

## Scholarly Book Review

# **Strengthen Financial Risk Prevention and Control Capabilities and Improve the Quality and Efficiency of Financial Supervision**

—Book Review on *Research on the Formation and Prevention of Systemic Risks in the Banking Industry from the Perspective of Platform Finance*

### **Abstract:**

The book *Research on the Formation and Prevention of Systemic Risks in the Banking Industry from the Perspective of Platform Finance* combines the complex network characteristics of the real banking industry and brings the two relatively independent financial markets of platform finance and banking industry into the same complex network framework. The analysis breaks through the traditional systemic risk research paradigm, fills the shortcomings of traditional economic methods in analyzing the internal structure of the system, provides a new way to study the topological structure

characteristics of bank networks, and broadens the perspective of systemic risk research.

**Key Words:**BookReview, Platform Finance, Systemic Risks in the Banking Industry

## **Introduction**

The Central Financial Work Conference proposed that financial supervision should be comprehensively strengthened to effectively prevent and resolve financial risks. As a major financial participant, commercial banks focus on operating risks, and the prevention of systemic risks in the banking industry is the top priority of financial risk prevention and control. First, banking has industry importance. The banking industry is known as the mother of all industries and plays a vital role in my country's economic development<sup>[1]</sup>. At the end of 2023, the total assets of my country's financial institutions were 461 trillion yuan, of which the total assets of the banking industry were 417 trillion yuan. Accounting for more than 90%, its industry dominance is evident. Second, banking industry operations are fragile. As long as there is a problem in a certain operation link, a seemingly "healthy" bank may quickly collapse and involve other institutions in the industry. Judging from the risk events of Silicon Valley Bank and Credit Suisse in 2023, Silicon Valley Bank was rated as a high-quality bank before its collapse<sup>[2]</sup>. Credit Suisse was a

globally systemically important bank, and both capital adequacy ratios were relatively high. However, once problems were discovered, they "collapsed." "The speed is also amazing. Third, risk management in the banking industry is complex. Banking business has a large scale and a wide range of products<sup>[3]</sup>. The current internal and external environment is also facing "unprecedented changes". The banking industry is facing more and more new challenges in terms of market, credit, operation, reputation and other risks.<sup>[4]</sup> Therefore, in building a financial power in the new era, the prevention and control of systemic risks in the banking industry is an indispensable part, and it is also a key part of financial supervision that needs to improve quality and efficiency.

As an important component and development carrier of new finance, platform finance has deeply participated in and influenced the entire financial market format, and its cross-influence with commercial banks has become increasingly profound<sup>[5]</sup>. On the one hand, platform finance has intensified the risk management pressure on commercial banks. From the perspective of business operations, the rise of platform finance has seized the business space of commercial banks in terms of assets, liabilities, and intermediary businesses, which has impacted the profitability of commercial banks and led them to increase their risk appetite to enhance

profitability. From the perspective of risk management, with the extensive application of Internet technology in financial services and the continuous innovation of business models, the types of risks faced by commercial banks continue to increase and their complexity continues to increase<sup>[6]</sup>. On the other hand, platform finance has forced commercial banks to improve their risk management capabilities. In order to cope with the impact of platform finance, commercial banks have also integrated big data applications, technology finance and other means into the existing management system.<sup>[7]</sup> More and more commercial banks are establishing fintech subsidiaries, increasing the talent allocation of fintech departments, comprehensively improving Internet technology applications and digital management capabilities, and integrating big data applications and information interconnection management into risk management systems to promote the improvement of risk management capabilities. In this context, the book *Research on the Formation and Prevention of Systemic Risks in the Banking Industry from the Perspective of Platform Finance* written by young scholar Dr. Zhu Chen came into being, which provides us with a basis for studying the integration of new finance and traditional finance in the new era<sup>[8]</sup>.

Dr. Zhu Chen proposed that from the perspective of platform

finance, systemic risks in the banking industry may come from two main aspects. On the one hand, the development of platform finance has changed the structure of the financial market, making the risk management of the banking industry face greater challenges. On the other hand, platform finance may become a channel for the spread of systemic risks, leading to the rapid spread of systemic risks in the banking industry. Starting from the perspective of complex networks, this book constructs the generation mechanism and contagion mechanism of systemic risks in the banking industry from the perspective of platform finance, and studies the identification methods of systemic risks from three perspectives: Internet financial platforms, financial technology platforms, and large-scale Internet platforms, and then discussed the key directions and implementation methods of strengthening systemic risk supervision in the banking industry from multiple dimensions, providing a direction for effectively preventing and defusing financial risks and promoting high-quality financial development after the reform of the new financial supervision system.

## **Conclusion**

Preventing and resolving financial risks is the fundamental task of financial work and also the eternal theme of financial work. At present, there are still many hidden risks in the financial field, and

financial supervision and governance capabilities still need to further fill in the shortcomings and improve quality and efficiency<sup>[9]</sup>. Our country already has the largest banking system in the world, but the old development model of the banking industry is becoming increasingly unsustainable<sup>[10]</sup>. How to embrace technological changes and industrial iterations, grasp the balance between financial innovation and financial risks, and support high-quality financial services with high-quality financial services? Developing and injecting new momentum into new productive forces is a problem that regulators, theorists, and practitioners must face together. The publication of the book *Research on the Formation and Prevention of Systemic Risks in the Banking Industry from the Perspective of Platform Finance* by China Social Sciences Press is expected to fill the gaps in related domestic research fields and provide a reference for regulatory agencies, financial practitioners and researchers.

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