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Some Bank Financing Products Lack Risk Notice

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A recent survey by China Banking Regulatory Commission (CBRC) found financing products from some commercial banks overemphasized expected returns and didn't include investment risk notice. Experts reminded investors to carefully weigh profits versus risks before deciding on these products. The China Securities Journal reported on Wednesday.

According to the survey, of the 98 financing products that matured last month, 10.2 percent didn't realize their predicted proceeds. 6.1 percent even generated zero returns.

The so called "expected return" is just an average volume rather than the normal status of financing products, said Yin Jianfeng, director of the Research Centre of Finance Institution at the Chinese Academy of Social Sciences Institute.

"Taking one profitless financing product recently exposed by the media for example: only when all of the four stocks linked to the product achieve the same gains or losses will it actually achieve the highest expected annual income of 16 percent. That's a 'mission impossible'." Yin said.

CBRC issued a notice recently forbidding banks' use of phrases like "expected returns rate" or "highest returns rate" in their financing product promotions. In addition, banks were not allowed to give financial products tempting, misleading or committing titles or make confusing introductions, let alone sell products without market analysis or pricing criteria.

China's bank financing product market has expanded rapidly in recent years. Incomplete statistics showed that total sales of the products had reached 500 billion to a trillion yuan by the end of last year.

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