

A Simple Exploration of the Instead Payment Scene and the Model Analysis of the Customer's Back-Adjustment in the Scene

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ABSTRACT. *The scenes of the Instead Payment industry are very rich, which can fit different industries. But there are risks inside, such as money laundering risks and fraud risks. Therefore, risk management and control for such scene is particularly necessary. By establishing relevant models, quantifying customer background identity information as much as possible, and then pre-provisioning the management and control of possible risks, has become a necessary work for the development of payment institutions.*

KEYWORDS: *instead payment, risk level, background authenticity*

1. Introduction

The payment industry, especially companies that focus on public payments, has stricter background checks on customers. A very important reason is that public payments involve relatively large amounts and relatively high risks, such as money laundering risks, fraud risks.

For example, there are many e-commerce companies in the market that have packaged them, and the three pieces of information (orders, payment orders, and logistics orders) are very likely to be faked. Therefore, payment institutions need to back-adjust their Merchants when they becoming a merchant of a payment institution.

An important reason for identity authenticity investigation is that it involves certain businesses of payment institutions. It is necessary to understand the industry to which the business is targeted, and then conduct a background authenticity investigation of a certain company in the industry that intends to become a payment institution customer, Such as companies involved in payment services.

Nowadays, many payment institutions are doing Instead Payment, and there are many types of payment services, but because the downstream of the payment agency

itself does not require it to register with the payment institution, the payment institution only keeps some basic informations of the payee. There is no way to verify its authenticity (or the means of verification are relatively lacking), so the risk of money laundering is relatively high.

Therefore, if payment institutions do Instead Payment, there are some scene in which I personally think that the risks are relatively high.

2. Three High Risk Scenes of the Instead Payment

2.1 The DSP Scene

The advertising company authorizes the DSP system (ad distribution system) to the agency, and the agency is responsible for promoting it to the customer, and the client uses the DSP system for advertising. After the customer pays the advertiser for the service fee, the advertiser cooperates with the payment institution to send part of the profit to the agent through the payment institution.

2.2 Leveraged Trading Scene

The user recharges funds to the custody platform through the payment institution, and the user allocates capital and stocks in the payment institution, and then enlarges the principal, so the user's income (or loss) is enlarged. In the case of a good stock market, users can make a profit in the stock market through the platform.

2.3 Fund Lending Scene

The payment institution makes IOU loans and self-funded loans. Self-owned funds lending means that after the borrower fills in the information for authorization, the platform uses its own funds to issue loans to them. IOU lending is a matchmaking, including the lender (non-platform) and the repayer. The payment institution does lending, and then the payment channel is used.

3. Three High Risk Scenes Analysis

3.1 The DSP Scene Risk Analysis

DSP system users could directly find the DSP system for advertisement distribution, but the cost is relatively high, so customers generally distribute advertisements through agencies of advertising companies. The DSP system is the distribution system of the advertiser. If the payment institution does the distribution, the advertising company is the customer of the payment institution, and the payee is the agency of the advertising company. This scenario is relatively simple and

basically feasible. However, it should be noted that many clients entrust agents to access the advertiser's DSP system, but there are many webmasters who can swiping orders (there are many online procedures for swiping orders, which are relatively easy to implement), that is, the data customers see (Such as click rate), many of them are "swiped". Although it has nothing to do with the payment institution, this part of the funds on behalf of the company includes a part of the fees that are swiped orders. Therefore, for payment institutions, the rights and responsibilities corresponding to this part of the funds must be clearly stated in the contract.

3.2 Leveraged Trading Scene Risk Analysis

This scenario is essentially a leveraged transaction. Allocation stock trading is a leveraged transaction. Allocation is divided into over-the-counter allocation and on-exchange allocation. On-exchange allocation is generally the business of securities companies, while over-the-counter allocation is operated by allocation companies in the market, which can be enlarged Several times the original capital. The market risk in this scenario is extremely high, with tens of millions of capital flows at every turn, and the costs of supervision and customer service are also very high. No matter what role the payment institution plays in it, it should be cautious.

3.3 Fund Lending Scene Risk Analysis

In the first method, the payment institution uses its own funds to lend on behalf of the payment. This is the payment institution's own behavior. However, cash loans are currently being done by banks, P2P, small loan companies, consumer finance companies, and many unqualified startup companies are also doing it. In December 2017, the leading group for the special rectification of Internet financial risks issued a document to suspend the establishment of online small loan companies because of greater risks. At that time, the country rectified a number of unqualified cash loan companies (the annualization is quite high), so this industry is also a high-risk industry, so this scenario should be very cautious.

As for the matching transaction, it was essentially a P2P, which was strictly controlled by the country at that time.

In the author's opinion, payment agency payment service is a relatively special type of payment business, which is essentially related to the inability or difficulty of payment agencies to verify the authenticity of their downstream recipients. This is also why agent payment is basically concentrated in scene such as public utility payment or wage payment, and the scope of application is relatively narrow. Only the non-public utility payment scenario may not be encouraged by the state in the future. The direction of business in this area may be uncertain.

Therefore, the background authenticity investigation of clients must not only investigate the existing basic information, but also have a clearer understanding of the overall trend of different industries, and then comprehensively study and judge the overall situation of the company, and decide whether you can become a customer

of a payment institution. Otherwise, the risks of different industries will most likely cause the payment industry to become involved and become a tool for money laundering.

4. The Construction of the Customer Back-Adjustment Model

Based on the above scene, it can be seen that background checks are very important for any form of payment service. In particular, companies engaged in B-side payment should do a good job of customer background investigations, and on the basis of effective investigations, prevent customers from laundering money through false transactions when they are admitted.

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The dimensions of the survey can be conducted from the following items, as shown in the following table:

Risk Rating Scale					
Numbering	Index sub-item	Grading	Weights (W)	Points (S)	Remarks
1. Basic Information	1.1 Openness of customer information	·Enterprise certificate materials (business license, account opening permit) are complete.	0.2	5	Necessary items, indispensable
	1.2 Channels for establishment or maintenance of business relationships between institutions and customers.	·Self-employed customers	0.8	5	The degree of trust is relatively high.
		·Channel customers		0	The trust of channel customers is lower, because human introduction factors are not excluded
	1.3 ID card of legal representative	·Submit ID documents beyond the validity period.	1.2	0	The longer the validity period, the higher the trust and the higher the score, in turn, the lower.
	Effective time	·0<Effective time≤1 year		-1	Same as above
		·1<Effective time≤3 year		3	Same as above
		·Effective time>3 years		5	Same as above
	1.4 Validity of	·The ID card of the legal	1.8	3	Pass the

	the ID card of the legal representative	representative is the national ID card of the People's Republic of China and has been verified by the public security system			verification, the score is higher.
		· The ID of the legal representative is an ID of another country		0	If it involves areas with a high risk of money laundering, the score is lower.
		· Legal representative provides a photo with ID		1	The score is higher.
		· Age of legal representative (0-25 years old)		-1	The legal person is at the right age and has a high degree of trust.
		· Age of legal representative (25-65 years old)		1	Same as above
		· Age of legal representative (over 65)		-1	Same as above
	1.5 受益所有人信息完整性	· Submit a completed beneficial owner information form	2	1	Fill in according to the regulations of the beneficial owner of the PBOC.
		· Submit relevant documents to prove the beneficial owner (including but not limited to: board of directors resolutions, articles of association, company organizational structure, description of the situation with official seal, etc.)		2	The better the information of the beneficial owner, the higher the trust and the higher the evaluation.
		· The information of the beneficial owner is verified by "Tianyan Check" or other external channels		2	Same as above
	1.6 Valid time of business license	· Submit a valid business license	0.8	0	Expired business license, no score.
		· Submit a business license (0<validity period≤1 year)		-1	Based on the validity period of the business license, the evaluation is made.
		· Submit a business license (1<validity period≤3 years)		1	Same as above

		·Submit (3<validity period ≤ 5 years) business license		3	Same as above
		·Submit a business license (validity ≥ 5 years)		5	Same as above
	1.7 business management cycle	·business management cycle ≥ 5 years	1.2	5	According to the operating time, to evaluate.
		·>business management cycle ≥ 2 years		3	Same as above
		·business management cycle < 2 years		0	Same as above
		·business management cycle < 1 years		-1	Same as above
	1.8 Registered capital	· ≥ 30 million yuan	1	5	Appraisal is based on registered capital.
		· 10-30 million yuan		4	Same as above
		· 5-10 million yuan		3	Same as above
		· 0.5-5 million yuan		2	Same as above
		· Less than 0.5 万 million yuan		1	Same as above
	1.9 Industry	Banking\securities\insurance\payment and other financial industries	0.8	0	The access of financial institutions.
		A·Agriculture, forestry, animal husbandry and fishery		5	The real industry is highly rated.
		B·mining industry		5	Same as above
		C·manufacturing		5	Same as above
		D·Electricity, heat, gas and water production and supply		5	Same as above
		E·Construction industry		5	Same as above
		F·Wholesale and retail		1	Cash-intensive industries have low valuations.
		G·Transportation, storage and postal industry		4	A more subjective evaluation.
		H·Accommodation and Catering Industry		0	Evaluate the customer groups targeted by the main business of payment institutions.
		I·Information transmission, software and information technology service industry		0	Same as above
		K·Real estate		1	A more

					subjective evaluation.
		L·Leasing and business services		0	Evaluate the customer groups targeted by the main business of payment institutions.
		M·Scientific research and technical service industry		0	Same as above
		N·Water conservancy, environment and public facilities management industry		5	The real industry is highly rated.
		O·Resident services, repairs and other services		0	Evaluate the customer groups targeted by the main business of payment institutions.
		P·education		0	Same as above
		Q·Health and social work		0	Same as above
		R·Culture, sports and entertainment industry		0	Same as above
		·other		0	Same as above
	1.10 Customer Nature	·State-owned enterprise	1.2	5	Evaluation based on the nature of the customer.
		·Listed company		5	Same as above
		·Private Enterprise		4	Same as above
		·Foreign joint ventures		4	Same as above
		·Foreign-owned		3	Same as above
		·private		2	Same as above
		·Individual business		1	Same as above
	1.11 Integrity and convenience of communication information	·Missing ID of the submitting agent	1.2	3	Evaluation is based on the completeness of the information of the handler.
		·Provide contact number		1	Same as above
		·Provide contact email		1	Same as above
	1.12 Customer KYC integrity	·Customers provide a completed KYC questionnaire	1.8	2	Based on customer self-filled information for evaluation.
		· The client provides materials proving the authenticity of the		3	Same as above

		content of the questionnaire (including but not limited to: business premises lease contract, senior management's graduation certificate, import and export license or other qualification documents)			
2.Anti-terrorism, anti-money laundering, predicate crime risk	2.1 Companies (or individuals, regions) recognized as having higher risks	· After investigation by the blacklist system, the company name and place of registration are suspected of high risk	2	-25	Points are deducted based on companies (or individuals, regions) with higher risks.
		· After investigation by the blacklist system, the legal representative or beneficial owner is suspected of high risk		-25	Same as above
	2.2 Industry cash intensity	· Business scope involves: acquisition, retail, art collection, auction, entertainment venues, gambling, film and television entertainment	2	-25	Evaluation is based on the cash intensity of the industry.
	2.3 The beneficial owner information is missing	· Any of the requested information is missing.	2	-10	If the beneficial owner's information is missing, the evaluation value is low.

The above model attempts to use a quantitative standard to score the customer's identity, but it does not mean that such a standard is constant, it should be a constantly changing model. With the changes in the market and the rectification of non-standard industries by the country, the logic of the market and the logic of supervision must be reflected in the model, especially as the country continues to increase its supervision of the new payment industry. The above models are in In this process, it is necessary to adjust at any time to adapt to this overall environmental change.

5. Conclusion

Generally speaking, the businesses that payment institutions generally engage in are relatively fixed. However, as the industry involved in a certain operating business is in a state of meager profit, the business scope will change. If the new business involves more cash in the industry Intensive, then the overall score will change greatly.

In addition, in the middle of 2018, the People's Bank of China attached great importance to the identification of beneficial owners. This is a specific

implementation method for the penetrating management of payment companies by the PBOC. In this case, no beneficial ownership was carried out before the middle of 2018. Payment institutions for personal identification must carry out this work and should invest considerable effort, otherwise they will most likely be subject to supervision and punishment by the PBOC. Then, the specific implementation of the work of the beneficial owner, especially the scoring standard, must be reflected in the above table, and then the payment institution's scoring of the customer will even undergo great changes.

Background authenticity investigation is an important prerequisite for business development in any industry and any company. However, for payment institutions, the role is more obvious. The scenario of payment services can be integrated into many industries, so risks are easily transmitted. Therefore, the background investigation of customer identities is particularly important. By establishing a standardized model as much as possible to minimize or eliminate risks, it should be an important task for payment institutions to always do.

References

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