

Wealth management products in the context of China's shadow banking : systemic risks, consumer protection and regulatory instruments

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Abstrak

Although the recent financial crisis badly hurt the Western banking sector, commercial banks in China appear to have weathered the storm rather well. Nevertheless, the shadow banking system – a culprit of the crisis – also exists in China and recently has taken a turn for the worse. Wealth management products, one form of shadow banking, not only pose systemic risks to the banking sector but also raise concerns about consumer protection in the shadow banking sector at large. This article examines the systemic risks created by the proliferation of wealth management products and sheds light on the underlying logic of the policy responses adopted by Chinese regulatory authorities. While these regulatory tools are designed to address systemic risks surrounding wealth management products, the financial regulatory framework needs to be further improved to promote both financial safety and market liberalisation, thereby protecting consumer rights in the financial sector.