone of the development of securities investment funds. The second is the support of the system. With the continuous improvement and perfection of relevant systems in our country, our government and people's understanding of the

system is deepening. Government departments have promoted the development of securities investment funds by constantly improving the market system of securities investment funds in our country. The third is the improvement of financial awareness. In recent years, people have more and more understanding of financial knowledge, and people's financial awareness has been continuously enhanced. However, the advantages of securities investment funds in our country greatly satisfy the wishes of most investors. Under the comprehensive influence, the faster the development of securities investment funds in our country, the better. Under the condition of prosperity, the securities investment fund in our country has many deficiencies and still faces severe challenges. For example, the fund industry in our country develops too fast, so that people's ideological consciousness can not match the rapidly developing fund industry, and the fund companies in our country lack the talent, technology and experience of fund operation; The lack of corresponding resources is easy to cause irrational decisions of fund investors and irrational decisions of fund companies.

3. The Problems Existing in China's Securities Investment Fund Market

3.1. Lack of relevant laws and regulations

The securities investment fund market has attracted many investors through high profits, but high profits are accompanied by high risks. Under the unpredictable market environment, the risks of securities trading sometimes exceed the tolerance range of small investors. In addition, for the illegal behaviors in the securities investment fund market, there is a lack of matching policies and regulations to guide and warn.

In 2016, Zhao Wei and Huang Youlong publicly announced that they would spend 3 billion yuan to acquire the listed company Wanjia Culture (which has been renamed Xiangyuan Culture), which caused an uproar in the stock market. The valuation of Wanjia culture continues to soar, and retail investors, affected by the star effect, have high expectations for the future expected rate of return and have invested in Wanjia culture. By the time the regulator intervened, the share price had risen from 18.83 yuan when trading resumed to 25 yuan.

But almost all of the \$3.06 billion that Longwei Media used to buy companies was self-funded. Among them, the third party's own funds (Xizang Yinbixin Asset Management Co., LTD.) borrowed 1.5 billion yuan, and the financing cost was 10% annualized interest rate; It is planned to pledge 1.499 billion yuan to the stock of financial institutions, and it is in the approval process of financial institutions, and the annual interest rate of financing is expected to follow the market-oriented principle, about 6%. The shareholders' own funds are only 60 million yuan, which means that Longwei Media intends to acquire 10,000 cultural leverage up to 50 times.

On February 28, 2017, Wanjia cultural disclosure Company was investigated by the CSRC for suspected violation of securities laws and regulations. The CSRC said that Longwei Media in its own domestic capital preparation is insufficient, the relevant financial institutions financing has yet to be approved, there is great uncertainty, the acquisition of listed companies with shell companies, and rash announcement, its illegal behavior constitutes "false statements", seriously misleading the market and investors. There is a causal relationship between the investor's loss and the

misrepresentation behavior, Xiangyuan culture should bear the liability for compensation, Zhao Wei should bear the joint liability for compensation.

In the end, due to the false records, misleading statements and material omissions in the information disclosed by Longwei Media through Wanjia Cultural announcement, Kong Deyong, Zhao Wei and Huang Youlong were banned from the market for 5 years, and were fined 300,000 yuan and warned, and Wanjia Cultural and Longwei Media were fined 600,000 yuan respectively. However, in the face of more than one crime, and to earn tens of billions of profits from it, according to the securities law, the maximum penalty is only hundreds of thousands of fines, the current laws and regulations of the securities investment fund market for the warning effect of market producers is really some willing but insufficient.

In the acquisition of Longwei Media, if there are clear laws and regulations, a sound supervision system, and a clear enough punishment for such violations, can the occurrence of this incident be prevented from the source? Therefore, the warning function of legal norms should not be ignored.

3.2. More government intervention and heavier tax pressure

The government's regulation and control of the securities investment fund market is strong. Although it can guarantee the overall stability of the market development and prevent the social disorder caused by the negative impact of the securities investment fund market, excessive intervention makes the market more dependent on the government, inhibits the self-regulation of the market and lacks market vitality.

In order to stabilize the stock market and prevent serious negative effects caused by excessive speculation, the state imposes stamp duty on securities transactions. By adjusting the tax rate of stamp duty, the situation of excessively cold or overheated securities investment fund market can be adjusted in a short period of time. However, the collection of stamp duty has not been run through normative legislation, and it lacks the legal basis to rely on. With the continuous expansion of the securities investment fund market and the increasing number of investment participants in the securities investment fund market, stamp duty has gradually become an important source for the central and local governments. However, the tax rate of stamp duty is quite high. After the stamp duty assumes the tax function, investors need to pay tax regardless of profit or loss. Easy to cause double taxation.

3.3. Insufficient market supervision

China's market supervision system still needs to achieve further orderly unification. In the securities issuance market, the regulator plays a dominant role. However, if the issuance of securities investment fund market is not effectively unified and complete, and the issuance market lacks a unified audit mechanism, the authenticity of listed companies cannot be guaranteed. Therefore, it is necessary not only to improve the market supervision system of our country, but also to strengthen the supervision of securities investment fund market issuance to ensure that the issuance of securities conforms to laws and regulations.

In the process of company acquisition, Longwei Media used a shell company to acquire a listed company, and the information disclosed not only contained false records, but even major omissions. These problems not only exposed the

company's lack of conscious responsibility, but also its lack of social responsibility awareness, which meant that it violated the code of ethics and laws and regulations. At the same time, it also reveals that there are still many deficiencies in the supervision of China's securities investment fund market, and the lack of early prevention. Although the incident was detected and stopped further deterioration in a timely and rapid manner, it has caused market volatility and damaged the interests of investors.

3.4. The degree of information disclosure is not high

Only by constantly improving the requirements for information disclosure can we promote the healthy development of the capital market. Foreign securities companies have developed rapidly and diversified, which not only rely on the support of banks and the development of capital, but also have a high degree of information disclosure. However, up to now, some listed companies in China have frequently violated laws and regulations in information disclosure.

At present, some companies also have the problem of excessive packaging. In order to be listed, the company blindly "packages" the assets to be listed, optimizes the company's information, financial data and other aspects, and covers up the problems in its development process, resulting in the listing pricing of the company does not match the actual pricing, and the performance is mediocre in the later development.

The information disclosure system of the securities investment fund market should be aimed at protecting the interests of investors. If listed companies do not disclose information normally in accordance with regulations, investors will be unable to understand the major matters affecting the operation of the company's stock price, and the correct expectation of the company's stock price will be affected. On the other hand, investors will lack a correct understanding of the basic information of the current operating status of the target company. For example, in the event of Longwei Media, there was false information disclosure, resulting in a large number of investors following suit and causing economic losses. It is precisely because the securities investment fund market is a platform serving enterprises and investors that the most basic right to know should be protected.

3.5. The types of securities products are not rich enough

China's securities investment fund market started late, there are fewer types of products on the market, different from other developed countries, securities investment fund market has a wealth of products and experience. In the stock market, in addition to stocks, financial derivatives with a longer term are scarce, and the longer the term, the greater the restrictions in the trading process, such a vicious circle has hindered the richness and innovation of the stock market products.

4. The Countermeasures and Suggestions to Solve the Existing Problems in China's Securities Investment Fund Market

4.1. Strengthening legislation and improving legal development

The Securities Law of our country further strengthens and clarifies the functions of the Securities Commission. This law not only lays the foundation for the legalization of securities supervision, but also improves the legal system of the securities investment fund market and guarantees the development of the securities investment fund market.

According to the Securities Law and the Company Law, it can be seen that in the securities investment fund market, it is not only necessary to protect the legitimate rights and interests of market participants, but more importantly, to maintain economic interests in the development and stabilize the economic order in the progress.

On the other hand is monopoly, the relationship between the real economy and the virtual economy is both mutually influencing and independent. In order to reduce marginal costs and improve competitive advantages, companies constantly expand their scale, increase output and reduce prices, thereby crowding out competitors, destroying the competitive environment, occupying the market and becoming a single producer, thus forming a monopoly market. Once a monopoly market is formed, in the absence of effective control, the monopolist may use the psychology of investors to guide them in investment, and more importantly, through internal manipulation, damage the interests of small and medium-sized investors and make the enterprise obtain high profits, affect the market order, and more seriously cause the failure of market regulation.

The securities investment fund market of our country lacks perfect laws and regulations to match its rapid development. It is urgent to improve the relevant laws and regulations and strengthen the legal binding force on the securities investment fund market. We will improve the protection of intangible assets under the Property Law and the regulation of legal liability in the process of securities trading to ensure the vigorous development of the securities investment fund market.

4.2. Increase tax incentives and reduce government intervention

Companies in the securities investment fund market face heavy taxes. Although the securities investment fund market is stabilized on the one hand, government intervention is not always effective. Excessive intervention can not solve the problems of the stock market, but it is difficult to give full play to the self-regulation ability of the market, aggravating the severity of the problem and reducing the efficiency of the market. Therefore, the state should ease the pressure on small and medium-sized companies in the market.

If small and medium-sized companies can reduce tax pressure in the securities investment fund market, they can have more funds to expand their business and make more long-term plans for their own development. The state should adopt policies from the following aspects: first, reduce the tax pressure on the company registration; The second is to reduce the scope of taxation on the business in the company's operation; The third is to reduce the degree of government

intervention, relax market access rules, and invigorate the market, so that the invisible hand of the market can play its regulatory role.

We will develop a variety of financing channels to promote better and faster development of the securities investment fund market. When the government intervenes in the securities investment fund market, it should also let the invisible hand of the market play a regulating role, and improve the efficiency of the market through the effective combination of the two. To a certain extent, the daily limit system has hindered the rapid equilibrium of stock prices, and also hindered the play of the function of the stock market.

4.3. Strengthen market supervision and establish a sound exit mechanism

The securities supervision system is mainly composed of the stock exchange, the government securities supervision and administration agency, and the securities industry association with the nature of a legal person and joined by securities business institutions. Under the supervision of the stock exchange, the listed company must fulfill the obligation of information disclosure and strive to create a just, fair and open securities investment fund market environment. The securities investment fund market in our country is regulated by legislation.

China's stock market supervision is not strict enough to punish companies for false reporting of financial information, there is no strict standard for the degree of operating losses of listed companies, the anti-fraud supervision is still not strict enough, the punishment for false information is not deterrence, the consideration of other aspects is not comprehensive enough, only the focus on the company's financial status and capital stock is partial at this time. The problem of information asymmetry is filled with the stock market in our country.

Therefore, it is more necessary for the securities regulatory system to effectively supervise the market of listed companies, strongly crack down on insider trading and cheating customers, limit risky speculation, and create a fair, transparent and credible securities investment market. We will increase the cost of violating laws and regulations, increase penalties for those responsible for violating laws and regulations, adopt a "zero tolerance" attitude toward listed companies that maliciously violate regulations, and resolutely implement comprehensive law enforcement and whole-chain supervision.

Financial activities have a strong externality, but China's stock market presents a closed character, which restricts the gradual improvement and standardization of the securities investment fund market. In addition, different from the production and operation activities in the enterprise, individual investors buy stocks in the hope of earning profits from the difference of stocks, and gain a capital appreciation from the growth of the company's performance. However, most individual investors cannot contact the company's business affairs, have difficulty in understanding the company's operating conditions, and cannot make a reasonable and correct prediction. There are even investors who love ST stocks, they precisely think that ST is a reversal sign, and the more delisting risk warning stocks, the more likely they are to profit from it. But such an idea runs counter to the setting of ST, not only weakening the warning effect, but increasing the risk.

Although the existing stocks have opened the first delisting,

it does not mean that China's delisting mechanism has started. In order to effectively improve the operation efficiency of the financial system, maintain the steady operation of the financial system, further prevent and solve financial risks, and improve the allocation efficiency of limited resources in the securities investment fund market, a standardized exit mechanism and a perfect exit mechanism are needed.

Although the withdrawal mechanism is mainly due to the passive result caused by poor management, it can also be an active strategic behavior. A perfect withdrawal mechanism can effectively reduce the supervision cost and prevent the phenomenon of insider control in the company, and promote the internationalization process of China's securities investment fund market.

4.4. Prevent financial fraud and strengthen the review of the enterprise information disclosure system

Individual investors are not only in a disadvantageous position in obtaining information, but also in the case that listed companies take advantage of information to gain personal gains or even infringe the interests of others, and more seriously, they damage the interests of external investors by falsifying accounting information or releasing false information. When such information games constantly occur, Individual investors will greatly improve their assessment of risks, reduce the purchase of securities, and even affect the trading of securities investment fund market, resulting in market contraction, resulting in the failure of normal and orderly securities trading in the securities trading market.

Listed companies should actively and effectively disclose information, which can make investors more clearly and clearly understand the company's operating conditions and real operating information, so that investors can make correct psychological expectations of stock trends according to comprehensive and real information data, improve the quality of information disclosure, so as to optimize resource allocation and enhance the effectiveness of the capital market.

Financial market regulators should strengthen the audit of corporate information disclosure system, improve the standards of information disclosure degree of listed companies, improve the awareness of information disclosure of listed companies from the outside, and promote the optimal allocation of resources.

Investors should also protect their right to know accordingly. When they find that listed companies have insufficient information disclosure, they should take the initiative to disclose, complain, safeguard their right to know, and ensure that they can obtain clearer and true information and data when participating in investment activities in the securities investment fund market.

At present, China is one of the countries with the fewest penalties for information disclosure problems of listed companies. It is necessary to improve the penalty standard, increase the cost of mistakes of companies, conduct sampling review of listed companies, prevent the occurrence of major information disclosure, and form a continuous, comprehensive and effective supervision system.

4.5. Optimize the structure of investors and enrich securities products

The unreasonable structure of institutional investors needs to be further improved. In developed countries, the biggest investors in stock markets are pension funds and insurance

funds. Both emphasize the long-term and stable nature of investment returns. Different from the situation of open-end funds in the Chinese market, it effectively avoids frequent market transactions and makes their market more stable. Different investment concepts make the securities investment market in our country operate frequently, with strong liquidity and lack of stability.

Only through continuous innovation, accumulation of experience, effective innovation of financial products and continuous development of securities investment fund market can we improve the international competitiveness of China's securities investment fund market.

5. Conclusion

Compared with Western countries, there is still a big gap in the level of asset securitization in China, and its innovation ability is obviously insufficient, and it will face many challenges. Without innovation, there will be no competitiveness. Only by continuous innovation can we enrich the securities product market in our country and make more financial products suitable for our market occupy a place in the competition. In terms of financial supervision, due to the imperfect legislation in securities related laws and regulations, the development of regulatory organizations is immature, which is easy to increase the difficulty of financial supervision. In summary, only the good cooperation between the market and the government can promote the healthy development of China's securities investment fund market. At the same time, we can learn from the excellent development and management experience of foreign countries in combination with China's national conditions, improve the depth of cognitive ability, improve the professional ability of securities investment fund market participants, and use the excellent foreign achievements for reference, enhance strength and improve the overall level. It is necessary to further clarify the main position of securities regulators, strengthen the management of centralized legislation, establish a long-term information supervision mechanism, and ensure the standardized issuance of securities, but also to strengthen the self-discipline of the securities industry, promote the function of stock exchanges to fully play the market supervision, and make up for the shortcomings in the process of government supervision.

References

- [1] Zhu Yuhan. The value of economic law in preventing financial risk is briefly described[J]. Inner Mongolia Coal Economy, 2020 (11):98-99.
- [2] Xie Xiuqi. The value and merit of economic law in preventing financial risk Law and Society,2020(7):191-192. (in Chinese)
- [3] Tan Shuyue. Explore the value of economic law in financial risk prevention [J]. Rural Economics and Science and Technology, 2022(3):82-84.
- [4] Sun Meiqi. Value analysis of economic law in financial risk prevention[J]. Law and Society,2021(7):178-179.
- [5] Li Cheng, Zhao Yanting. Leverage ratio of all sectors of the real economy, real estate Research on linkage between production price and financial risk [J]. Research on Financial Supervision Study, 2021(3):92-114.
- [6] Lu Yucheng. An Empirical study on the impact of Public Opinion Information on Stock Prices of Listed Companies [D]. University of International Business and Economics. Master's Thesis,2018.

[7] China Securities Regulatory Commission: Promoting the reform of the "four beams and eight pillars" nature of the capital market [J]. China Financier, 2017,(08):26.

[8] Liu Jilin; Zhao Meihui. Discussion on internal control information disclosure of Listed companies in China [J]. Journal of Hunan University of Finance and Economics. 2017, (08):57-65.