MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
V.N. KARAZIN KHARKIV NATIONAL UNIVERSITY

Karazin Banking Institute

Department: **Banking Business and Financial Technologies**

Specialty: **072 Finance, banking and insurance**

Educational program: **Financial technologies and banking management**

Group: FM-23M **full-time mode of study**

QUALIFYING MASTER'S THESIS

on the topic:

ORGANIZATION OF BANKING ACTIVITY IN MODERN CONDITIONS

submitted by the applicant of higher education
Yu Dian

The qualifying master's thesis was accepted for defense by the decision of the Department of Banking Business and Financial Technologies

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Head of Department
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Kharkiv 2024

MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
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Faculty	EDUCATION AND RESEARCH INSTITUTE “KARAZIN BANKING INSTITUTE”
Department	Banking Business and Financial Technologies
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APPROVED
Head of department of
Banking Business and Financial Technologies
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«25» September 2024

ASSIGNMENT
FOR A QUALIFYING MASTER’S THESIS
assigned to
Yu Dian

1. The topic of the thesis: "ORGANIZATION OF BANKING ACTIVITY IN MODERN CONDITIONS".
Scientific advisor - Doctor of Economics, Professor Nataliia Pohorelenko

approved by the order of the University dated "17" September 2024, No. 4601-3k/1025
2. Deadline for submission of thesis by the student 18.11.2024
3. List of questions to be researched:
In chapter 1: to investigate the risk management of modern commercial bank organization activities; to discuss the theory of organizational activity management of modern commercial banks; to analyze the operational risk management and moral hazard prevention of commercial banks.
In chapter 2: to explore the financial status and risk of Jiangxi Branch of China Construction Bank; to determine the reasons for the operation risk of Jiangxi Branch of China Construction Bank; to analyze the current situation and challenges of operational risk management in Jiangxi Branch of China Construction Bank.
In chapter 3: to provide risk management countermeasures for traditional business activities; to provide risk management countermeasures of modern financial business activities; to deeply study the integration strategy of risk management and financial technology in commercial banks.

4. Plan of qualifying master's thesis

№	Name of work stages
1	Selection of the topic
2	Approval of the plan and tasks of thesis
3	Implementation of thesis
4	Submission of thesis to the department to check for the presence of borrowings from other documents
5	Completion of the admission procedure for the protection of thesis
6	Defence of thesis

5. Date of assignment issuance 25.09.2024

Student Yu Dian Yu Dian

Scientific advisor Nataliia Pohorelenko

ABSTRACT
ON QUALIFICATION MASTER’S WORK
"ORGANIZATION OF BANKING ACTIVITY
IN MODERN CONDITIONS" OF
YU DIAN

Qualification Master's Work contains 71 pages, 4 tables, 4 figures, 86references.

Object of research is the operation system construction of China Construction Bank Jiangxi Branch, including organizational activities, risk management framework, technical implementation and compliance measures.

Subject of research is the organization of banking activity in modern conditions how to deal with operational risks, implement financial technology, and adapt to the evolving economic and financial environment, in order to enhance the services to the real economy.

Purpose of qualification master's work is Study the characteristics, challenges and development trends of banking activity organization under modern conditions, as well as the impact of financial technology on the traditional banking industry.

Tasks of qualification master's work are

- to investigate the risk management of modern commercial bank organization activities;
- to discuss the theory of organizational activity management of modern commercial banks;
- to analyze the operational risk management and moral hazard prevention of commercial banks;
- to explore the financial status and risk of Jiangxi Branch of China Construction Bank;
- to determine the reasons for the operation risk of Jiangxi Branch of China Construction Bank;
- to analyze the current situation and challenges of operational risk management in Jiangxi Branch of China Construction Bank;
- to provide risk management countermeasures for traditional business activities;
- to provide risk management countermeasures of modern financial business activities;
- to deeply study the integration strategy of risk management and financial technology in commercial banks.

According to results of the research, the importance of risk management is revealed, the role of fintech in risk prediction and mitigation is highlighted, the need for internal control and compliance is pointed out, as well as the importance of talent development and cross-departmental collaboration.

The obtained results can be used to help other commercial banks construct and optimize their own risk management mechanisms to adapt to the changing economic and financial environment.

KEY WORDS: BANKING ACTIVITY, COMMERCIAL BANK, BANKING OPERATIONS, CHINA CONSTRUCTION BANK, RISK MANAGEMENT.

CONTENT

INTRODUCTION

Against the background of the global economic transition and the rapid development of financial technology, the modern banking system is confronted with more and more complicated challenges and opportunities. The modernization of the banking system is not only related to the expansion of the business scale and operating efficiency, but also to the adjustment of risk management, compliance, and technology innovation. Especially, operational risks, information security risks, and other issues have become a major concern in the banking sector, which not only affects the stability of individual banks but also affects the security and functioning of the financial system as a whole. Therefore, the research on operational risk management and its strategies, especially in the China Construction Bank (CCB) Jiangxi Branch, is of great significance both in theory and practice.

The importance of the issue is that the financial sector is becoming more complex. Rapid advances in technology, coupled with changing regulatory frameworks and market dynamics, have rendered traditional approaches to risk management less effective in dealing with emerging and emerging risks. The banking sector faces operational risks, which are more difficult to manage as IT speeds up and changes in the economy. This study, which focuses on the China Construction Bank's Jiangxi Branch, provides an opportunity to identify and address weaknesses in existing operational risk management systems, thus increasing the bank's capacity to cope with new risks and ensure operational stability. Therefore, it is important and timely to examine operational risk management in this particular sector, since it provides critical insights on how to deal with those challenges effectively.

The significance of this problem is the reason for choosing this subject, which is to explore how China Construction Bank's Jiangxi Branch can improve its operating system to better meet new risks and service the real economy. The aim of this research is to understand how operational risk management, finance techniques, and regulatory compliance can be incorporated into the broader operating framework of the bank to improve efficiency, quality, and stability.

The theoretical foundation of this study is based on the work of scholars at home and abroad who have explored the issues of operational risk management, financial technology innovation, and banking regulation. Notable contributions have been made by scholars such as [author names here] (listed alphabetically in the bibliography), who have made significant contributions to our understanding of risk management in the financial sector. In spite of these contributions, there is still a lack of research, especially with regard to the application of operational risk management at the branch level of large banks such as the China Construction Bank, particularly in the light of the rapidly changing financial technological and economic circumstances. The purpose of this study is to fill in this gap and provide new insights for developing an ORM framework.

The significance of this problem has determined the selection of the subject and has led to the formulation of the research objectives, tasks, logic and structure. The main objective of this research is to combine the theory base of operation system building and risk management of China Construction Bank's Jiangxi Branch, and to explore practical solutions to improve them.

In order to achieve this objective, the research focuses on the following tasks:

This paper examines the role of financial technology in strengthening operational risk management.

This paper analyses the status quo of operational risk management in China Construction Bank's Jiangxi Branch.

A review of the process of systematizing the ORM framework and the improvement of compliance measures was carried out.

Detailed analysis of existing practices is carried out in order to identify areas for improvement.

Recommendations for improvement of operational risk management in the Jiangxi Branch are presented in the light of technical progress and regulatory changes.

The research target is China Construction Bank's Jiangxi Branch operation system. This includes reviewing the organization's activities, risk management framework, technology implementation, and compliance measures that help the Bank to operate efficiently and stably. This study focuses on the application of these frameworks and systems in the Jiangxi Branch's particular context, and provides an example of how large banks are able to manage operational risk effectively in a fast-changing financial environment.

In order to achieve the research objectives, a range of general and specialized research methods were used, including logic analysis, systematic approach, and economic analysis. Specifically:

The present operational risk management framework of Jiangxi Branch was reviewed with logic analysis.

The system approach was applied to study how the bank's operational systems and risk management frameworks are integrated and managed.

An economic analysis was used to evaluate the impact of operational risk management practices on the efficiency and profitability of the bank.

Through data collection and analysis, mathematical statistics are used to assess the effectiveness of existing risk management systems.

Optimization theories were used to develop recommendations for improving risk management frameworks.

Formalization and modeling methods were employed to create an assessment model that could evaluate the efficiency and risk exposure of the bank's operational systems.

This study is a new kind of new risk management strategy and framework for China Construction Bank's Jiangxi Branch. The research introduces new scientific propositions that aim to improve the bank's risk management approach and operational efficiency, with practical recommendations for improving operating systems in the face of rapid technological and regulatory changes. Not only do these innovative solutions help to increase academic knowledge, but they also offer practical insights for banking professionals in managing risk reduction.

The data base for this study included the internal reports of China Construction Bank, National Bank of China, and industry reports. These data sources provide an overall basis for assessing the status of Jiangxi Branch's operational risk management and provide valuable insights for further improvement.

CHAPTER I
RESEARCH ON THE OPERATION
OF MODERN BANK ORGANIZATION ACTIVITIES

1.1. Research on risk management of organizational activities of modern commercial banks

In this article, Jiangxi Branch of China Construction Bank's Jiangxi Branch operation business risk management method and path, reflecting some research meaning:

For a long time, the domestic and foreign scholars have attached great importance to the credit risk and the market risk, and have made a lot of valuable theoretical analysis. But there are still some conceptual mistakes on the basis of study. The operation risk of the commercial bank has been analyzed by some scholars as identical to the operation risk, and the follow-up measures and recommendations are usually too one-sided and narrow. As a matter of fact, the most frequent and typical operating risk is the human running risk resulting from the negligence of the bank employees and the exceeding of their authority. The existing researches tend to neglect the operation risk due to the defect of system process, and the existing research results are limited and immature. Therefore, there is a lack of systematic study on the management of operational risk in theory.

Because of the lack of theoretical study on the operation risk of commercial banks, there are few typical cases in domestic banks. In this article, Jiangxi Branch of China Construction Bank's operation risk management is analyzed mainly for the following two reasons. First of all, China Construction Bank's Jiangxi Branch has gone through four major functional reforms and has 11 subsidiaries. Secondly, the Jiangxi Branch of China Construction Bank, like the majority of domestic commercial banks, has a complex organization and management structure, a lack of awareness of risk sensitivity, and an urgent need to enhance operational risk management in time.

In the complicated economy, the profit increase pattern of domestic commercial banks has changed from relying on traditional deposit and loan revenue to diversified and integrated income. Taking Jiangxi Branch of China Construction Bank as the subject of study, the author puts forward a way to manage the operation risk through analysis of its current operating risk and its reasons.

In this paper, the main achievements about how to construct operational risk management system of commercial banks are summarized as follows: firstly, the study of operation risk of commercial bank;

The commercial bank is the principal part of Chinese finance. Though the development of Chinese commercial banking system is relatively late, it has also made leaps and bounds in the process of reform and opening-up. The Third Plenary Session of the Fourteenth Central Committee has made a clear appeal for the reform of big commercial banks in China. The Industrial Bank of China, the Agricultural Bank, the Construction Bank, the bank of communication, etc., have made great progress in the reform of the stock market. Financial industry places great emphasis on advancing with The Times. Risk consciousness and risk prevention capability are of great importance. Scholars at home and abroad have carried out some research and analysis on the operation risk of commercial banks under the background of modern financial environment.

Nowadays, there are still many disputes about the definition of "operation risk". Scholar Zhai Zhisheng (2019) thinks that the definition of operational risk is broad and narrow. Strictly speaking, the business operation related bank risk is included in operation risk. Scholar Zhu Mingshuai (2024) divides the operational risk into four categories: moral risk, operation risk, unexpected operation risk and accidental operation risk. Along with the further study of operational risk category, the concept of quaternity has been recognized gradually.

The traditional credit service is the core business of the commercial bank. Scholar Shen Rui (2017) points out that the short-sightedness of commercial banks will result in over-pursuing business transactions, and neglect of compliance building and timely updating of internal procedures. Jin Haiting (2016) points out that it is not appropriate for commercial banks to be too high in their credit operations. The bank should change its way of thinking and attach equal importance to the quantity and quality of credit business.

Credit card, as a new financial service, has not only increased the profit channel, but also brought about the operation risk. Wu Yun (2018) named the operational risks of internal staff as the three main credit card risks along with credit risk and fraud risk. Liu Xiaorui (2022) points out that the business process of credit card is complicated, and it involves a lot of processes. Jia Youjiao (2019) has made it clear that the internal control system is not perfect, the technology is backward, the risk management system is not perfect, the card issue is too big.

Along with the deepening integration of financial and internet, inclusive finance has obtained the stage achievement. According to Lu Minfeng and Xu Bohuan (2023), there are hidden risks behind the fast development of inclusive financial services. Chen Ke (2019) points out that the inclusive financial services provide valuable financing opportunities for SMEs and low income groups, but "inclusive financial services" are not equal to charitable donations. Excessive and blind lending can easily lead to financial chaos, and the scope of inclusive financial services is usually very broad. To guarantee commercial banks' financial viability, it is necessary to carry out an operational risk management culture.

Scholar Wu Manli (2018) points out that in the traditional counter operation model, the teller is highly interfering with the business process, the behavior of the customer and the system defect. The traditional check of counter operation usually requires a complicated process of collecting, sorting, scanning and checking. In general, the occurrence of risk events on the "T + 3" day must be realized, which makes it hard to ensure the timely management of risk.

Operational risk management influences the core competitive power and brand influence of a commercial bank, and has a close relationship with the successful implementation of its development strategy. Sophie Claeys and Christa Hainz (2024) believe that the key to bank's business management is to manage the credit business. According to Li Feng (2016), the present complexity of the operation of commercial banks is unprecedented. The lack of deposits, the lack of income and the high level of bad loans caused by the external environment have been putting pressure on the commercial banks. In this context, it is necessary for the commercial banks to rebuild the internal operation management and to set up a sound risk control system. Reduce the likelihood of moral hazard and operational risk.

According to Hua Yan (2013), China's economic slowdown and structural adjustment have posed a double challenge to China's traditional credit business.

Chen Xin (2024), Xiamen Branch of Xiamen Branch, made a segmented risk analysis of the entire credit card business, and pointed out the major risks in publicity marketing, client selection, credit approval, loan issue and post-loan management. Branches may relax risk management as a result of performance pressure. Prudent lending is often essential. Davide H. Buzell (2021), based on the introduction of the main principles of bank credit card business, elaborated the key operation of the credit card merchant. In this paper, we put forward five steps to manage the operation risk of credit card business: target selection, training of card holders, real time monitoring of customer accounts, setting up contingency and continuity plan, and risk reporting.

According to Li Aijing (2018), it is very important to separate information from customers because of the special features of management and finance. Han Bingning (2017) put forward that inclusive finance not only achieves "profit", but also "intelligence". Digital innovation finance can help commercial banks to set up a smart business model and keep the operation risk under control.

Wu Manli (2018) pointed out that the bank should carry out the examination, authorization, supervision and management system, and do well in collecting and paying, risk warning and customer confirmation. Scholar Xie Guozan (2016) suggested that the bank should study and discuss business rules, risk prevention and control, and the key points, grasp the risk, minimize the error rate, and avoid risk events.

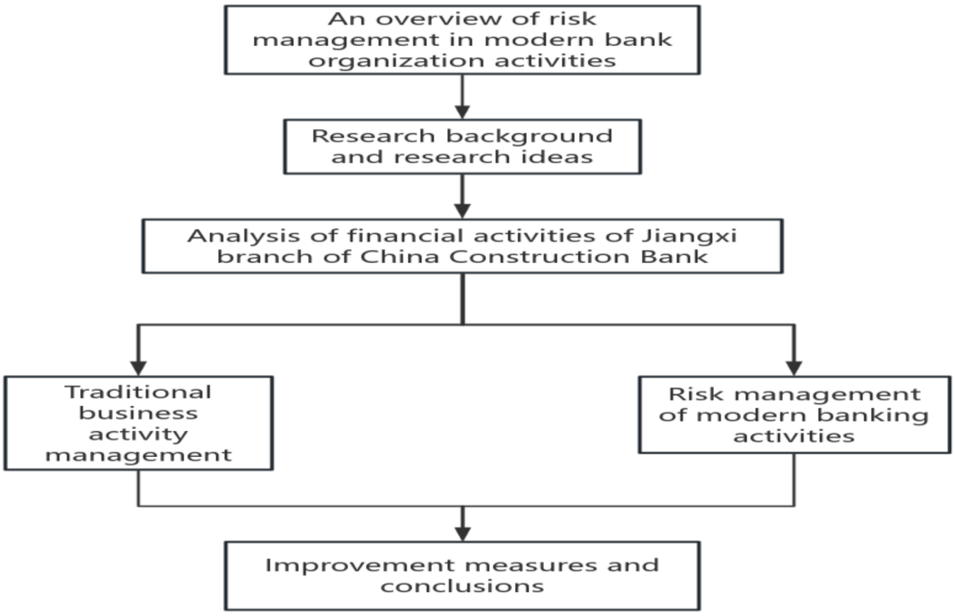
In conclusion, the risk of the organization is ubiquitous, and the diversified business of the commercial bank needs a strong organization and operational risk management system. Since Basel Committee of Banking Supervision published related documents, a new way of research on risk management has emerged in academia. Based on the domestic and foreign literature on bank risk management, the domestic and foreign scholars mostly pay attention to the credit risk of the commercial bank, and give their own opinions on the risk response. However, there are still some shortcomings in the recognition of the bank's internal management and operational risk management. Especially, with the help of academic knowledge and work experience, there is little study on operational risk management in a particular commercial bank.

Nowadays, China's economy is growing more and more sluggish, and the international economy is becoming more and more complicated. Therefore, it is helpful to have a clear understanding of the operation and management pressure of commercial bank, and to pay attention to its latent risk and its internal control. The purpose of this thesis is to research the operation risk management of China Construction Bank's Jiangxi Branch, to give some constructive advice, to find out the major concerns, and to provide reference for China's commercial bank's operation risk management.

In this section, we will summarize the logic of the thesis and introduce the four main methods of study. My thesis is presented in Figure 1.1 below.

The logic line of this thesis is to identify the problem of the study - to carry out the case analysis - and arrive at the conclusion.

First of all, we have identified the problem of the study: What is the operation risk of the modern commercial bank? How to incorporate the idea of operation risk into the internal management system of commercial bank in the context of financial innovation? Based on the theory of COSO control, Total Risk Management (ERM) and Basel Theory, the paper makes a deep analysis on the operation risk management mechanism in Jiangxi Branch of China Construction Bank.



Source:Summarize and organize the obtained results

Fig. 1.1. Research ideas and frame diagram

Then the case study: Through the analysis of the current operating risk and risk reason of China Construction Bank Jiangxi Branch, we know the need to upgrade the operation risk management system. Based on the analysis, the paper studies the implementation route of the operation risk management in Jiangxi Branch of the China Construction Bank.

In the end, the paper draws a conclusion: Which aspects should the commercial banks begin to manage the operation risk? Based on the analysis of this article, the paper sums up the essential guarantee measures of operation risk management, and presents the major concerns of the commercial banks.

The approach used in this study was to analyze the data collected from surveys, interviews, and literature reviews in order to gain insight into the topic.

1. Investigation method. In the course of the case study, in order to get a better understanding of the organization and management status of the China Construction Bank's Jiangxi Branch, I made a field visit and survey, communicated with employees, and made a thorough study.

2. Document study method. Using the library resources, we can read domestic and foreign related documents, know the current research achievements of commercial bank's organization activity management, master the current research trends in the academic field, and summarize and refine a lot of references. Based on the existing theory achievements, the thesis lays the foundation for the following study on the operational risk management of China Construction Bank's Jiangxi Branch.

3. System analysis. The work of organization activity management in commercial bank involves a lot of business departments, and the work of managing the process is very large. It is necessary to use systematic research methods and keep clear logic thinking in order to get accurate results.

4. Case analysis. On the basis of analyzing "Problems of Organizational Activity Management of China Construction Bank Jiangxi Branch", this paper discusses the practical scheme of organization activity management.

1.2. Overview of the theory of organizational activity management of modern commercial banks

Modern commercial bank's operational risk management theory includes the definition of operation management and operation risk, COSO control theory, ERM theory and Basel theory system.

In this section, we will introduce the related concepts of commercial bank's operational risk management, including the operation management and operation risk.

Through all kinds of channels, the commercial bank can deal with the customer's experience in the background, cover the front and back operations, and effectively integrate all the resources into the whole process, and finally achieve the customer value, which is the business management. It can guarantee the real landing of financial services.

Operational management concept originated from industry enterprises. Along with marketing and finance, they make up the three key functions of an enterprise. It means organizing, designing, arranging and running the turnover process of an enterprise, so as to make sure that the business process is running efficiently. The main business of the commercial banks which carry out the Head Branch System consists of the traditional loan, the credit card business, the inclusive financial service and the counter operation. Therefore, it is necessary to plan and improve the operation link of every branch and every branch, remedy the defects in the system, and train and educate the operators and managers so as to enhance their professional and moral quality. The final aim is to make sure that the above mentioned commercial banks operate in an orderly manner, and ultimately realize the business goals of the bank.

Commercial bank's operational service emphasizes the human's participation, and it should take into account all the possible risks caused by human behavior, such as operation risk and moral hazard. Commercial bank's operational management appears to be a process of improving internal management, but in fact, it aims to solve three general issues, that is, to provide good service to the clients, to create profit space for the shareholders, and to ensure the stability of their business. In spite of the differences in business goals, management ideas and culture styles, the basic factors of operation and management are basically the same.

Therefore, it is necessary to consider the process, the system, the personnel and the system. In order to satisfy the demand of customers, we should deepen the operating system reform and improve the operation efficiency based on IT. Enhance value creation and risk control capabilities to ensure that all operations are completed safely and efficiently.

The traditional lending business involves the assessment and mitigation of operational risks through careful risk management practices that ensure financial institutions are stable and profitable.

The traditional loan business is the main asset business of the commercial bank. The bank issues the loan to the creditor, collects all the principal and interest on the due date, in order to make a profit. In recent years, the commercial banks have responded to the government's call and made new policies to prevent and control the loan business. Owing to its long history, the traditional lending business of the commercial bank has formed a complete management chain. In general, the head office of the commercial bank prepares the loan system, and the policy is written and distributed to the local branch. Branches' managers carry out business review, process control, risk early warning and performance evaluation on the lending operations of the subordinate branches. Once the loan is issued, it is necessary to follow up and collect it, so as to reduce the possibility of bad loans.

Based on the above-mentioned vertical management system, all operating rules and implementing criteria are set up by headquarters. The central bank can have the overall direction and control over the whole operation of the bank. At the same time, however, when there is an unexpected risk event, the risk feedback time is usually longer. To a certain extent, it will increase the operation risk of the commercial banks.

It is possible for commercial banks to prevent and control the operation risk of traditional lending by strengthening the supervisory mechanism. In the lending business, there should be no overlap between the pre-audit, the loan approval and the post-loan collection. In order to reduce the risk of moral hazard and operation risk, it is necessary to establish a review post for the key aspects of loan approval and approval. The bank should carry out the "two-people, two-system, two-duty" work system. The relations among the departments are mutually supervised, the operation of the authority is forbidden, the important blank vouchers in the bank should be properly stored by the special custodian, the collection procedure must guarantee the two persons to enter, and the direct contact with the money collection is forbidden. The employees who are in direct contact with the customers, such as the marketing staff, the account manager, and the collector, should not carry out any illegal activities in the course of their work. It is necessary to establish a special supervision department in the bank to monitor the compliance of all the employees in the bank with the rules and risk control.

Credit card business needs strong operational risk management strategies to protect against fraud, to manage delinquency, and to keep the portfolio healthy and profitable as a whole.

The credit card is mainly a kind of loan certificate which is provided by the financial institution. The principal object is an individual or a business, which enables it to make capital payment, consumption and other relevant financial services. Compared with the traditional business, the business risk of the commercial bank has a bigger impact range. Nowadays, the credit card has already been integrated into people's everyday life, and its range of application has exceeded the limits of the country. The number of credit card holders and the frequency of use of credit card are increasing day by day, and the range of transactions and the main body of transactions is expanding continuously. Moreover, it makes the credit approval, post-loan management and late collection of the commercial bank's credit card business become more complex and difficult to prevent and control, which will make it more difficult to deal with sudden system risks.

Under the background of financial technology innovation, the risk management of credit card can not be separated from internet, big data and regional risk control. It is necessary for commercial banks to use IT to bring in credit card business information and risk dynamic early-warning software which is suitable for the bank's internal control. The data model, data representation and computation logic can be adjusted flexibly. With the rapid change of the financial market, it will be hard to adapt to the development of the commercial banks if we adopt the management tools to consolidate the basis. It is necessary for commercial banks to use internet thinking and large data mining techniques to clean up the accumulated customer data, so as to increase the veracity and efficiency of credit approval. Also, it is possible to design authority instructions to monitor and alert an employee who does not have permission.

Financial inclusion needs to be managed effectively in order to deal with the challenges of fraud prevention, cyber security, and ensuring that financial services are accessible and sustainable for underserved populations.

Since the concept of inclusive finance was proposed, China has given great support to the development of inclusive finance, and continued to explore and practice the road of inclusive finance. We have established and perfected an inclusive financial service and guarantee system which is suitable for our country, and the availability of financial services in all sectors of society, particularly among the long-tail groups. But with the fast development of inclusive finance, the hidden risks are revealed, and the application of finance techniques and social and economic circumstances have accelerated the dissemination and diffusion of risks.

On the basis of inclusive finance, it is necessary for commercial banks to consider that because of the dispersion of positions, operational risks are always passing through them. Only the continuous training of staff consciousness, the establishment and implementation of the specific training plan, can the outstanding operation team be built. Three factors should be taken into account when training the Inclusive Financial Sector: Firstly, the Head Office is in charge of the operation system, process, and business. Second, as a branch of the headquarters, the branch should sum up the training done by the headquarters and carry out the other training in accordance with the specific business situation. Last but not only, we should make sure that the operators master the business skills and rules, but also break the traditional practice, integrated and specialized training.

The CCP requires vigilant operational risk management in order to detect and thwart illegal activities, to ensure compliance with the rules and to ensure the integrity of financial transactions.

Commercial bank's counter-operation risk has the characteristics of endogenous, high-frequency and covert. It usually happens in the five key stages of the counter operation, including the opening of the account, the transfer of funds, the reconciliation, the management of the stamp certificates, and the supervision of the accounts, and so on.

Commercial bank counter operation is bank service window. In order to strengthen the ability to prevent and control the risk, the commercial banks should take the following four practical and feasible operational methods:

- Strengthen HR management, reduce overstaffing, institutionalize, internalize and science the process of counter-risk control, establish rational personnel arrangement and work rotation rules, and help to reduce the inefficient control behavior such as "formalization", "policy dependence" and "late repair", so as to reduce the possibility of operating risk. It is essential to establish a rational evaluation rate and improve the staff motivation system. Human resource management is the fundamental guarantee to prevent the risk of the commercial bank.

Standardize the accountability criteria, perfect the rules and regulations of the commercial bank, strengthen the system construction, form the perfect information transfer mechanism, and strengthen the prevention and control measures;

- Updating and updating the operational system in a timely manner, making use of science and technology to enhance the executive power, optimize and upgrade the operation risk, improve the operation efficiency and the quality of the service;

- Make use of the latest technology of the digital economy to upgrade the counter operation system, help to increase the efficiency of counter transaction and risk management, achieve the complete transformation of the bank's office system, and create the conditions for the improvement of counter service quality and rich operation risk management.

The theory basis of commercial banks' operational risk management is based on identifying, evaluating, monitoring and mitigating risks.

In this part, we will discuss the theory of COSO, the theory of Total Risk Management (ERM) and the theory of Basel. The COSO control theory provides a framework for the organization to set up and maintain effective internal control, to improve risk management and to guarantee the reliability of financial reporting.

In 1992, the "Overall Framework of Internal Control", called COSO Theory, became the "fundamental rule" of Internal Control and Internal Control. As shown in Figure 1.2.

The control procedure is aimed at the stable operation, guaranteeing the compliance of the business law, and the improvement of the financial information quality. Furthermore, the paper points out that the internal control and the risk management can not substitute each other, but complement each other, which provides the theory foundation for the further development of operation management, and is the most authoritative document in the field of internal control.

Source: Summarize and organize the obtained results

Fig. 1.2 COSO control theory structure diagram

Control environment. A good inner environment is a key factor to improve the operation management system of the bank. It is proved that a good control environment can make the operation management return to the refined nature, reduce the arbitrariness of risk management, and expand the synergy effect. On the basis of the homogeneity and heterogeneity of internal control and risk management, it is suggested that good risk control theory should be incorporated into the internal control system of commercial bank.

Assessment of risks. Under the circumstance of frequent risk, the commercial banks should strengthen the compliance of their internal management system, and form a closed loop by strict supervision, optimization of management, balance of power and responsibility, so as to find a balance between "collecting power" and "distributing power". It is necessary for commercial banks to start with the self-risk management of basic staff, and to supervise and manage the staff. Last but not least, the headquarters should carry out risk control on the whole bank, and make risk assessment, risk evaluation and risk prevention.

Monitoring activities. The control activity means the continuous integration and improvement of the function orientation of the whole strategic management, strategic support and business support services. Finally, it is necessary to combine "pre control", "in-process control" and "post control". To make sure the internal control system is scientific, systematic and operational, it is necessary to set up a special operational management department.

Information and communication. The smooth communication channel is the key link to construct the first class internal control environment, and the inner management can not leave the power of information exchange. Only if the internal information is shared in time, can the management target of the bank be not related to the practical operation. By transmitting, exchanging and feedback information, we can make the overall goal and orientation of the bank more clearly.

Track activity. A sound organization and supervision system will help to strengthen the market main body's consciousness in the running of the commercial bank. Bank should integrate the monitoring activities into the internal control system, which will make it more meaningful to carry out and analyze the internal control situation. The standardization and validity of the branch's internal control is also an important basis for the level assessment of headquarters. In accordance with the system of executing duty, the branch should adopt the combination of fixed inspection and surprise inspection to evaluate the operation of the basic level.

Enterprise Total Risk management (ERM) theory. As shown in fig. 1.3 below.

Although the COSO control framework provides a basic model for risk management, the fast development of the market forces the enterprise and the main financial institutions to change from the broad operation management model to the refined content development model. On the basis of COSO control frame, a more profound and complicated theory frame has been formed. The Enterprise Risk Management Integration Framework (ERM). The ERM framework, which was established in 2004, is composed of eight key elements: internal environment, target setting, event identification, risk evaluation, risk alignment, control activities, communication and monitoring.

Source:Summarize and organize the obtained results

Fig. 1.3. ERM enterprise risk Management pyramid

The Basel Theory System has played a key role in the development of global banking regulation. Its evolving framework reflects the dynamism of financial markets, as well as the need to ensure that they remain stable and resilient when confronted with new risks. System of Basel. The Basel Committee was set up in Basel, Switzerland, in September 1974. Since Basel II was published in 1988, Basel II was formally finalized in 2006, Basle 2.5 was released in 2009, and Basel III was revised and improved from 2010 onwards. As the financial system developed, the Basel Agreement's regulatory framework and ideas were constantly extended and innovated.

Up to now, the types of risk covered by the Basel Agreement are approaching the integrated level, and the correlation among different kinds of risks is gradually put into the view of regulation. The Basel Accord has been extended from a single 8 per cent floor to multiple levels of capital regulation, leverage regulation, liquidity regulation and macroprudential regulation. The Basel Committee's membership was extended from the original G10 to G20 and international organisations, and the G20 and the Financial Stability Board were clearly identified. From Basel to Basel III, the Basel Agreement's capital framework is getting better and better, and the capital regulation environment is also becoming stricter. The Basel III deal adds new limits, including on how banks assess the risks of mortgages and other assets, to make their balance sheets more transparent and healthy. As Basel III is implemented in China, regulators have started to draw lessons from international classification. In 2012, the previous CBRC published the "Measures on Commercial Banks Capital Management", which introduced the concepts of Global Systemic Banks and Domestic Systemic Significant Banks for the first time, and imposed more stringent regulatory requirements on Domestic Systemically Important Banks.

Apart from the increased capital requirements, Basel III has also introduced a new Liquidity Coverage Ratio (LCR) and NSFR (NSFR), which will ensure that banks have adequate liquidity and long-term stability. The purpose of these measures is to avoid bank runs and to improve overall financial stability.

In addition, Basel III stresses the need for counter-cyclical capital buffers and systemic risk buffers, which require banks to keep extra funds in times of economic growth to absorb losses in a downturn. The purpose of this macroprudential approach is to reduce systemic risk by reducing pro-cyclicality in the financial system.

The Basel framework also includes stricter rules on leverage, which limits the amount of debt in relation to a bank's equity, thus reducing excessive risk taking. In addition, it introduces increased disclosure and transparency requirements, which require banks to disclose to interested parties more detailed information on their exposures and their risk-management procedures.

Basel III also encourages the development and application of advanced risk management techniques, such as the IRB Approach to Credit Risk and the Advanced Measurement Approach (AMA) for operational risk. They allow more accurate and tailored risk assessments, allowing banks to optimise their capital allocation.

In terms of implementation, Basel III provides for a phased approach, with specific time limits for compliance, giving financial institutions and regulatory authorities time to adjust. In China, the China Banking Regulatory Commission (CBRC), which is now part of the China Banking and Insurance Regulatory Commission (CBIRC), has taken an active part in the implementation process, issuing guidelines and guidelines to ensure compliance with international standards, taking into account domestic market conditions.

In addition, the Basel Accord has encouraged greater international cooperation between regulators by means of regular meetings, exchange of knowledge and coordination of supervisory practices. This cooperation has helped to harmonise the rules of the world's banking system and to ensure a level playing field for cross-border international banks.

The Basel framework continues to be a dynamic and responsive system, constantly adapting to new challenges, including cyber security threats, fintech innovations, and climate finance risks. The Basel rules are being developed and refined, highlighting the key role they play in maintaining a strong and flexible global banking system.

1.3. Operation risk management and moral hazard prevention of commercial banks

The inner and outer environment of the commercial bank business is complicated and changeable, so it is necessary for the bank to establish a higher management system to control the risk effectively. Commercial bank's operation risk has four kinds: moral risk, operation risk, unexpected operation risk and unexpected operation risk.

Table 1.1

Summary of operational risk types of commercial banks

Type	Description
Moral Hazard	Caused by human factors, such as collusion between internal and external parties, illegal operations, etc.
Operational Risk	Caused by loopholes in system norms, such as mismatch between financial innovation and management updates.
Sudden Operational Risk	Caused by issues in processes and systems, such as system failures, hacker attacks, etc.
Accidental Operational Risk	Caused by force majeure factors like natural disasters or wars.

Source:Summarize and organize the obtained results

1. Moral hazard due to human factors. In practice, we find that most of the major moral hazard cases in our country are related to internal and external collusion and illegal operation, and some of the staff have the wrong ideas and beliefs, distorted values, and

have the mentality of getting rich quickly and getting away with it, which leads to irrational decisions and moral hazard. For instance, in the increasingly intense market competition, grassroots organizations tend to neglect the balance of compliance and economic benefits, too much emphasis on commercial targets, resulting in weak compliance consciousness and passive enforcement, and some "humane culture" and "circular culture". In the event of severe moral hazard, such as the violation of corporate governance and procedure rules, the use of work rights and commercial loopholes to transfer profits to other banks or other people, the employees of the bank will also receive improper and illegal benefits.

2. Operational risks resulting from loopholes in the rules of the system. Along with the continuous upgrade of financial innovation, the financial products issued by the commercial banks are constantly being updated. However, if the related internal management system standards, such as staff code of practice, are not updated at the same time, or the new guidelines are simply copied from state rules and requirements. It is not detailed and supplemented in accordance with the bank's actual business scope. If it is not in line with the real situation of the bank, it will easily lead to the failure of the staff's operation, which will lead to the operation risk. Meanwhile, there are many contradictions in the system, such as the problems of the salesman in practice, the conflicts of benefits among the various departments, and the rules of the system are not uniform.

3. Unforeseen operational risks arising from processes and systems. Modern commercial banks can not operate without the assistance of electronic system. In the age of science and technology, the information technology has made it convenient for the commercial bank to operate and manage. Moreover, if the safety and immunity ability of the related process system of commercial bank are not up to date, then a hardware stack system will reveal its weak points. Such as the sudden breakdown of the banking system, the forced interruption of business and service disputes, the exploitation of the system loopholes by criminals for profit, and the breakdown of the network caused by the hacking. In addition, the bank should make sure that the customer can carry out an obstacle free transaction on business days, which will bring about related compensation problems.

4. Risk of accidental operation due to force majeure. Force majeure is a kind of

natural disaster, war and so on. It has a wide range of destruction, which usually affects the whole financial sector and even damages the social order. It is hard for the commercial banks to resist it, which makes it difficult for them to keep their normal business and cause great destruction and randomness.

Commercial bank operation risk management. Commercial bank's operational management system serves the loan business and other financial products. Without operational risk management, it will be hard for the bank to successfully implement its development strategy.

CHAPTER II
FINANCIAL ANALYSIS OF ORGANIZATIONAL ACTIVITIES OF JIANGXI BRANCH OF CHINA CONSTRUCTION BANK

2.1. Financial status and risks of Jiangxi Branch of China Construction Bank

The Jiangxi Branch of the China Construction Bank has been providing vigorous impetus to Jiangxi economy since its founding 70 years ago.

CCB Jiangxi Branch in Jiangxi Province, China Construction Bank Head Office is a first class branch. Since it was founded on Oct. 1, 1954, CCB has been carrying out the management idea of taking customers as the center. It has embarked on the road of "rapid growth, high efficiency". Up to July 2024, CCB Jiangxi Branch has over 8,000 employees and 11 sub-branches, with a deposit balance of RMB 322.745 billion and RMB 241.314 billion. The Bank's balance sheet and profit and loss account for 2022 - 2023 are presented in Tables 2-1 and 2-2 below.

Assets are complex. For a long time, China Construction Bank's Jiangxi Branch tends to focus on credit risk and market risk, but it doesn't have enough control over operational risk. The branch has clear rules on the procedure of investigating and punishing the business risk incidents, but it is necessary to strengthen the preventive measures and control procedures.

Like the majority of Chinese commercial banks, CCB Jiangxi Branch has a long chain of operation and management, which makes it more likely for the operation risk to be induced. Business operation risk information has island phenomenon, which will influence the reaction and processing speed of the unexpected risk. The recognition of operational risk depends on the professional judgement of the staff, who are not good at measuring the risk of business operation, and lack of comprehensive evaluation and prevention. Therefore, it is necessary to change the operational management model of CCB Jiangxi Branch based on the experience of the past operation risk events.

Table 2.1

Balance sheet of Jiangxi Branch of China Construction Bank, 2022-2023

Item	2023 (Million Yuan)	2022 (Million Yuan)	Change (%)	2021 (Million Yuan)
Net Interest Income	617,233	643,669	-4.11%	605,420
Non-interest Income	152,503	140,091	8.86%	218,826
Fee and Commission Income	115,746	116,085	-0.29%	121,492
Operating Income	769,736	783,760	-1.79%	824,246
Taxes and Surcharges	-8,476	-8,154	3.95%	-7,791
Business and Management Fees	-210,088	-210,896	0.38%	-209,864
Credit Impairment Loss	-136,774	-154,535	11.49%	-167,949
Other Asset Impairment Loss	-463	-479	3.34%	-766
Other Operating Costs	-24,708	-26,071	5.23%	-59,100
Operating Profit	389,227	383,625	1.46%	378,776
Non-operating Income/Expense	150	74	102.70%	-364
Total Profit	389,377	383,699	1.48%	378,412
Income Tax Expenses	-56,917	-58,836	-3.26%	-74,484
Net Profit	332,460	324,863	2.34%	303,928

Source:Summarize and organize the obtained results

Table 2.2

Profit statement of Jiangxi Branch of China Construction Bank 2022-2023

Item	December 31, 2023 (Amount, %)	December 31, 2022 (Amount, %)	December 31, 2021 (Amount, %)
Loans and advances to banks and customers	23,083,377 (60.23%)	20,493,042 (59.23%)	18,170,492 (60.06%)
Loans and advances to banks and customers measured at amortized cost	22,706,195 (59.25%)	20,099,484 (58.09%)	18,380,916 (60.76%)
Provision for loan losses	-778,223 (-2.03%)	-704,088 (-2.03%)	-637,338 (-2.11%)
Fair value through other comprehensive	1,104,787 (2.88%)	1,048,651 (3.03%)	379,469 (1.25%)

income of loans and advances to banks and customers			
Fair value through profit or loss of loans and advances to banks and customers	–	–	3,761 (0.01%)
Accrued interest	50,618 (0.13%)	48,995 (0.14%)	43,684 (0.15%)
Financial investments	9,638,276 (25.15%)	8,542,312 (24.69%)	7,641,919 (25.26%)
Cash and balances with central banks	3,066,058 (8.00%)	3,159,296 (9.13%)	2,763,892 (9.14%)
Due from banks and financial institutions and placed funds with same	823,488 (2.15%)	695,209 (2.01%)	343,269 (1.13%)
Trading buy-back of financial assets	979,498 (2.55%)	1,040,847 (3.01%)	549,078 (1.81%)
Other 1	734,129 (1.92%)	670,005 (1.93%)	785,329 (2.60%)
Total assets	38,324,826 (100.00%)	34,600,711 (100.00%)	30,253,979 (100.00%)
Item	December 31, 2023 (Amount, %)	December 31, 2022 (Amount, %)	December 31, 2021 (Amount, %)

Source:Summarize and organize the obtained results

In 2023, China Construction Bank's Jiangxi Branch's profit grew steadily, with a total profit of RMB389,377 billion, up 1.48% from the previous year; net profit reached RMB332.46 billion, up 2.34%. Under the effect of the real economy and the general drop in the market interest rate, net interest revenue fell 26.436 billion yuan, or 4.11%, from the previous year. Under the influence of the market environment, the net revenue from fees and commissions fell by RMB 339 million, or 0.29%, from the previous year; As a result of the improved macro-economic conditions, the overall impairment loss decreased by 11.47% compared to last year.

Net income. In 2023, the China Construction Bank's Jiangxi Branch's net interest income reached 617.33 billion yuan, down 26.436 billion yuan, or 4.11 percent from the previous year.

In 2023, due to the difference in business structure and strategy of different banks, the LPR has been lowered twice to support the real economic development and the steady decrease of the cost of social financing. The Group takes the customer as the center, follows the market dynamically, controls the distribution of the group's assets and liabilities, and continues to enhance its support to the real economy. Owing to the decrease of the listed interest rate and the re-pricing of the equity loan, the yield of the loan has been reduced, and the yield of the bond investment has decreased as a result of the declining market interest rate. Net interest margins were 1.50 per cent, and net margins were 1.70 per cent, both falling 31 bps year-on-year. The Group of Experts will closely monitor the changes in the business environment, enhance its dynamic monitoring and risk forecasting, and further improve its operational capability and management level through the optimization of its assets and liabilities, the enhancement of comprehensive and differentiated pricing management, and the expansion of low cost capital.

Among them, the change in the average balance of all kinds of assets and liabilities raised RMB 74,555 billion yuan, while the change of the average income rate and the average cost ratio resulted in a decrease of 100.991 billion yuan.

In 2023, China Construction Bank's Jiangxi Branch earned 1.25 trillion yuan in interest income, up 76.793 billion yuan, or 6.56 percent. Among them, the interest income from the loan, the interest from the finance investment, the interest from the central bank, the interest from the interbank deposit and the loan, and the interest from the purchase and sale of the financial assets were 70.38%, 22.33%, 3.66%, 2.06%, and 1.57% respectively.

Interest revenue from loans and advances was RMB 877.917 billion yuan, up 32.004 billion yuan, or 3.78%, mainly due to a 13.46% increase in the average amount of loans and advances.

Interest income on finance investment reached RMB 278.524 billion, up 22.282 billion yuan, or 8.70 per cent, mainly due to a 13.50% increase in the last year.

Interest income on deposits at the Central Bank was $45.636 billion, up by $6.459 billion, or 16.49 per cent, mainly due to an increase of 6.79 per cent in the Central Bank, and an average return of 13 basis points from the previous year.

Interest income on interbank deposits and loans rose to 25.678 billion yuan, up 80.61 per cent from last year, mainly due to an increase of 19.89 per cent, and the average return was 100 basis points higher than last year.

Interest income from buying and selling financial assets rose by RMB 19.611 billion, up 30.53% from the previous year, mainly due to an increase of 14.39% and an average return of 24 bps.

In 2023, China Construction Bank's Jiangxi Branch's interest expense reached RMB 630.133 billion, up 103.229 billion yuan, or 19.59 percent. Of the interest charges, 74,27% were interest payments on deposits received, 12,84% on deposits and loans taken from interbank and other financial institutions, 8,65% on debt securities issued, 3,77% on central bank loans and 0,47% on sales and purchases of financial assets.

Interest charges on deposits were $468.03 billion, up 16.35 per cent from the previous year, mainly due to an increase of 13.46 per cent in the previous year, and an average cost ratio of 4 basis points higher than the previous year.

Compared with the previous year, the amount of interest charges on deposits and loans was 80.879 billion yuan, up 24.072 billion yuan, or 42.38%, mainly due to the fact that the average balance of deposits and borrowing funds of other financial institutions rose by 10.60% compared with the previous year, while the average cost rate rose by 56 bps.

Interest charges on debt securities issued were $54,504 billion, up 18.86 per cent from the previous year, mainly due to a 12.86 per cent increase in the average balance of debt securities issued and a 16-point increase in the average cost ratio.

Interest charges on lending from the central bank amounted to 23.785 billion yuan, up by 3.315 billion yuan, or 16.19 percent, mainly due to a 22.07% increase in the average amount of lending from the central bank.

Interest charges on repurchased financial assets sold amounted to RMB2.962 billion, up by RMB1.442 billion, or 94.87 per cent, mainly because of an increase of 67.10 per cent in the previous year.

In 2023, China Construction Bank's Jiangxi Branch continued to carry out the request of reducing fees and shifting profits, supporting the real economy, and actively promoting the transformation of the business. The net revenue from fees and commissions amounted to RMB 115.746 billion yuan, or 0.29%, respectively.

The revenue from fees and commissions, clearing and settlement fees was RMB

37.637 billion yuan, up 1.07 billion yuan from last year, up 2.93 percent. Revenue from bank card charges reached 21.071 billion yuan, up 3.973 billion yuan from last year, up 23.24%. The main reason is that the credit card consumption situation has been improved, the customer experience has been optimized, and the income has grown rapidly.

The business of the business has been improving continuously, and the value contribution has been increasing steadily. The agency's commission revenue reached 18.894 billion yuan, down 337 million yuan, or 1.75 percent. Among them, the income of the commission fund is reduced because of the fluctuation of the capital market and the reduction of the fee.

The agency insurance pays great attention to optimizing the business structure in order to increase the income. Custody and other trust services received by the Commission amounted to RMB18.389 billion, up by RMB651 million, or 3.67 percent, from the previous year. The main reason for this was that the group made use of its advantages in syndicated lending and improved its overall service capacity to customers. The digital development of housing fund management has been promoted, and the efficiency of the housing accumulation fund has been improved, and the relative business income has been increased steadily.

The revenue from consulting and consulting fees amounted to 10.892 billion yuan, up 161 million yuan, or 1.50% from last year. Asset management revenue was 10.680 billion yuan, or 34.01%, down by 5.505 billion yuan. The main reason for this decline was the loss of revenue from the financial management and trust products.

In 2023, China Construction Bank's Jiangxi Branch continued to enhance its cost management and optimize its expenditure structure. The cost-income ratio reached 28.20 percent, up 0.37 percent from last year.

Business and management fees were $210,088 million, down $808 million, or 0.38 percent. Among them, the staff cost amounted to 128.023 billion yuan, up 2.868 billion yuan, or 2.29%, mainly because of the continuous improvement of the basic staff.

Property and equipment expenditure amounted to RMB 32.45 billion, or 3.30%, down by RMB 1.108 billion, mainly because of the strengthening of asset management and lower depreciation costs. The other business and administrative charges amounted to

49.615 billion yuan, or 4.92%, down by 2.568 billion yuan, or 4.92%. The main reason was that the overall cost management was strengthened, while the general expenditure was reduced year on year. Diagram of China Construction Bank's Jiangxi Branch Balance Sheet Ratio is shown in Figure 2.1.

Source:Summarize and organize the obtained results

Fig. 2.1. Schematic diagram of balance sheet ratio of Jiangxi Branch of China Construction Bank

Up to 2023, the China Construction Bank's Jiangxi Branch's assets amounted to 38.32 trillion yuan, up 3.72 trillion yuan, or 10.76 percent more than last year. The Group has actively promoted the quality of the real economy, increased credit in green finance, inclusive finance, advanced manufacturing and strategic new industries, and issued loans and advances of 2.59 trillion RMB, up 12.64%. We have supported active fiscal policy and increased the amount of government bonds, including government bonds and local bonds, as well as green bonds.

Compared with the previous year, financial investment rose by 1,095.964 billion yuan, or 12.83 percent. As a result of the PBOC's policy of reducing the RMB legal reserve requirement rate and the bank's enhanced position management, the amount of cash deposited with the Central Bank fell by 93,238 million yuan, or 2.95%, from the previous year.

In order to guarantee the security of liquidity, the size and structure of interbank assets were controlled dynamically, and the volume of financial assets was reduced by 61.349 billion yuan, or 5.89%, respectively. Interbank deposits and lending rose by $128.279 billion, or 18.45 percent, respectively. Of the total assets, the ratio of loans and advances rose 1.00 percent to 60.23 percent; the proportion of financial investment rose 0.46 percent to 25.15 percent; the proportion of cash and deposits with central banks dropped 1.13 percent to 8.00 percent; the ratio of interbank deposits and loans rose 0.14 percent to 2.15 percent; the proportion of purchased and resold financial assets fell 0.46 percent to 2.55 percent.

Understanding the financial data and credit policy of China Construction Bank Jiangxi Branch in 2023 will help us to understand the development trend of the region economy, the CSR practice and the risk management strategy.

2.2. Causes of operational risks of Jiangxi Branch of China Construction Bank

Along with the extension of the scope of financial services, the loan process of the commercial bank becomes more and more complicated. The operation risk of CCB Jiangxi Branch's traditional lending business can be found in the following three aspects.

1. Operational risks of the Front Desk Business. CCB Jiangxi Branch's traditional lending business mainly depends on the headquarters to send the sales index to each branch account manager and teller. Many real cases in the banking industry indicate that if the interests of the bank and the individual are not in harmony, it will cause the staff's moral hazard, which leads to the confusion of "quantity, light quality". For instance, the marketing personnel blindly expand the customer base, even lower the entry threshold, and select the group that does not have a stable revenue source as the customer, although the group has the strong desire to borrow because of the shortage of capital, it is possible that it will cause the risk of the later consumption to exceed the ability to pay. On the other hand, the expansion of the loan business in the "field" will add to the operating pressure, and the marketing and reception staff will make a rough judgment on the client and neglect the verification of the entry conditions, so as to improve the service completion. This kind of method adds to the work pressure of the later approved personnel,

which is liable to result in the operation error and the operation risk.

2. Operational risk of application and approval. Applying and approving business is the second line of defence for credit administration. Because of the rapid change of social information, all kinds of uncertainty have caused the commercial banks to face high operational risk and moral risk. Because of the asymmetry of information and the impact of "human culture", the examiner's subjective will may result in the error of the test. In order to get the loan approval, some clients will choose to give the evaluation committee improper incentives. If the examiner has his or her own moral character, it may appear that he is seeking the improper benefit to issue the improper review opinion. Moreover, an examiner or relationship manager who is unfamiliar with the model for applying for a loan may also result in unnecessary losses for banks.

3. Operational risks in the lending business. Due to the CCB's Jiangxi Branch's customers are dispersed, it is difficult to manage centrally, and the overdue collection task is facing a lot of pressure. Traditional methods of collecting money include SMS and calling customers, but the threshold of overdrawing is too high. In the long term, it will ease the collection of small debts, reduce the amount of collection, and lead to a high rate of bad account. In fact, it is necessary to allocate the collection resources correctly and efficiently among the low-risk clients and high-risk clients. If the card holder loses contact with the special circumstances, once the individual collector is not responsible, it is easy to neglect the follow-up of the latter period, directly adopt the passive third party search, and the expansion of the search channel is not enthusiastic. The absence of a comprehensive information management system for lost clients tends to lead to operational risk.

Operational risk includes the possibility of financial loss caused by fraud, failure to comply with the rules, inadequate risk management systems, and technical weaknesses.

In the new economic normal, the credit card business as the important component of the retail banking business develops rapidly. However, the hot social news indicates that the bad behavior of credit card withdrawal and "card-to-card" is very common. How to avoid the related risks through the compliance operation. That might be another way.

1. Methods of credit review limited. It is necessary for the Jiangxi Branch of China

Construction Bank to verify the accuracy and reliability of the input data, in order to complete the credit assignment. Currently, CCB Jiangxi Branch will verify the authenticity of the client's application information through the ID Network Authentication System. If necessary, it will also contact the client and his/her department for further verification. In the basic data base of PBC, there are still some obsolete data, such as production, operation, educational information, work unit, individual property, credit condition, etc. Under such circumstances, the bank will have to select the option of sending a phone message to the customer, and there is a hidden danger that the client will intentionally hide the bad assets. This also results in the current credit review means can only examine good clients, but it is hard to find the bad intention customers, and without cross verification of the third party data, it is easy to cause operational risk.

2. Dynamic early-warning is hard to control. The traditional supervision of credit card business is based on manual supervision, which is easily influenced by staff's subjective judgement. The bank usually establishes the post-loan examination due diligence system, checks the loan business and the client, establishes the relevant system manager and the operator, and carries on the implementation. Account manager should timely print credit report, collect the company's financial statements, visit the project site, talk with related personnel, know the financial situation of the client, and upload the related pictures to the system. Owing to the lack of staff and the relative limitation of data, the results of the investigation are limited.

3. Delayed collection pattern solidified. Credit card products are usually small in size and broad in scope. Because they are not secured, they are not guaranteed, and they depend entirely on personal credit. Along with the expansion of China Construction Bank's Jiangxi Branch's credit card scale, collection assets have also increased. "Checking regularly, clearing the old and preventing the new" has always been the principle of the branch's collection process. However, it is hard to solve the problem of the relative dispersion of the loan balance and the low concentration of credit clients, which will cause the bank's asset quality to drop rapidly.

The operational risks of financial inclusion include information and availability issues, compliance with regulations, technical infrastructure, and the possibility of financial services fraud or abuse. It contains the following:

Because of the wide range of financial services and the wide range of credit rating and credit, it will make it more difficult to gather basic information. It is necessary for the review group to make a summary, review and concentrate on the information of the intended recipients, which will make it more difficult, lead to the deviation of the result, and cause the operation risk. Moreover, it is more difficult for CCB Jiangxi Branch to improve its credit rating and credit, and lack of information mining, collection and matching capability.

In the face of the new inclusive finance credit process and product renewal, CCB Jiangxi Branch continues to expand its operations, but the specialized management needs to be followed up. To enhance the rating and credit of small farmers and small traders, even though the branch has clearly defined its work mission for the entire year, and has introduced specific evaluation methods, it is inevitable that some staff will not treat the rating and credit of inclusive financial clients as a fundamental job because of their short-sighted behavior. They will visit clients and create files in a hurry. Because of the distortion and incompleteness of customer information, it can not reflect the reality of the real situation, can not reach the desired effect of credit rating and credit, and also increase the risk of the later issue of credit.

The special characteristics of "small and medium weak" financial customers, the difficulty of the post-loan management lies in the asymmetric information. At present, the inclusive finance is in the outbreak period. Many medium and small-sized banks are obsessed with getting the market share, but they neglect the management after the loan. While the "weak" need fewer funds, follow-up services are usually more complicated, and the banks should also help to improve their financial capacity and behaviour in order to make better use of their products and services. Currently, CCB Jiangxi Branch still needs to enhance the post-loan management, such as product iteration, data update and fine management. Small and micro clients have different business concepts than public loans. To avoid the risk, we should stick to the principle of small distribution, and keep the account manager running more. However, the efficiency problem has not been solved effectively, and the investment in science and technology is inadequate. It has not yet established a business model with economies of scale.

The accounting counter is the most important place for banking services. Some counter workers tend to break the rules in a habitual way because they don't have a good grasp of business skills. The staff of the bank counter are engaged in a broad range of business processes, including deposit and loan, public, institutional, clearing, special, bank card, internal account, remote authorization, electronic seal, electronic voucher, and so on. Once employee is negligent or forged, it will cause a series of internal procedural issues, operation issues and system issues, which cause unpredictable operation risks.

There are some problems in the management of the post control, such as low value and consumable goods ledger, blank signature card entry and exit, business staff entering and leaving the warehouse, and noncommercial staff entering the inner hall. The bank should arrange personnel to examine the low value consumable card and the management book, make sure the account is consistent, register the blank signature card in the library timely, record the off-balance account in real-time, and make the personnel go in and out of the warehouse to inspect the warehouse and the important documents in the warehouse, and to standardize the use and management of the non-employees. So far, there is no abnormal information reported in every quarter, so it is possible that the personnel behavior survey system is null.

At present, the operational supervision of the CCB lacks an effective auxiliary cross check. For instance, if an auditor discovers an unusual cash deposit from a teller, he or she must immediately examine the document and verify that the teller has deliberately divided the money according to the client's account. If it is not possible to ascertain the value of the transaction documents and the daily transactions of the accounts, the auditor shall examine the surveillance images. Check if it is the client's intention to request a split deposit. If it's the same teller for two or more consecutive transactions, check if there is a large amount of cash exchange to make sure that the teller is compliant. The absence of effective mutual supervision and verification means may result in operational risk.

As mentioned above, the operational risk of the commercial bank consists of the moral hazard caused by the human factor, the operating risk resulting from the deficiency of the system, the unexpected risk resulting from the lack of the system, and the other operating risks. However, it is very hard to forecast the operational risk due to the force majeure. Therefore, this part will focus on the reasons of the three main operating risks: the personnel quality, the regulation and the process system.

The professional quality of the credit staff of China Construction Bank's Jiangxi Branch influences the operational risk.

Currently, all the employees in China Construction Bank's Jiangxi Branch are qualified and have some managerial and economic talents. But there is no specialized data management department in the branch, and it is hard for data analysts, managers and businessmen to work together. Composite talents are required by the development of society. Currently, the bank lacks the personnel of science and technology, and the high quality composite personnel of the finance science and technology is not enough.

Although the Jiangxi Branch of the China Construction Bank has all the key points of credit guarantee, but it is hard to guarantee that every staff can control every key risk point. Due to the influence of age, education and so on, some of the employees in The Times have not been able to grasp the most advanced risk technology management tools, which has made it impossible for them to adapt to the demands of the work and be prone to risk events.

Identifying, analyzing, feedback and dealing with operational risk not only require bank staff to have a good grasp of financial data analysis and related laws, but also have higher demands on staff's professional quality. Good professional quality includes not only the law of morality, but also the sense of responsibility, enterprising and risk management. The lack of professional quality may result in the appearance of sloppy work, and the lack of responsibility will cause the staff to ignore the risk events which are unrelated to their interests.

The regulation is the inner management rule of the commercial bank, and it is the basic measure to prevent and control the operation risk. Jiangxi Branch of China Construction Bank's system risk is mainly reflected in the following three aspects.

Commercial bank's operation risk is caused not only by the individual quality and operation of the staff, but also by the imperfection of the rules and regulations. For instance, the lack of law enforcement has resulted in the excessive and disorderly management of the power of banks to deal with the consignment sales of financial products in the real world, the absence of inventory management and the lack of disclosure of product information, the lack of management of personal information, or the lack of accountability of commercial entities, and the management of countertrading is a mere formality. Because of the lack of supervision, such as the opening of accounts, the transfer of funds, reconciliation, and the management of seal certificates and the supervision of accounts, and the implementation of these systems will bring about operational risks.

Because of the difference of business features and different status, the risk management angle and supervision angle will be different, and each department's risk management system is not coordinated and the top level design is lacking, so it will easily lead to many policies and different standards, which will affect the whole efficiency of operation risk management. Internal responsibility is not clear, communication is not good, the risk incident in the course of the responsibility will be mutually responsible, the policy effect counteracts, will cause the bank's risk management authority to overreach and lack.

Under the new business model, intelligent finance has promoted the market reform, the new bank rules have been issued frequently, the management model has been reformed, the financial products have been imported continuously, and the internal rules of the commercial banks have also been updated. But during the transition period, there will be some conflicts and conflicts between the old and the new systems, which will make the staff's work unsuitable, and cause great trouble for the basic bank's business management. Even though the branch has been breaking out of its cocoon in order to meet the new requirements of the financial regulation reform, it still needs to put in a great deal of effort in order to successfully apply it into practice.

In the context of the financial reform, China Construction Bank's Jiangxi Branch has made great efforts to develop all kinds of financial services, and has released a lot of high quality finance products.

Currently, China Construction Bank's Jiangxi Branch's operational management arrangement is scattered, the organization structure is not clear, the responsibilities are not clear. Most of the operational management work is focused on the management level of business operations, and the smooth and continuous improvement of the business process decides the efficiency and evolution of the business. Many non-value-added activities need to be optimized, and many non-added time and labour costs should be eliminated. Scientific and steady process system is the foundation stone to construct the operating system which is suitable for risk management, and it is the precondition for the stability and health of the entire bank.

In the Information Era, the spread of the Internet and the year-round Pan-Terminal Service have made the whole loan market and the consumer finance market grow rapidly. However, as the number of customers increases, it will have a significant impact on the operation of the bank. CCB Jiangxi Branch has yet to reach its full scale in the field of big data and advanced analysis, and the existing data analysis procedures make it easier to monitor and evaluate the bank, which includes a lot of client data, such as personal and safety. But work on how to use this information to monitor customer behavior in real-time, as well as to provide the exact types of resources required at a specific time, has not been completed. The lack of real time assessment also shows that CCB Jiangxi Branch's information level needs to be further improved.

Informatization is one of the most important developing trends of banking, and it can bring many benefits in the area of risk management, such as fraud management, credit management, market and business credit, operation risk and comprehensive risk management. However, the safety of the system can not be neglected, which includes the development of the system safety contingency plan, the response and treatment, the safety management system, the data security technique, the Trojan Horse and the application of the anti-virus software. It is very important for the China Construction Bank Jiangxi Branch to protect itself from the defects of the information technology, such as the error of execution, payment settlement, the overload of the system, the imperfect business process, the breakdown of the equipment and the breakdown of the network.

The operational risks of China Construction Bank Jiangxi Branch are mainly due to various factors. Firstly, weaknesses in the internal governance and control mechanisms can result in operational errors or inconsistencies. On the other hand, the uncertainty in the market environment and the growing competition pressure make it necessary for the bank to balance the business expansion with the risk management. Thirdly, the lack of timely updating and maintenance of technical systems may result in the risk of data security and technical malfunction. Last but not least, the external macroeconomic fluctuation and the change of the rules also pose a challenge to the bank's operation stability.

2.3. Current situation and challenge analysis of operation risk management in Jiangxi Branch of China Construction Bank

Today, with the development of economic integration and the market of finance, the inner and outer environment of the commercial bank is more complex, and the operation risk is more and more difficult to control. Since its inception, CCB Jiangxi Branch has made steady progress in the strategic transition and the continuous development of its business. However, there are still some shortcomings and challenges in the management of operational risk: the weak idea of compliance and the lack of risk consciousness of the individual staff, which makes it impossible to ensure that the key measures and requirements are implemented effectively.

In 2023, there will be more division in the global economy. Inflation pressures have generally eased in advanced economies, and the rate hike cycle is coming to an end. The U. S. economy is generally stable, but Europe is weak. The Chinese economy is on the upswing. Both supply and demand are improving steadily, and the transition and upgrading are progressing well, and employment and prices are generally stable. Rapid recovery of consumption, continuous expansion of investment, and overall stability of imports and exports. Agricultural production as a whole is in good condition. Industrial production is increasing steadily, and the service sector is growing fast. Overall, the financial market operated smoothly. The money market is very active, and the bond market is growing steadily. Annual GDP (GDP) increased 5.2% year-on-year, while the Consumer Price Index (CPI) rose 0.2%.

In 2023, the area of financial regulation is facing a major reform. The Central

Financial Management Department has made adjustments to the institutional setup and optimization of the responsibilities, and has established a new "one-line, one-shift, one-conference" financial supervision. In order to improve the overall level of risk management in the banking sector, the Financial Administration has strengthened the supervision over the whole, and has issued the Regulations on Classifying Financial Assets of Commercial Banks, Capital Management of Commercial Banks, and Operational Risks Management of Banks and Insurance Institutions. We will enhance the quality of the financial sector, provide more support to manufacturing, new and innovative industries, improve the green finance system, and promote the integration of the digital economy and the real economy. The development of inclusive finance will be vigorously promoted, and the financial services will be improved for the private enterprises, SMEs and new citizens. We will further reform the supply side structure of the financial sector, continuously strengthen the corporate governance of financial institutions, and steadily improve their operational and managerial capacity. Up to 2023, the bank's total assets reached 417.3 trillion yuan, an annual growth rate of 9.9%, and the main business growth was steady. Commercial banks' NPL ratio was 1.59%, CAD ratio was 15.06%, asset quality was stable, and the ability to offset risks was adequate.

In 2023, China Construction Bank's Jiangxi Branch has been active in the service of the real economy, continuously deepening the new financial activities, and has achieved the expected operating results. The group's total assets rose 10.76 percent to 38.32 trillion yuan, and its net lending and deposits rose 12.64 percent to 23.08 trillion yuan. Total debt liabilities rose 10.81 percent to 35.15 trillion yuan, while deposits reached 27.65 trillion yuan, up 10.52 percent. Net profit reached RMB332.46 billion, up 2.34%. The average ROCE was 0.91%, WACC was 11.56% and CAD was 17.95%. Key indicators are balanced and in harmony, and the quality of assets is generally stable.

In 2023, China Construction Bank Jiangxi Branch has made great achievements in the face of complicated economic environment and fierce market competition by deepening strategic restructuring and optimizing business structure. However, as the global economic recovery is becoming more uncertain and the domestic financial supervision environment is changing deeply, the bank is facing a lot of challenges in its operation risk management.

China Construction Bank Jiangxi Branch should enhance its internal management, increase its risk consciousness and ensure compliance. In the meantime, we should keep an eye on the dynamics of the economy at home and abroad, and make flexible adjustments to the management strategy in order to deal with the potential volatility of the market. Moreover, banks should invest more in science and technology, and make use of digital methods to increase risk management efficiency, and guarantee the stable development of business.

All in all, China Construction Bank Jiangxi Branch should keep its good development momentum and keep its ability to prevent and control risks, so that it can grow steadily in the long run.

CHAPTER III
CHINA CONSTRUCTION BANK JIANGXI BRANCH ORGANIZATION ACTIVITY RISK MANAGEMENT COUNTERMEASURES

3.1. Risk management countermeasures of traditional business activities

The operation risk management of China Construction Bank's Jiangxi Branch consists of four parts: operation risk management, operation risk management, operation risk management and counter operation risk management.

On the basis of the Basel Committee's classification of operational risk events, this part will elaborate on the risk management of the traditional loan business risk.

Marketing and receiving service is the source of operation risk in commercial bank's traditional lending business. In recent years, China Construction Bank's Jiangxi Branch has been adapting to the trend of smart and light change, trying to set up sales, service and experience outlets. The sales ability of the marketing personnel and the operation efficiency of the front desk personnel will directly decide the profit margin and the operation risk management level. Traditional loan sales and front desk work, as an operation position, involve publicity, account opening, checking, paying and cancelling, are highly dependent on human resources, so it is easy to cause moral hazard and operation mistakes. The bank should establish the management measures for the operational risk of its marketing front desk.

The approval of the loan application is the key to control the risk in the traditional loan business. There are many kinds of illegal activities in the credit approval business, such as internal and external collusion and lack of due diligence. Meanwhile, the communication and coordination among the investigation and examination, as well as the management, will affect the compliance of the law, the control of risk, the overall profit and the return of the loan. Table 3.1 gives an overview of the ORM in the application authorisation procedure.

Table 3.1

Operational risk management measures in the application approval process

Form of Risk	Risk Level	Management Measures
Collusion between approval personnel and external parties to intentionally approve fraudulent loan applications	High	1. Real-time tracking and statistics on the delinquency rate, non-performing loan ratio, and bad debt ratio of loans handled by approval personnel. 2. Further training and evaluation for approval personnel whose handled business exceeds average values significantly; serious cases should be transferred from the approval position.
Approval personnel exceed their authority in increasing credit limits	High	1. Credit limit adjustments must be approved by authorized personnel and accompanied by strict review procedures. 2. Post-audit of adjustment operations must be conducted by dedicated personnel.
Approval personnel neglect their duties, resulting in inadequate investigation content	Medium	1. Implement a multi-person responsibility system and introduce big data analytics technology. 2. Firmly implement a whitelist system.
Approval personnel fail to verify relevant matters with the borrower	High	1. Ensure that approval personnel verify the contact information of borrowers, family members, colleagues, etc., within the loan contract, and confirm that the borrower's signature is genuine. 2. During the investigation of the completion quality of the approval process, internal investigation supervisors can personally interview relevant personnel as customers.
Borrowers with insufficient credit obtaining high credit limits without loan qualifications	Medium	1. Develop and implement strict credit limit control policies. 2. When there are doubts about the approval results, discuss the reasons with the preliminary reviewer. If necessary, a re-examination is required, and any changes to the approved results must be recorded with the reasons for change.
The applied credit limit is too high compared to the applicant’s credit status	Medium	1. Develop and implement a graded authorization management system for credit business. 2. Establish a maximum cumulative limit for single users across multiple currencies. 3. Exercise prudence in approving new customer loans.

Source:Summarize and organize the obtained results

The traditional lending business has many features such as broad coverage and dispersed clients. Although the banks have given up on the idea of "Heavy Loan", most of the overdue loans can be obtained by phone, letter and door-to-door collection. At this time, it is necessary for the commercial bank to investigate its legal liability and launch legal action. As a post-risk control step, it is an important obstacle to prevent the risk from expanding. It reflects the operation and management capability and level of bank lending. Loan collection departments shall carry out regular checking and checking system after loan, make a collection plan on a case by case basis, actively know the business situation of the client, and prevent and reduce the loss of the loan funds. Table 3.2 gives an overview of the ORM in the application approval procedure.

Table 3.2

Operational risk management measures in the application approval process

Form of Risk	Risk Level	Management Measures
Unauthorized lifting of freezes or payment stops, leading to increased losses	Low	1. The lifting of freezes or payment stops must be applied for by the risk management department, stating the reasons for lifting and authorized by the head of the risk management department. 2. The operation to lift freezes or payment stops must be completed by two persons.
Recovered amounts from collections or write-offs not being recorded or under-recorded in the accounts	Low	1. Ensure that at least two personnel are involved in door-to-door collections. 2. Prohibit borrowers from handing money directly to collection personnel; collection personnel can accompany borrowers to bank branches for repayment operations or direct repayment via mobile platforms. 3. Impose severe penalties on bank collection personnel who engage in non-compliant operations.
Violation of routine suspected of cash transaction arbitrage or failure to monitor loans promptly after issuance	High	1. Monitor loan transactions and take appropriate measures against related borrowers or merchants when anomalies are detected. 2. Accounts with significant abnormal transaction behavior must be closely monitored and verified for authenticity, maintaining a strict stance against abnormal transactions, and reminding risk business managers to pay close attention.
Failure to take corresponding collection measures for overdue loans within the specified timeframe	Medium	1. Establish a detailed collection ledger, conducting collections separately for different customers and teams. 2. Enhance compliance training for credit customer managers and include the monthly non-performing loan collection rate in employee performance assessments.
Incomplete records of collections and recourse, violating criminal law without timely litigation, causing lawsuit invalidation	Low	1. Establish private privacy archives for customer collections. 2. Pursue legal responsibilities promptly against borrowers involved in multiple malicious defaults and fraud, using court orders to freeze, seize, detain, auction off debtor assets for debt settlement.
Non-performing loan ratio exceeds threshold	High	1. Clearly define the control limits for the non-performing loan ratio, establish a non-performing loan collection leadership team composed of heads of departments and account managers from China

		Construction Bank Jiangxi Branch, monitor the non-performing loan situation weekly, and provide statistics, analysis, and reports.
Failure to file application materials as required, resulting in increased non-performing loans	Low	1. Strictly follow the relevant regulations of China Construction Bank Head Office to timely collate and report different types of bad debts due to borrower death, disappearance, bankruptcy, or malicious fraud; for those meeting write-off conditions, communicate with the court promptly, obtain the necessary documents, and report to the municipal branch for write-off processing

Source:Summarize and organize the obtained results

Against the background of complicated financial and economic environment, the China Construction Bank Jiangxi Branch has made steady progress through the strategic restructuring and the optimization of its business structure. But in the face of the traditional loan business coverage, the dispersed customers, and a number of customers with malicious delay, it is necessary for the banks to adopt more effective risk management measures.

Firstly, the bank should enhance the internal management to guarantee the compliance of the rules and to avoid the risk arising from the illegal operation. Secondly, the bank should use the science and technology method to increase the risk management efficiency, for example, set up detailed collection accounts, carry out door-to-door collection, and so on, so as to decrease the loan capital loss. Moreover, the bank should enhance staff training and evaluation to enhance their risk management consciousness and capability.

In case of late payment, the bank shall adopt appropriate collection measures and negotiate with the debtor several times. If the client cannot agree, the bank should investigate its legal responsibility and take legal action according to the law. In the meantime, the banks should be aware of the dynamics of the economy at home and abroad, and make flexible adjustments to their management strategies in response to potential market fluctuations.

All in all, China Construction Bank Jiangxi Branch should continue to improve its ability to prevent and control risks while maintaining its good development momentum.

3.2. Risk management countermeasures of modern financial business activities

Compared with the traditional credit business, the credit card business is related to the five business units, such as the card issuer, the card holder, the acquiring agent, the special trader and the clearing house. The transaction process is more complicated, and the operational risk is more likely. Based on the traditional operation risk approach, as a new financial industry, besides the need to manage the moral risk, it can also rely on big data and other new techniques.

The application of Big Data Technology is helpful for the commercial bank to enrich the Data Warehouse of Credit Card Application Approval. In the past, China Construction Bank Jiangxi Branch has been producing a lot of structured data, such as the basic information of customers, deposit and loan, capital flow and credit rating, etc. Ultimately, the data only reflects the status of the client's assets and capital flow, while the subsidiary company has no knowledge of the consumer preferences, everyday life, and interests. Indeed, this data is the key to drawing up a client's profile, and it is also the most uncertain factor in the operation risk management. There will be some problems in the data construction of the branch, such as inconsistent object, single function, inconsistent data size, and difficulty in summarizing data. Decentralized and nonstandard data will greatly decrease the validity of data and make it hard to exploit its intrinsic value.

Along with the introduction of credit cards into thousands of families, CCB Jiangxi Branch will have an unprecedented depth and breadth. But if we can build a data warehouse by means of internet and big data, we can control the data completely, and we can get the data more conveniently, and we can get more accurate data. Relying on the strength of Data Warehouse, CCB Jiangxi Branch will be able to set up the Credit Investigation System, thus realize the accurate credit allocation.

CCB Jiangxi Branch used to depend on the PBOC Credit Information System, but there are still some cases of inaccurate customer data. Firstly, the branch will prepare the data, such as cleaning and transformation, so that the information can be reflected objectively, and the full description can be obtained. In the development phase of the model, we can use the Logistic Regression Model to improve the current evaluation system. True reflection of client assets, accurate description of risk level, and finally convert customer credit to score by SAS, SQL, based on this, accurate product. Not only does this increase the operation efficiency of the bank's credit card business, but also makes the clients receive the appropriate financial services, which greatly reduces the risk of mismatch, and effectively controls the operation risk.

Currently, it is a major risk for Jiangxi Branch of China Construction Bank to keep track of card usage process. If we set up a credit rating system based on big data, it will put the bank's operation risk management in a passive position. For instance, when a lot of bank's credit and loan business is overdue, the staff realize that there is a problem with their credit, and their business is in trouble. At this time, there is no meaning in the post system warning. Through the establishment of the monitoring platform, it can get the most up-to-date data of the client, and then make use of the ability of analyzing and learning to give warning information to the potential risks. This greatly increases the likelihood that a risk event will be avoided and provides more time for further mitigation. The Jiangxi Branch of China Construction Bank shall make full use of the real time monitoring system for credit card transactions, and help the staff to monitor the customers' risk dynamically.

The real-time monitoring platform includes data collection, data management, risk modeling and real-time monitoring. CCB Jiangxi Branch used to focus on collecting structured data, but in the internet age, the information is more open and shared. In the data gathering phase, the branch can work with the third party with more knowledge of the non-structured data, which can not only reduce the data collection cost, but also reduce the data collection cost. Risk evaluation results will be more precise and realistic. In data management phase, we combine and refine similar data, and combine and supplement different data. This kind of cross-platform data collection will greatly increase the richness and feasibility of commercial banks' database. In the day-to-day management of credit card risk, the branch should not only deal with the individual and the enterprise, but also with the market.

Therefore, the economic environment and the classification of the industry will have great influence on the operation of the commercial bank's credit card, for example, the severe fluctuation of macro-economy and the whole recession. Because of its great destruction, it is very hard to control, so it is necessary to restrict the data of the branch's credit card transaction monitoring platform. Macro data (GDP, price index, monetary policy, fiscal data, etc.) as well as micro-data (industrial policy, industry competition, enterprise finance data, etc.) are collected and analysed and incorporated into the risk management data model. Based on the deep analysis of the macro economy, we can grasp the dynamics of the industry, and then consider the risk level of a client physically, so as to realize real time monitoring.

Credit card business operation risk management should not only pay attention to the pre-operation risk management, such as client identification, client classification and customer access, but also to risk forecast, assessment and measurement. Moreover, it should pay attention to the issue of late collection of credit card, estimate the risk in advance and transfer as far as possible, and prepare all kinds of risk mitigation measures.

The operation and management of the credit card is related to many departments and people, and there is a lag and asymmetry in the information and data. Once there is a serious delay, all sides will probably come up with an excuse. But if we can use the Internet and big data, we can control the data completely, open the port when needed, and set up a credit card scoring model, so that the data can be connected to each other.

However, China Construction Bank Jiangxi Branch can collect a large amount of client data to build a credit card scoring model and estimate the amount of late payment, so as to determine the time of collection and make sure the strategy is reasonable.

The data needed to model the credit card collection is composed of two parts: one is the static basic information of the customer's age, birthday, AUM, occupation, area, etc. Traditional basic information analysis is mainly based on structural data, which can be understood by association analysis, but more information and business value are hidden in unstructured data. At present, CCB has more than 100 million users in all kinds of channels, and it uses text mining technique to analyze the voice of customers and choose suitable modeling parameters. The system can effectively monitor and alert the overdue event, and estimate and score the repayment status of the client. Through this model, it is predicted that if a customer is found to have a high collection score, the China

Construction Bank's Jiangxi Branch may not take the collection measures, such as telephone call or door-to-door collection, but only SMS notification. For those with a low collection score, the bank should make the collection a priority and seek legal assistance if necessary.

Inclusive finance, as a product of internet financial age, has wide application foreground. Compared with the traditional finance, the service object and the content of the service extend the continuity and tolerance of the business. In the meantime, it also raises the higher request to the bank staff's moral quality and the professional level.

In the last decade of the development of inclusive financial services, most of them have some typical features, such as large groups, "short, small, frequent, urgent", and expensive, risky, expensive, without declaration, without credit rating and without collateral. Objective factors of consciousness will greatly increase the probability of operation risk in inclusive financial services, especially in asymmetric information.

Therefore, it is necessary for the commercial banks to develop an online aggregation management platform for inclusive financial clients by means of financial techniques. For instance, China Construction Bank's "Huiunderstand You" APP is an effective trial that is worthy of further promotion, and it opens up a new channel for users. Before the application of finance technology, the commercial banks provided services to SMEs, low income groups in cities, agriculture, countryside and peasants. Because of its high labor cost and great influence on labor, it can not avoid operation risk, and it is inefficient. In the age of wide application of finance technology, the customers are more concentrated on the Internet. With the help of the platform, the bank can save the manpower, material and finance cost. The wide range of Internet users has also extended the range of trust companies to reach their clients, and has also reduced the cost of managing the operation risk.

Inclusive finance is related to a lot of network organizations and a lot of clients and so on. To keep the operation mechanism stable and reduce the moral hazard, China Construction Bank's Jiangxi Branch employees should keep their independence, open and transparent, and avoid the influence of worldly considerations and interests. In order to keep the credit assessment of the banks' inclusive content, to reduce the risk of moral hazard and operation risk, to avoid "human culture" and "circular culture", it is necessary to strictly supervise the process and outcome of credit assessment, and to enhance the purity of the team. It is necessary to establish a high quality evaluation team, and the team members not only have the ability to grant credit, but also have good moral quality and self-restraint.

The business feature of inclusive finance is that it requires cross-disciplinary personnel with good knowledge of credit flow and electronic banking services. Not only do they have to grasp the relevant concepts and theories of finance, but they also need to be able to think about the internet and understand the new technology thoroughly. On the other hand, it is necessary for banks to pay more attention to risk control, to build up risk consciousness, and to improve their ability to predict and control risks.

The Jiangxi Branch of China Construction Bank pays attention to improving the credit granting system of inclusive finance, but cannot relax the follow-up work of issuing, approving and lending. Because the clients of inclusive finance service are small, dispersed, and frequent transactions, it is difficult to operate and maintain by human beings, and it is easy to cause operational risk. Therefore, the branch can use fintech to control the whole process of product design, product sales, operation management, post-loan collection, and so on.

Firstly, the bank can make use of the large data to make the customer's credit profile, and make the risk evaluation and repayment ability forecast for C customer, which can not only save the labor cost, but also improve the efficiency. In the past, due to the characteristics of human resources, funds and operating methods, it is very difficult to collect on the spot by means of excessive investment. Through APP, SMS, phone, access to bank credit, and so on, we can restrain and avoid delinquent behavior, supervise borrowers to repay in time.

Counter operation risk is one of the most common risks in commercial bank's operation. The risk management of China Construction Bank's Jiangxi Branch can be classified into three levels: to enhance counter verification control, to enhance counter position control and to set up counter risk early-warning system.

The "Verification Control" is a kind of assistant control method, it means that the important business process and the important risk point can be verified, so that the control can be strengthened. The verification methods include examination, authorization, inventory, reconciliation, etc.

1. Review. In the course of opening an account, transferring a large sum of money, receiving and paying large sums of cash, and other important business transactions, the staff of the bank must compare and verify the accounting information, the business certificate, the counter action, and the physical objects, and verify that the operation is in accordance with the operation, the data is complete, the accounts are processed accurately, and the transaction is finished, the money is transferred or the goods are delivered.

2. Authorization. In accordance with the management requirements and the scope of the signature authorization and the system authorization, the operation authorized personnel at all levels shall carry out the signature authorization or the system authorization. You can deal with the related business only after the authorization has been granted. In case of temporary departure, the owner shall delegate the authority.

3. Physical inventory. The management personnel at all levels should make a regular count of the physical items, such as cash, heavy air and other important items, and verify that the physical objects are in conformity with the system and accounting. The stock-keeper and the physical keeper are separated, and the inventory is not a simple formality.

4. Reconciliation internally and externally. According to the prescribed frequency, it is necessary to verify the correctness of the business processing and accounting results with the non-banking clients, other departments or other banks. It is necessary to separate the reconciliation staff from the accountant, to analyze the result of the reconciliation, to find out the cause of the failure in time, and to take effective control measures.

The "Post Control" is a basic control method, which can be used to control the operation risk by post qualification, power management, post dispatch, post restriction and post rotation.

The headquarters shall set up a standard system for operating positions, establish operational qualification certification requirements and standards, and coordinate the management and execution of the branch's operational management. Pass the certificate examination, can obtain the relevant operation qualification. The operational management departments of the General Office and the Branch shall periodically monitor and clean the operating qualifications of non-operating personnel.

Based on the operating position and operating qualification of the network, it is necessary to define the division of tasks and responsibilities. The branch shall apply a uniform management system.

The branch's operational management department shall assign supervisors to each branch office to monitor the implementation of the staff's operating system and procedures. The branch's operational management department carries out the vertical management of the assigned staff, and is in charge of monitoring and adjusting the whole work period of their entry, performance, rotation and exit.

In the establishment of operating positions, we should stick to the principle of reasonable division of work, each performing their own duties, cooperating, limiting, avoiding risks and efficiency, and separating processing from authorization, handling from inspection, operation from supervision, and important blank certificates from important trade seals.

Operational monitoring staff stationed in the same network for 2 years, should be carried out in rotation. Rotating staff may not be reinstated during the first six months of the year.

Meanwhile, the China Construction Bank's Jiangxi Branch should enhance its control over high risk operations, in particular: First, the client's identity shall be strictly checked. Therefore, it is necessary to keep a close eye on the customer's identity documents and other relevant documents, and to enhance the awareness of risk prevention and identification, for example, in order to effectively examine the client's information. Secondly, the connection with other tasks must be strictly controlled. Therefore, it is necessary to enhance the communication and coordination among other departments and operational departments, as well as to enhance the cooperation with operational departments in the context of related operational risks. Third, strictly manage the physical storage and handover process. Regulate the physical management of the warehouse, the accounting documents, the mortgage, the bills and so on, carry out the regular inspection system, strictly examine the responsible main body, deal with all kinds of related procedures, and carry out the closing and double-sealing system.

Through improving the verification of risk early-warning information, we can find and deal with the counter risk in time, and we can standardize the work of prevention and control. According to the needs of the business, the multi-risk early-warning information verification model can be established. When the operation of the counter triggers the upper limit of the model, it will send out a survey mission to verify if the counter's behavior and operation are in accordance with the requirements. For example: the staff often query the client's information, it is necessary to check if the client is coming to the counter for inquiry and deal with the business, to see if the business department has applied for the inquiry, to submit the internal business contact list, to see if the court has applied for the inquiry, or to submit the related inquiry documents. If the cashier does not provide a reasonable basis, it is considered as an illegal inquiry.

There are many ways to check the early warning information, such as checking, observing, inquiring, verifying, stock, returning to the customer, and comprehensive analysis.

1. Carry out a system of closed loop operation of operational risk monitoring system. The risk factors are collected by means of early warning, verifying and dealing with the data. Quality control is used to ensure the objectivity and fairness of the verification. The results can be applied to the optimization of the early-warning model, the adjustment of the focal point and the improvement of the verification method.

2. Build the whole cycle management mechanism of risk model to realize automation. Finally, a set of management mechanism is set up, which includes model logical rule registration, parameter setting, model operating mechanism adjusting, model running, model running, model evaluating, model adjusting and model exiting etc.

3. Standardize risk event verification management and set up task pool scheduling mechanism. Independent and targeted event verification procedures and methods are established for every risk model early warning event, and a mapping relation is built to support the registration of unstructured validation records.

4. Set up an independent quality control system. Quality inspection results can be used to evaluate the performance of verification, optimize the verification procedure, risk

model, and adjust the focal point of verification.

5. Manage and quantitatively evaluate operational risk events in a hierarchical manner. In this paper, three indicators, namely, risk disclosure ratio, risk degree and risk ratio, are designed to quantitatively assess the level of operation risk. Two indicators of the security value of the account and the execution rate of risk control were designed, and the level of risk management was evaluated quantitatively.

6. According to normal business conditions, provide more efficient data models to the headquarters, and strengthen the risk monitoring and control measures, and do well in the Head Office's business risk survey and feedback, so as to guarantee the safety of the operation.

Based on the analysis of risk management, we can conclude that it is necessary to set up and perfect risk recognition and assessment system so as to detect and quantify potential risks. This includes a comprehensive evaluation of market risk, credit risk, operation risk and so on. Meanwhile, it is very important to strengthen the internal control to prevent the risk, and to guarantee the compliance of the law and to prevent the risk arising from the illegal activities. Moreover, it is necessary to increase the efficiency of risk management by means of science and technology, for example, establishing detailed collection accounts, carrying out door-to-door collection, and so on. In case of late payment, the bank shall adopt appropriate collection measures and negotiate with the debtor several times. If the client cannot agree, the bank should investigate its legal responsibility and take legal action according to the law. In the meantime, the banks should be aware of the dynamics of the economy at home and abroad, and make flexible adjustments to their management strategies in response to potential market fluctuations. All in all, China Construction Bank Jiangxi Branch should continue to improve its ability to prevent and control risks while maintaining its good development momentum.

3.3. Research on the integration strategy of risk management and financial technology in commercial banks

The staff is the blood of the bank, and the commercial bank is in the fast development period. Therefore, we should strengthen the moral construction of bank employees and strengthen the training of professional competence in order to avoid the operation risk and operation risk. The training includes finance training, total payment, microloan survey, compliance training, hall marketing techniques, accounting operations, and so on. Through the training of compliance operation, we can raise the awareness of the compliance operation of the account manager, and promote the formation of the compliance culture.

Moreover, the banks should be bold in introducing talented people and innovating. Along with the wide use of finance techniques, the bank's employment strategy is also changing. In the future, it is inevitable that the bank will have to restructure its business process, its product design, and it will be able to link more than one entity. Not only do they have to grasp the knowledge of banking, finance, and computer, but they also need to master large data, cloud computing and Internet of Things. If the bank wants to transform the talent depression into a high level of innovation, it is necessary to carry out innovative incentive policies to attract and retain high level cross-disciplinary talents. Highly skilled and highly skilled in new technologies and complex talents with both technical and commercial knowledge will become the most desirable resource in the digital transformation of banking industry. The banks should build agile development teams, create new working methods, establish market incentive mechanism, and maximize the leverage and amplifying effect of HR.

Firstly, the Jiangxi Branch of China Construction Bank should make sure that the system is in line with the actual situation of China and the requirements of related laws. Nowadays, a lot of commercial banks have drawn up and issued guidelines for internal operation and management. However, a lot of regulations are not suitable for practical work. For the timely discovery and handling of the internal risk events, banks should renew their internal risk management rules. But we also need to stress that the system is serious and effective.

To make the system construction scientific, systemic and operational, Bank Head can lead the organization to revise the risk management system. In the course of revision, it is necessary to establish a solid basis by studying documents; to establish a system and form a draft; to communicate and solicit views; to submit the study and test operation of the branch; to continue to perfect the five phases. Based on the previous system, the Department of Operations and Finance, Strategic Development, and System Optimization, etc., revised and perfected the management system in accordance with the development plan of the commercial bank and the recent establishment of the Power List.

During the revision of the rules, it is necessary for the professional staff of the commercial bank to collect extensive information, to study the related documents of state, province and city. Through deep research, research and arrangement, and using the advanced experience of other commercial banks, this paper makes a comparison with the related state documents and the management system of advanced banks. Make clear the scope, content, organization system, division of duties and workflow of operational risk management.

In the internet financial age, Jiangxi Branch of China Construction Bank can not develop rapidly without the assistance of IT. For example, the electronic financial service port for clients, including but not limited to corporate internet banking, bank direct connection, and so on. The successful development of this business will make the enterprises to deal with the discount without going out, and the entry process is simple and convenient.

Moreover, the system can check the loan automatically, and the discounted funds arrive on time, which can effectively improve the timeliness of the business finance service. Based on the latest research, we can find that the application of fintech has been extended to mobile payment such as face scanning, remote video intelligent face examination, unmanned intelligent network, voice and human customer service, on-line loan approval, and open-API Open platform seamlessly embedded into all kinds of scenarios. The financial technique and the integration of business have already penetrated the commercial bank's front, middle and rear office completely.

In order to improve the quality and efficiency of finance, the commercial banks should realize that IT can be used as a sharp tool to control operational risk. For example, the BOC and Tecent cooperated to launch a "New Generation Risk Control System", which integrates big data, AI, cloud computing, and cloud terminal security. Realize the "double improvement" in the risk prevention and control and customer experience. In addition, banks can systematically connect and share data with industry and commercial tax law institutions at different levels. Based on law compliance and information safety, we can build a model of credit risk management and control by combining government data with industry data, so that we can enhance the risk early-warning capability of key clients.

Against the background of complicated financial and economic environment, the China Construction Bank Jiangxi Branch has made steady progress through the strategic restructuring and the optimization of its business structure. But in the face of the traditional loan business coverage, the dispersed customers, and a number of customers with malicious delay, it is necessary for the banks to adopt more effective risk management measures.

Firstly, the bank should enhance the internal management to guarantee the compliance of the rules and to avoid the risk arising from the illegal operation. Secondly, the bank should make use of science and technology to increase the risk management efficiency, for example, set up detailed collection accounts, carry out door-to-door collection, and so on. Moreover, the bank should enhance staff training and evaluation to enhance their risk management consciousness and capability.

In case of late payment, the bank shall adopt appropriate collection measures and negotiate with the debtor several times. If the client cannot agree, the bank should investigate its legal responsibility and take legal action according to the law. In the meantime, the banks should be aware of the dynamics of the economy at home and abroad, and make flexible adjustments to their management strategies in response to potential market fluctuations.

All in all, China Construction Bank Jiangxi Branch should continue to improve its ability to prevent and control risks while maintaining its good development momentum.

CONCLUSIONS

The research done in this article enables us to draw the following conclusions.

The issue of operational risk management is of great importance in the context of modern banking, particularly in view of the complexity of the financial environment. Banks have been confronted with unprecedented challenges in recent years because of advances in technology, changes in regulation, and growing demand for financial services. Financial products are becoming more and more complex, and global markets are becoming increasingly complex, making operational risk management a key element of bank's success and sustainability. In particular, China Construction Bank, as a leading financial institution, has to make sure that its operational risk management framework is robust, effective and adaptable to a rapidly changing environment. The increasing importance of using advanced technologies like Big Data, Artificial Intelligence, Machine Learning, and the need to continuously improve internal control and risk assessment, further underscores the relevance of this topic.

The first area to be explored in this study is the effective management of operational risk by HR. The research concludes that a trained and knowledgeable workforce is crucial to identifying, assessing, and managing operational risks. The human capital is the foundation stone of any effective risk management strategy. The ability to anticipate and mitigate risks at the China Construction Bank is highly dependent on the expertise and experience of its staff. The study highlighted that while the Bank had a well established training program, there was still room for improvement in the continuous updating of staff's knowledge and skills to meet changing risks and industry standards. Therefore, the investment by China Construction Bank in continuous staff development and professional training programs is crucial to ensure that employees have the skills needed to effectively manage operational risks.

Another important conclusion is that the design of the system and the technical infrastructure are important in reducing operational risks. The study shows that although China Construction Bank has made some progress in the development of its internal risk management system, there are still gaps in data governance, system integration and technology deployment. Efficient risk management requires that all systems, from the monitoring of financial transactions to the security of data, operate smoothly and without interruption. The research suggests that the bank should invest more in its technology infrastructure to enhance its data handling and security capabilities. The integration of AI and machine learning techniques could improve the detection of real time risks, enabling banks to detect potential threats before they become real ones. Through the improvement of these systems, China Construction Bank can reduce operational risk and improve its risk management processes.

The study also emphasizes the importance of internal communication and information flow in the management of operational risk. One of the key findings is that there is no way to effectively manage risk unless there is a seamless, uninterrupted flow of information across all levels of the bank. The study emphasized that China Construction Bank's operational risk management could be improved by fostering better cooperation among the various departments, including Risk Management, Internal Audit, Compliance, and IT. In addition, it is essential for the Bank to put in place clear and efficient means of reporting possible risks and to ensure the rapid information of the parties involved. Through the simplification of communication procedures, the China Construction Bank will be able to respond promptly to new risks and ensure a coordinated approach to risk management.

An analysis of China Construction Bank's current risk management practices shows that the bank's risk assessment framework is comprehensive, but needs to be improved. Although the current risk management structure has helped to reduce a number of risks, the study identified some areas in which the evaluation process could be more accurate and proactive. In particular, the study found that bank risk assessments sometimes did not adequately capture the complexity of the rapidly changing market environment and the growing interdependence of financial systems around the world. It is suggested that the China Construction Bank should use a more dynamic and flexible approach to assess risk, combining both quantitative and qualitative data to enhance its ability to predict risks.

The study also looked at the role of external partnerships in improving operational risk management. The results show that China Construction Bank could benefit greatly from working more closely with outside partners, including financial technology firms, regulators, and other financial institutions. Through their collaboration, they can share valuable insights, tools, and strategies that will contribute to the improvement of the bank's overall risk management framework. Working with financial companies, for example, could provide China Construction Bank with cutting-edge risk analysis, fraud detection, and customer authentication technologies. Moreover, strong relations with regulatory authorities can enable the Bank to remain in line with the evolving regulatory framework and to prepare for possible regulatory changes that might affect its activities.

Last but not least, the study highlights the need to foster a culture of continuous improvement in the organization. One of the main findings is that the China Construction Bank's operational risk management is not a one-off effort, but a continuous process that needs to be updated and improved regularly. The study recommended that the China Construction Bank implement an ongoing monitoring, assessment and feedback culture, encouraging all levels of staff to contribute and improve the risk management system. Furthermore, the Bank should consider establishing a special group or unit to review and update the Risk Management Framework on a regular basis to ensure its continued relevance in the face of new challenges.

The analysis of the problems outlined above highlights the need to improve the operational risk management practices of China Construction Bank. Current proposals suggest a number of ways to improve risk management, including implementing advanced data analytics, integrating AI tools, and creating more efficient internal communication channels. These proposals are classified into key areas of technology innovation, HR development, and cross-departmental cooperation. The author recommends that priority be given to these areas in the Bank's strategy, so as to address the shortcomings of the existing risk management framework.

First. Is to use more sophisticated data analytics tools and machine learning algorithms to better detect and predict risks. This recommendation is crucial as it will enable the China Construction Bank to identify risks much sooner and take precautionary measures before the problems become more serious. However, implementing these technologies will require substantial investment in infrastructure as well as in the training of personnel. The Bank will have to allocate resources to modernise its technology systems and ensure that its staff have the skills needed to make effective use of those tools. The investment is expected to bring long-term benefits by increasing the bank's risk-mitigation capacity and its competitiveness in a fast-changing environment.

Second. Focuses on fostering a culture of awareness of risks and continuous improvement. Through the active participation of staff in risk management processes and the provision of training and development opportunities, the China Construction Bank will be able to ensure that its staff will be able to adapt to future challenges. The recommendation stresses that it is important to empower staff at all levels to identify and deal with risks, thereby enhancing the overall risk management framework. The implementation of this recommendation will need to be committed to continuous training, to move to a more proactive risk management culture, and to create a supportive environment that encourages employees to assume responsibility for risk management.

Third. Is to strengthen its cooperation with outside partners, including fintech firms, regulators, and other financial institutions. Through strategic partnerships, China Construction Bank will be able to access new technologies, improve its compliance procedures, and share insights with other organizations to help mitigate operational risks. Such cooperation will not only enhance the bank's ability to manage risks, but will also help it to anticipate new risks and regulatory changes. The investment needed for this type of partnership will be mainly time and energy spent on establishing solid, mutually beneficial relations with the main external stakeholders.

The study provides theoretical and practical insights for the improvement of China Construction Bank's operational risk management. From a theoretical point of view, the study adds to the existing literature on banking risk management by providing a comprehensive analysis of challenges and opportunities in this area. Recommendations set out in this study provide specific steps for China Construction Bank to improve its risk management practices and ensure its resilience to future challenges. This study not only has a great impact on the China Construction Bank, but also provides valuable lessons for other banks that are trying to optimize their business risk management systems in the fast-changing financial environment.

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ПРОТОКОЛ
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Країна: Україна
РНОКПП: 2571514226
Організація (установа): ФІЗИЧНА ОСОБА
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Підписувач - 2: Омеляненко Денис Олегович
П.І.Б.: Омеляненко Денис Олегович
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