

Probe into the Operation and Management Mode of the Intellectual Property Pledge Financing Risk Compensation Fund

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Abstract

The establishment of the intellectual property pledge financing risk compensation fund has an important role in promoting the efficient use of intellectual property, promoting intellectual property pledge financing, and improving the "intellectual property + finance" service mechanism. Based on the risk compensation fund policies in 17 regions, the operation of the intellectual property pledge financing risk compensation fund is explored and analyzed. Aiming at the problems in its operation, specific suggestions for perfecting the operation mechanism and optimizing the management model were put.

Keywords

intellectual property rights, financing pledge, risk compensation fund.

1. The Status of Intellectual Property Pledge Financing Risk Compensation Fund

With the continuous improvement of China's innovation ability and the core competitiveness of enterprises, small and medium-sized enterprises with independent intellectual property rights have developed rapidly. As an important way to solve the financing problem of small and medium-sized enterprises, intellectual property pledge financing has received attention from all walks of life. Most technology-based SMEs believe that intellectual property pledge financing is overwhelming; banks are not yet generally willing to accept intellectual property pledge financing[1]. The intellectual property pledge financing risk compensation mechanism is still in its infancy in China. The establishment of the intellectual property pledge financing risk compensation fund is not only a new thing in practice, but also a new field to be explored in academic research. Academia's research on intellectual property pledge financing mainly focuses on issues such as pledge model, value evaluation, and risk prevention. It does not pay enough attention to the risk compensation fund[2], and the research is not thorough. Compensation is an important topic in current intellectual property research.

The intellectual property pledge financing risk compensation fund is usually set up by government funds and is mainly used for compensation after the occurrence of non-performing loans. It has the functions of short-term compensation and long-term guidance. In practice, the relevant provisions of the risk compensation fund mostly appear in the form of policy documents. In recent years, under the deployment of the state, governments across the country have successively formulated a series of intellectual property pledge loan policy documents, and launched the Intellectual Property Pledge Loan Risk Compensation Fund for SMEs, especially technology-based SMEs. According to statistical data, there are more than 180 government documents related to intellectual property pledge financing policies issued across the country. In terms of the content of relevant policies, only about 6% of the policies involve risk compensation methods, and the number is very small[3]. At present, the provinces that have introduced a risk compensation mechanism in China are Tianjin, Liaoning,

Henan, Shandong, Sichuan, Chongqing, etc., and the prefecture (district) level is Shanghai Pudong New Area, Changsha, Chengdu, Guangzhou, etc. Among them, Guangdong province has the largest number of risk compensation policies. This paper selects 17 provinces or cities as samples, including Henan, Shandong, Liaoning, Tianjin, Chongqing, Luoyang, Shenyang, Anshan, Guangzhou, Foshan, Huizhou, Shenzhen, Zhongshan, Zhuhai, Shanghai Pudong New Area, Yuhang District in Hangzhou, Liaoning Dalian High-tech Zone. This paper studies the operation and management mode of the intellectual property pledge financing risk compensation fund in these 17 sample regions.

2. The Empirical Analysis of the Operation and Management Model of the Intellectual Property Pledge Financing Risk Compensation Fund

2.1. Operation Mode of Risk Compensation Fund

In China's intellectual property pledge financing, The operation of the risk compensation fund mainly involves funds, banks, insurance companies, guarantee companies and other entities. The basic operation process is shown in Figure 1. Various localities have formed different operation modes of the risk compensation funds according to their own different situations, mainly including the following four: "The Risk Compensation Fund + Bank", "The Risk Compensation Fund + Insurance + Bank", "The Risk Compensation Fund + Guarantee + Bank", "The Risk Compensation Fund + Guarantee + Insurance + Bank".

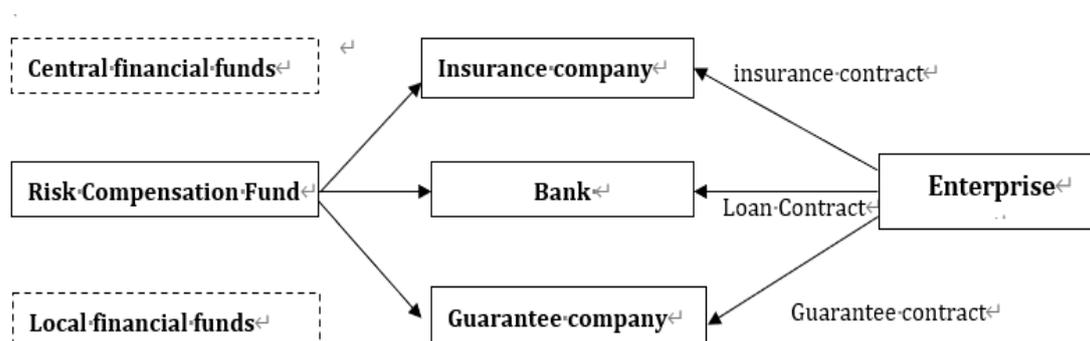


Figure 1: Operation process of intellectual property pledge financing risk compensation fund

2.1.1. "The Risk Compensation Fund + Bank" Model

This model can be divided into two categories. The first category is that the risk compensation fund and the bank pre-determine the proportion of loan losses. The bank recovers the unrecovered loan losses, and the funds recovered shall be shared by both parties according to the proportion agreed in advance. The second category is that the risk compensation fund is issued according to the non-performing rate of the pledge loan. When the non-performing rate is higher than the bank's annual target for other loan non-performing rates, only the excess proportion will be compensated. The areas where this model is implemented include Shanghai Pudong New Area, Guangzhou, Dalian High-tech Zone, Anshan, Changsha, Shandong Province, etc. In this model, banks that can apply for the risk compensation fund have different regulations in different regions. According to Article 9 of the "Changsha Intellectual Property Pledged Financing Risk Compensation Fund Management Measures", Changsha is determined by the Hunan Provincial Intellectual Property Trading Center Co., Ltd., which is responsible for the specific operation and management of the fund, to sign a cooperative bank and sign relevant business cooperation agreements, then make compensation for cooperative banks; Article 7 of the "Implementation Rules for the Administration of the Use of The Risk Compensation Fund for Intellectual Property Pledge Financing in Shandong Province" stipulates that the compensation objects of the Shandong The Risk Compensation Fund shall

be various types of banking institutions established in accordance with the law in Shandong Province. Special funds can be used without the requirement of signing an agreement in advance.

2.1.2. “The Risk Compensation Fund + Insurance + Bank” Model

Under this model, the three parties agree in advance or in accordance with policy regulations to determine the risk compensation ratio for the loss of principal of the intellectual property pledge financing loan. Banks and insurance companies are responsible for recovering the principal and interest of unrecovered loans, and the funds recovered are distributed in proportion to the risk sharing. For the premiums incurred by companies purchasing performance guarantee insurance and patent insurance, the risk compensation fund can provide appropriate subsidies within a certain range. The implementation areas include Liaoning Province, Dalian High-tech Zone, Anshan, Changsha, etc.

2.1.3. “The Risk Compensation Fund + Guarantee + Bank” Model

Under this model, the three parties agree in advance or in accordance with policy regulations to determine the risk compensation ratio for the loss of principal of the intellectual property pledge financing loan. If a loan default occurs, the risk compensation fund, the guarantee company, and the cooperative bank shall bear the actual loan principal loss according to the agreed proportion. Banks and guarantee companies recover the principal and interest of unrecovered loans, and the recovered funds are distributed in proportion to risk sharing. For the guarantee expenses incurred in the guarantee process, the risk compensation fund can appropriately subsidize within a certain range. The implementation areas include Anshan, Shenyang, and Changsha .

2.1.4. “The Risk Compensation Fund + Guarantee + Insurance + Bank” Model

In this model, the four main bodies of the bank, insurance company and guarantee institution are the cooperative institutions. The banks are responsible for providing loans for the intellectual property rights of small and medium-sized enterprises, insurance companies, and guarantee institutions. In practice, if there is a loan loss, the risk-sharing model is implemented separately according to different situations, following different risk compensation schemes. This model is rarely used in the existing risk compensation fund mechanism. For example, according to the provisions of Article 20 of the "Zhuhai Intellectual Property Pledge Financing Risk Compensation Fund Trial Management Measures", Zhuhai differentiates the credit rating and loan risk of corporate loans and implements different models. For corporate loans with higher credit ratings and lower loan risks, direct cooperation between the fund and the bank is adopted. In principle, the fund and the bank share risk losses at 4: 6; For corporate loans with low credit ratings and high loan risks, other institutions such as insurance companies and financing guarantee institutions may be introduced, and banks and other institutions may jointly act as cooperative institutions. Funds and cooperative institutions share risk losses in principle at 4: 6, and banks and other institutions share risks at agreed rates.

In practice, the operation modes adopted by different regions are different. Most of the designated policies only contain one mode, but there are also regions where a region adopts different operation modes and formulates corresponding different compensation policies, such as Changsha and Dalian High-tech Zone. See [Table 1](#).

Table 1: Operating Mode of Intellectual Property Pledge Financing Risk Compensation Fund

Mode of operation	Region
The Risk Compensation Fund + Bank	Shanghai Pudong New Area, Guangzhou, Dalian High-tech Zone, Anshan, Changsha
The Risk Compensation Fund + Insurance + Bank.	Liaoning Province, Dalian High-tech Zone, Changsha, Anshan.
The Risk Compensation Fund + Guarantee + Bank	Liaoning Province, Dalian High-tech Zone, Anshan, Changsha, Shenyang
The Risk Compensation Fund + Guarantee + Insurance + Bank	Zhuhai

2.2. The Management Model of the Risk Compensation Fund

In terms of management form, Risk Compensation Funds are generally government special funds, which are usually established by government departments. In the actual operation process, two main modes of government management and market management have been formed in various regions:

2.2.1. Government Management

The establishment, management, and operation of the risk compensation fund are completed by the government department. Representatives include Shandong Province, Huizhou, Anshan, Shanghai Pudong New Area, and Yuhang District of Hangzhou . As stipulated in Article 4 of the "Implementation Rules for the Administration of the Use of The risk compensation funds for Intellectual Property Pledge Financing in Shandong Province", the Shandong Province Market Supervision Bureau (Intellectual Property Office) stores and manages the risk compensation fund.

2.2.2. Market Management

The government department entrusts the third-party fund manager to manage the daily affairs of the operation of the risk compensation fund. The government department only undertakes the decision-making and management of major matters. Representatives are Shenyang, Changsha, Guangzhou, Zhuhai, Shenzhen, etc. As stipulated in Article 6 of the "Administrative Measures on the Risk Compensation Fund for Intellectual Property Pledged Financing in Guangzhou", the Guangzhou Risk Compensation Fund is led by the Municipal Intellectual Property Bureau and the Guangzhou Intellectual Property Pledged Financing Risk Compensation Fund Decision Committee is established. The decision-making management organization of the compensation fund will select the manager of the risk compensation fund according to the relevant regulations, and the fund manager shall carry out the daily management and operation. See Table 2.

Table 2: Management forms of the risk compensation funds for intellectual property pledge financing in various regions

Management mechanism	Region
Government management	Shandong Province, Guangzhou Province, Huizhou, Anshan, Anhui Province, Dalian High-tech Zone
Market management	Guangzhou, Shenzhen, Shanghai Pudong New Area, Zhuhai, Changsha, Foshan, Shenyang, Zhongshan

Fund management is the key to maintaining the sound operation of the risk compensation fund[4]. It can be seen from the management mechanism of the risk compensation fund for intellectual property pledge financing in various regions. So far, although the risk

compensation fund model of government funding, government management, and government decision-making occupies an extremely important position, many regions have begun to implement market-led mechanisms. Third-party institutions are appointed as fund managers to enhance the market vitality of the risk compensation fund and better serve the market.

3. Problems in the Operation of Intellectual Property Pledge Financing Risk Compensation Fund

In the process of sorting out the operation and management of the risk compensation mechanism in various regions, the author found that the formulation of policies and regulations in all aspects of the risk compensation mechanism in China is still not perfect. Some pilot cities of the risk compensation fund have not formulated sound management plans and approval methods, which have led to various problems in operation and management models.

3.1. The Participants of the Risk Compensation Fund Needs to Be Optimized

In practice, the participants of the risk compensation fund are not fully open. At present, the operation mode of the risk compensation fund in various places is mainly based on the "The Risk Compensation Fund + Bank", and the subsidy for guarantee companies and insurance companies is relatively small, resulting in the pledge financing of intellectual property rights. There is no corresponding risk protection in insurance. This model is not conducive to optimizing the risk of intellectual property pledge financing. In addition, through a comparative study of the policy documents on intellectual property financing pledges in various regions, it is found that the relevant regulations on the risk compensation fund system in each region mostly stay in the process and institutional regulations, but for the main positions and functions of the four main bodies of the risk compensation funds, insurance companies, guarantee companies and banks have not been further optimized. Let people have the intuitive feeling of "compensating" risks as much as possible rather than "reducing" risks as much as possible.

3.2. Insufficient Supervision of the Risk Compensation Fund

Under the current management model, whether it is directly managed by the government or entrusted to third-party institutions, it is easy to cause insufficient supervision of fund operations. At present, most of the managers of the risk compensation fund in various regions of our country are government departments, and the role of "fund managers" is added to the conventional administrative departments. Without the energy or professional skills, they cannot effectively supervise. The lack of management consciousness of the management team and other issues, which will lead to low efficiency of the fund operation, it is difficult to keep up with the market rhythm. The latter is because the government has difficulty to allocate full-time personnel to connect with third-party organizations, cannot maintain long-term follow-up exchanges, and lacks supervision over the management of third-party organizations. In the long run, it will inevitably lead to information asymmetry, and the needs of various entities such as enterprises and banks will not match the government-led funds and policies. In this case, it may even cause the fund manager to delay the issuance of compensation funds and many other consequences.

4. Suggestions for Improving the Operation and Management Model of the Intellectual Property Pledge Financing Risk Compensation Fund

"The ideal of the rule of law must be implemented at a specific institutional and technical level.[5]" The intellectual property pledge financing risk compensation mechanism involves

not only many sophisticated technical specifications, but also various considerations about value that are difficult to choose. Combining the characteristics of intellectual property rights, China's intellectual property rights pledge financing risk compensation fund system urgently needs to be improved.

4.1. Improve the Operation Mechanism of the Risk Compensation Fund

In terms of the operation of the risk compensation fund, the coverage of the participants should be expanded, and the intensity of compensation should be strengthened. In particular, guarantee companies and insurance companies should be included in the scope of the main compensation body, and the enthusiasm of market participants should be mobilized. The government must first further refine the cooperation agreements with guarantee companies and insurance companies, strictly screen the cooperation agencies in the early stage, clarify the interests of all parties, and improve the compensation rules. At the same time, it is necessary to modify the management methods of the risk compensation fund in time, optimize the procedure of fund compensation payment, improve business efficiency, and thus reduce the financing cost of the enterprise. After expanding the main body of compensation, relevant financial institutions can take advantage of the information advantages of government departments to reduce risks such as guarantees, insurance, and loans due to asymmetric information. In addition, the local government and its participants in the risk compensation fund should strengthen communication and coordination, and in the case of fully balancing the rights and interests of all parties. Intermediary service organizations such as banks, the risk compensation funds, insurance companies, guarantee companies, etc. share the risks reasonably in accordance with the agreed proportion[6], escort the intellectual property pledge financing of SMEs under the perfect risk compensation operation system.

4.2. Optimize the Risk Compensation Fund Management Model

At present, government functions have shown an evolutionary trend from subsidized financing costs to creating financing environment, and the degree of marketization is one of the important factors affecting the speed of evolution[7]. To improve the intellectual property pledge financing risk compensation fund, in terms of management model, high-quality fund managers should be established, relying on market-oriented means to form a new situation of "government-led, market-based participation", and fully mobilize the role of market players in the operation of the risk compensation funds. The government entrusts a third-party professional institution as the fund manager to operate the risk compensation fund, which not only facilitates the trustee institution to conduct professional training for the management personnel and appoint full-time business personnel and risk control personnel, but also allocates full-time business personnel and risk control personnel to improve the professional level of the risk compensation fund management team. It is more conducive to strengthen the ability to update and adjust the management methods of the risk compensation fund and make operational adjustments based on the actual needs of market entities. Judging from Foshan's experience, Foshan introduced a market-based management agency, Guangdong Stock Exchange, and Guangdong Stock Exchange set up a competitive mechanism in an innovative manner when it introduced banks. Obviously, professional fund managers have more energy and ability to create favorable conditions for the risk compensation mechanism. Optimizing the management model will be more conducive to the improvement of capital circulation, operation supervision, and compensation efficiency.

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