

Abstract

In this paper, I want to know something more about the investment bank industry and its status quo in China.

Firstly, Investment Banking, knowledge—intensive industry that places the role of intermediary and institutional investors is a new type of financial Service in China. The differences between the investment bank and commercial bank mainly display as following: their origin, their business, their function and the source of profit.

Secondly, The process of the development of investment bank mainly can be divided into three phases. In the USA, phase 1; prior to 1933, commercial banks offered investment banking services; phase 2 ; The **Glass Steagall Act** – “The brigade wall” which was passed in 1933, prohibited commercial banks from engaging in investment banking; phase 3; in the later 1970’s, the development of financial creation have led to the re-combination of investment bank and commercial bank. From the perspective of management mechanism, there are two models. One is the *separate-typed model*. The other is the *mix-typed model*. In the latest years, there appear some new tendencies in the development of modern Investment Banking.

Thirdly, the Investment Banking of China began with the issuing of bond; and developed within the commercial banking. The Investment Banking of China also has some shortcomings, To develop investment bank in China have much significance, The high growth rate of domestic economy and the formulation of the globalization provide two – fold challenges from domestic and abroad for the investment bank in China.

Fourthly, There are many opportunities for the development of investment bank in China. The separation-operating model is the absolute alternative for China. In the entity positioning, the existing Securities Company and Trust & Investment Company should be

the entity for developing the investment bank in China.

In conclusion, China should hold fast all the opportunities, to follow the development rule of investment bank, to set up strategies suitable to the Chinese situation, to construct the investment bank system with Chinese features and in this way facilitate the development of domestic economy better.

Note:

Glass-Steagall Act is an act passed in 1933 in America which was used to segment Commercial Banking from Investment Banking.