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Regulatory Issues and Countermeasures in International Financial Markets

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Abstract: With the deepening of globalization, the development speed of capital markets is constantly accelerating, presenting a trend of globalization. At the same time, the emergence of multiple forms of trading platforms and diversified financial products further highlights the competitive relationship between security exchanges and other trading platforms. While promoting the transformation of security exchange forms in various countries, it also prompts governments to re-examine the financial regulatory system of securities markets. In this situation, it is very important to research the international financial market and financial regulatory system. This article explores the regulatory issues and countermeasures in the international financial market, intending to promote the stability and healthy development of the international financial market.

Keywords: International financial markets; Supervision; Problem; Countermeasure

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1. Introduction

The international financial market plays a crucial role in the global economy, playing an irreplaceable role in promoting international trade, investment, and economic growth. However, against the backdrop of continuous financial innovation and accelerated cross-border capital flows, the challenges of international financial market regulation are also increasing. The regulation of international financial markets, prevention of financial risks, and ensuring financial stability have become the common mission of governments and regulatory agencies in various countries. Strengthening the regulation of international financial markets is the cornerstone of maintaining global economic stability. Therefore, effective measures should be taken to implement international financial market regulation. Only in this way can we effectively prevent financial risks, maintain financial stability, and create a favorable environment for the sustainable development of the global economy [1].

2. Analysis of new trends in international financial market regulation

2.1. Regulatory development towards a mixed industry regulatory model

In the context of economic globalization, international trade is experiencing rapid development, and the integration of international financial markets is gradually accelerating, resulting in significant changes in its business model and achieving a transition from a separate business model to a mixed business model. Therefore, the regulation of the international financial market should gradually transition to mixed supervision. In the process of implementing unified supervision of various institutions such as securities, banks, and insurance, the focus of international financial market regulation should shift from post-supervision to pre-supervision, and gradually strengthen risk supervision and pre-prevention.

2.2. More emphasis on protecting the interests of financial investors

The economic crises that have occurred in the international financial markets in the past have exposed problems in international market regulation, such as the complexity and specific information asymmetry of financial derivatives, which have caused investors to fail to accurately evaluate risks and seriously damage their interests. Additionally, due to the lack of proper investigation by credit rating agencies, it is easy to mislead investors. Therefore, the current international financial market regulation has drawn on some issues reflected in the previous outbreak of the international financial crisis, making the protection of the rights and interests of financial investors a top priority in international financial market regulation, and increasing disclosure efforts for financial investors. Therefore, to improve the fairness of investment and consumption, prevent damage to the interests of investors and consumers caused by fraud and inconsistent information, especially focus on supervising credit rating agencies, and achieve fairness and transparency in rating standards and methods, so that investors can obtain more investment information and prevent their interests from being violated.

2.3. Continuously expanding international cooperation in financial regulation

The prosperous development of the international financial market has created more possibilities for the world economy. At the same time, the risks faced by the international financial market have also increased, especially in the development of economic globalization, where no country can stand out. Therefore, to do a good job of regulating the international financial market, it is necessary to establish a unified cooperation mechanism among countries, which not only strengthens the role of international financial market regulatory organizations but also strengthens the regulation of international financial markets through strengthening international cooperation and financial supervision. For example, the European Union has signed a framework agreement to strengthen crisis management and handling through strengthening international cooperation, enhancing its ability to respond to economic crises [2].

3. Issues in the regulation of international financial markets

3.1. Uneven regulatory systems in various countries

Due to differences in history, culture, economy, and other aspects, there are also significant differences in financial regulation among countries. This difference is not only reflected in regulatory standards but also in regulatory methods and means, which creates regulatory blind spots or overlapping in cross-border financial activities, leaving opportunities for criminals to take advantage of. On the one hand, due to the lack of effective regulatory measures, certain financial behaviors cannot be effectively regulated, thereby increasing the risks in the international financial market. Due to different regulatory systems in different countries, certain financial businesses may be subject to strict regulation in one country, while a regulatory vacuum may arise in another country. In such an environment, criminals will seize this loophole and engage in illegal financial activities, making the international financial market more turbulent and unstable. On the other hand, regulatory overlap can also negatively impact the stability of financial markets. When cross-border financial activities are regulated by multiple countries, regulatory authorities in each country may adopt different regulatory measures, and even regulatory conflicts may arise. In this situation, financial institutions and enterprises need to spend a lot of time and effort to respond to regulatory requirements, thereby reducing the efficiency of the financial market. Meanwhile, regulatory overlap may also lead to a waste of regulatory resources and reduce regulatory effectiveness.

3.2. There are differences in regulatory standards

Due to the inconsistency of regulatory standards in various countries, there are also significant differences in the quality and risk level of financial products and services. This difference may lead to investors facing information asymmetry and difficulty in risk assessment when investing across borders, thereby increasing market volatility. On the one hand, differences in regulatory standards lead to significant differences in the quality and risk levels of financial products and services. For example, in some countries, the issuance and trading of financial products have strict regulations, which help to safeguard investor interests and market stability. In other countries, regulatory efforts are relatively weak, which may lead to uneven quality and risk levels of financial products. This situation poses significant challenges for investors when investing across borders. On the other hand, differences in regulatory standards exacerbate the problem of information asymmetry. Investors need to understand the regulations and market environment of different countries when investing across borders. However, due to incomplete disclosure and dissemination of regulatory information, investors often find it difficult to fully understand the financial market conditions of the investment target country. This puts investors at a higher risk of information asymmetry in the process of cross-border investment.

3.3. Cross-border regulation presents complexity

Due to the involvement of multiple countries and regions in cross-border financial activities, regulatory bodies and responsibilities are often difficult to clarify. Simultaneously, there are differences in the legal systems, judicial procedures, and enforcement efforts of different countries, which poses great challenges to cross-border regulation.

Firstly, we need to recognize that cross-border financial activities involve multiple countries and regions, which makes regulatory bodies and accountability unclear. Under the traditional financial regulatory model, participants in the financial market are mainly constrained by domestic regulatory agencies. However, with the increasing frequency of cross-border financial activities, the regulatory power of a single country can no longer meet the demand. At this point, it is an urgent task to clarify the responsibilities of each regulatory body and coordinate regulatory policies among countries.

Secondly, there are significant differences in the legal systems, judicial procedures, and enforcement efforts of different countries, which is also a major challenge faced by cross-border regulation. In practical operation, regulatory agencies need to overcome differences in legal systems, coordinate judicial procedures in different countries, and address inconsistent enforcement efforts when carrying out cross-border regulatory tasks. These factors have brought enormous difficulties to cross-border regulation and have also negatively impacted regulatory effectiveness.

4. Regulatory measures for international financial markets

4.1. Vigorously promote financial regulatory cooperation

In today's booming international financial market, more and more multinational financial enterprises and institutions are entering the domestic market, which requires increasing regulatory efforts on the finance of various countries. Moreover, countries around the world have broad demands for cross-border financial regulation. Therefore, it is necessary to accelerate the collaboration between China's financial regulatory authorities and national financial regulatory authorities, to effectively prevent and control the spread of international financial risks. Firstly, it is necessary to strengthen collaboration with international regulatory agencies such as the Basel Committee, the International Securities Regulatory Commission, the International Insurance Regulatory Commission, and the International Insurance Regulatory Commission. Only in this way can domestic financial regulatory authorities have a more detailed understanding of the business operations of investment enterprises in China, and achieve preventive measures. Additionally, international financial regulation has the following ways: firstly, to maintain coordination in rules, and secondly, to achieve camera coordination. For these two coordination modes, emphasis should be placed on rule coordination as the main approach and camera coordination as a supplement. This is because China's financial industry developed relatively late, and compared to developed countries, it lacks rich regulatory experience. Therefore, in this situation, due to the lack of experience in dealing with the risks generated by cross-border financial institutions, measures will only be taken once financial risks occur, which will miss the best opportunity. Therefore, international rule coordination should be the main line, and on this basis, camera coordination should be used as an auxiliary. When risks occur, actively seek cross-border supervision.

4.2. Optimize international financial product regulation

Currently, any economic activity should prioritize the rights of consumers and think from their perspective to prevent harm to their legitimate rights. The international financial market needs to optimize and improve its product regulatory system, establish a pre-intervention mechanism to safeguard the legitimate rights and interests of consumers and ensure the reliability of consumer purchases of financial products. Financial institutions need to continuously innovate their financial products, adjust their economic behavior methods, improve their internal regulatory system, strengthen the registration and review of financial product and service information, and regularly correct errors in financial products and services. Concurrently, financial regulatory authorities should also specify default clauses. When involving or infringing on the legal rights of financial consumers, a default cooling-off period should be established for purchasing behavior, and financial enterprises and institutions should not abuse negative default clauses, as negative default clauses may cause certain harm to the interests of financial consumers. So, it is necessary to conduct research on the regulatory system of financial products, explore negative default methods, strengthen the protection of consumer rights and obligations, and prevent financial product risks caused by insufficient attention.

4.3. Improve the international financial regulatory system

In the current context of increasingly active international financial activities, the financial regulatory systems of various countries are subject to certain constraints, and international financial regulation has emerged. It can eliminate regional constraints and promote the development of international trade. For example, the G20 (Group of 20), the Bank for International Settlements (BIS), and other international financial organizations can establish a firm foothold in the international community by changing the dominant position of traditional international law through international supervision standards. When establishing cooperative relationships, it is no longer limited to strict treaties, and participants are not limited to countries. Enterprises, groups, non-governmental organizations, and individuals can also participate in it.

The norms of international financial management organizations can be divided into four categories based on the degree of compulsion of international financial management organizations or alliances towards their members:

(1) Organizations that have concluded hard international treaties, such as the International Monetary Fund.
(2) Not established according to international conventions, only linked by non-binding treaties with international consensus, such as G20.
(3) Organizations that are constituted by international conventions but whose treaties are not binding, such as the International Securities Regulatory Commission.
(4) Public and private sector cooperative organizations.

4.4. Improve internal financial regulatory systems in various countries

In securities market regulation, according to the degree of involvement of national public power in market operation, it can be divided into rule-based regulation, principle-based regulation, and institutional-based regulation models. Firstly, the securities regulatory model. Rule-based supervision refers to government agencies directly managing the behavior of the entire securities market, formulating clear stock market standards, and fulfilling corresponding responsibilities following the law. In the principle-based benchmark model, only the country has formulated regulatory matters and corresponding minimum scale action guidelines, which gives securities market participants more autonomy and strong flexibility. The standard model of institutional basis is aimed at internal organizations with the regulated as the main body. Therefore, the state must regulate participants in the securities market and establish relevant internal regulations and professional ethics regulations.

Secondly, the regulatory model of self-regulatory organizations. Self-regulatory agencies can formulate and implement specific business regulations for the securities market following relevant laws, and can also supervise their organizational members to ensure they comply with relevant security regulations and report to relevant national departments to maintain fairness and stability in the capital market. The regulatory models of self-regulatory organizations are mainly divided into four types: statutory, limited liability stock exchange self-regulatory organizations, self-regulatory organizations with strong autonomy, and self-regulatory organizations with independence. In practice, specific analysis and application must be carried out [3].

4.5. Establish an international financial market regulatory department

In the context of economic globalization, it has a dual role: firstly, economic globalization provides convenient funds and timely information to countries. Secondly, is to bring certain risks and challenges. Therefore, in the current trend of social development, countries should use the internet to build regulatory information networks to promote real-time sharing of international financial regulatory information. To provide high-quality services to international financial market clients, countries can negotiate and establish a universal and complete regulatory agreement, designate a financial regulatory agency recognized by all countries, and establish a complete system on a global scale. Additionally, the members of international financial regulatory organizations should not only come from developed countries but also include countries with different levels of development. Countries can negotiate and formulate a universal and complete regulatory agreement, designate a financial regulatory agency that can be recognized by all countries, and establish a complete financial regulatory system on a global scale. All members should have equal regulatory authority and be treated with a non-maintenance and fair attitude. Finally, a supervisory body should be established based on this financial regulatory body to monitor whether members of the organization have engaged in corruption and bribery, and to firmly resist inaction and injustice.

4.6. Emphasize balancing regulatory efficiency and safety

Currently, to ensure the diversified development of the international financial market, it is necessary to continuously promote financial innovation, allow more financial assets to participate in economic activities, and promote the gradual maturity of the international financial market. Therefore, it is necessary to do a good job in international financial innovation and effectively regulate it. At present, in the international financial market, most developing countries are still in the initial stage of financial innovation and have huge development space. Against the backdrop of the international financial market gradually maturing, it is necessary to carry out financial innovation based on good financial risk prevention, balance efficiency and safety, and promote the healthy and long-term development of the international financial market [4].

5. Summary

In short, the regulation of international financial markets is a complex and arduous task that requires joint efforts and strengthened cooperation among countries. By vigorously promoting financial regulatory cooperation, optimizing international financial product regulation, improving international financial regulatory systems, improving internal financial regulatory systems of various countries, establishing international financial market regulatory departments, and focusing on balancing regulatory efficiency and safety, the stability and transparency of the international financial market can be continuously improved, providing strong guarantees for the healthy development of the global economy.

Disclosure statement

The author declares no conflict of interest.

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