

# Challenges and Transformations of International Financial Law in the Context of Globalization

Qi Sun<sup>1</sup>

<sup>1</sup> The University of Melbourne, Australia

Correspondence: Qi Sun, The University of Melbourne, Australia.

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## Abstract

This paper explores the challenges and transformations of international financial law in the context of globalization. It explores the historical evolution of financial law, emphasizing the global interconnections and the impact of technological advances. Key challenges discussed include regulatory complexities, the influence of digital finance, and implications of global financial crises. The paper also highlights emerging regulatory frameworks, the critical role of international organizations, and anticipates future trends in the globalized financial landscape. It concludes with insights into the evolving nature of international financial law, emphasizing the need for adaptive legal frameworks and international cooperation.

**Keywords:** international financial law, globalization, regulatory challenges, digital finance, global financial crises

## 1. Introduction

In the intricate tapestry of the global economy, the phenomenon of globalization stands as an informative force, particularly in reshaping the perspective of international financial law.

Globalization represents a complex merger of economic liberalization, technological advancements, and political shifts, all of which have collectively redefined the global financial landscape. The liberalization of financial markets, the development of globalization, has facilitated an unprecedented flow of capital across borders (Linsi, L. & Mügge, D.K., 2019). This has led to the emergence of a deeply interconnected global financial system, where developments in one corner of the world can have ripple effects across the entire network. As a result, international financial law has had to adapt, evolving from a focus on national regulations to an emphasis on global financial governance. This transformation has been further accelerated by technological advancements, particularly in the realm of digital finance. The rise of financial technology, cryptocurrencies, and block chain technologies has not only introduced novel financial products and services but has also posed unique regulatory challenges. The transnational nature of these innovations calls for a reevaluation of traditional legal frameworks, highlighting the need for international financial law to be both adaptive and forward-looking (O'Brien, J., Gilligan, G. & Miller, S, 2014).

The impact of globalization on international financial law has been two-pronged, presenting both challenges and opportunities for transformation. Among the primary challenges is the complexity of harmonizing diverse financial regulations across different jurisdictions. With financial markets becoming increasingly global, there is a growing need for regulatory coherence to manage cross-border financial activities effectively and mitigate systemic risks. This need for harmonization, however, comes up against the reality of varied economic priorities and legal traditions among nations. Each country's approach to financial regulation is shaped by its unique economic context, political landscape, and cultural norms (O'Brien, J., Gilligan, G. & Miller, S, 2014). This diversity, while enriching the global financial tapestry, complicates the process of developing unified

international financial laws. Another significant challenge arises from the enforcement of international financial regulations. The decentralized nature of the global financial system, coupled with issues of national sovereignty, makes it difficult to implement and enforce cohesive international regulations. This is further complicated by the rapid pace of innovation in finance, which often outstrips the ability of legal frameworks to keep pace (Borlini, L, 2020).

On the flip side, globalization also presents opportunities for informative changes in international financial law, the global nature of finance today calls for a more holistic approach to financial regulation. This includes not only traditional areas such as banking and securities but also emerging domains like sustainable finance and digital currencies (Fradera, F, 2018). The evolution of international financial law in the context of globalization thus involves a continual balancing act — addressing the complexities and challenges while harnessing the opportunities for innovation and collaboration. It offers a platform for international collaboration, fostering the development of shared standards and best practices. Institutions like the International Monetary Fund (IMF) and the World Bank, as well as international agreements and treaties, play a pivotal role in this regard, facilitating dialogue and cooperation among nations.

## **2. The Definition and the Characteristics of the International Financial Law Under Globalization**

### *2.1 The Definition of the International Financial Law*

International financial law is a legal system that covers international monetary and financial relations. It not only consists of law and regulations across the world, and because international financial activities involve legal norms within countries, including the establishment of rights and obligations, so it contains domestic laws, like regulatory and compliance requirements and domestic legal norms. The purpose of international financial law is to establish and maintain the order of international financial transactions, reduce transaction costs, reduce transaction risks, and ensure the safety and efficiency of capital flows (Alexeevitch, S.M., 2015).

With regard to international financial law, it is believed that it is not just a set of rules and standards, but also a bridge and link connecting the financial markets of various countries.

### *2.2 The Characteristics of the International Financial Law*

In the economic tide of globalization, international financial law is particularly important. It not only has distinctive international features that reflect the complexity and diversity of transnational financial transactions, but also regulates all kinds of behavior in the international financial market through its unique legal system. The characteristics of international financial law lie in its profound international influence, rigorous legal norms and flexible adaptability, which together constitute the core of international financial law. In what follows, we will explore these characteristics in depth in order to better understand the role and value of international financial law in the contemporary world economy.

#### *2.2.1 Perspectives on the Multidimensional Character of International Financial Law*

International Financial Law, in the context of globalization, is characterized by its dynamic integration with global economic trends. As the economic connection between countries grow closer, this law facilitates the free movement of economic factors such as capital, labor, and goods across borders. Just as Dodd-Frank Wall Street Reform and Consumer Protection Act that passed in the United States, in response to the global financial crisis that erupted in 2008 (North, G. & Buckley, R, 2011), especially the subprime mortgage crisis and liquidity risk, it establish the Financial Stability Oversight Council and increase the transparency. Apart from this, the subjects of international financial relations have expanded beyond states and international organizations to include private corporations, banks, and non-governmental entities, reflecting the growing complexity and diversity of global finance. Examples illustrating this include the sovereign debt restructuring processes like the Greek debt crisis, the regulatory frameworks such as the Basel Accords for international banks (Salami, I, 2012), and the legal intricacies of cross-border mergers and acquisitions. Collectively, these aspects underscore how International Financial Law is evolving in response to the changing landscape of the global economy, shaping and being shaped by the multifaceted nature of international financial transactions and relationships.

#### *2.2.2 Historical Evolution and Contemporary Features of International Financial Law*

Changing in stability and the development of International Financial Law, especially in the realm of finance, exhibits a dual nature: it is relatively stable in its core principles and objectives, yet simultaneously in a state of continuous evolution and deepening, especially in response to societal and cultural shifts. It applies its previous principles and universal rules to the areas and also began to become more targeted and more specific towards these areas.

##### *2.2.2.1 Stability in International Financial Law*

(1) Stability of the legal framework

The stability of international financial law is the cornerstone of ensuring the orderly functioning of global financial markets. This stability is reflected at two levels: dynamic stability and static stability (Lupo-Pasini, F, 2017).

Dynamic stability in international financial law refers to the durability and consistency of the legal framework as it evolves over time. Despite the changing financial markets and global economic environment, some core principles and rules of international financial law have remained relatively stable. These fundamental principles include, but are not limited to, fair trading, transparency, anti-fraud, anti-money-laundering, and so on. These principles not only provide guidance for national financial legislation, but also provide a code of conduct for transnational financial institutions and investors.

The static stability of international financial law refers to the universal application and consistency of the legal framework across countries. Despite the differences in legal systems, cultural backgrounds and levels of economic development among countries, international financial law has established a set of globally applicable financial rules through a series of international treaties, conventions and agreements. These rules require countries to follow the same standards and requirements in cross-border financial activities, thus ensuring fairness and transparency in international financial markets. Financial regulators of various countries also work together to maintain the static stability of international financial law through international cooperation and information sharing. For example, the Basel Accord is the result of the joint efforts of central banks and financial regulators, and it establishes a set of unified regulatory standards for the global banking industry.

## (2) Internal conservatism

The impact of conservatism on stability in the domestic context, as a political and social ideology, cannot be ignored. Conservatism emphasizes the preservation of traditional values, social order and institutional frameworks, which is equally important in the financial sphere (Guermazi, W, 2023). In the domestic financial system, conservatism provides a solid foundation for financial stability by preserving the traditional financial system and market structure. Conservatism advocates respecting and maintaining the existing financial order and reducing financial risks and uncertainties by maintaining the stability of financial markets. It tends to resist excessive financial innovations and changes to avoid the resulting market chaos and instability. At the same time, conservatism emphasizes the continuity and traditional values of the financial culture, and promotes financial practitioners and investors to maintain a rational and prudent attitude, so as to maintain the stability and healthy development of the financial market.

### 2.2.2.2 Continuous Development and Change

Against the background of deepening globalization, international financial law is constantly facing new challenges and opportunities, prompting its continuous development and change. Such change is not only a refinement of the existing legal system, but also an anticipation of an adaptation to future financial development trends. With the advancement of science and technology, changes in the economic landscape and the strengthening of international cooperation, international financial law must remain flexible and innovative in order to cope with the increasingly complex financial environment. Next, we will explore in depth how international financial law can maintain its vitality and adaptability in the midst of such continuous development and change, and contribute to global financial stability and prosperity.

## Historical Development and Key Milestones

### Post-World War II Reconstruction

The genesis of modern international financial law is linked to the post-World War II era, particularly the establishment of the Bretton Woods system. This system played a crucial role in stabilizing the global economy and laid the groundwork for key financial institutions like the IMF and the World Bank.

### Shift to Floating Exchange Rates

The unraveling of the Bretton Woods system in the 1970s, and the shift to floating exchange rates, marked a significant transition towards financial liberalization, impacting the evolution of international financial laws.

### Deregulation and Liberalization

In 1980s and 1990s, the global financial system underwent significant changes and adjustments, so the law appeared widespread deregulation and liberalization of financial markets, removing many cross-border financial controls and integrating global financial markets. This period has significant legal adaptations to oversee and regulate the rapidly changing financial landscape.

### Integration of Emerging Economies

The turn of the millennium highlighted the growing integration of emerging economies into the global financial system, bringing new challenges and requiring further evolution in international financial laws to ensure

inclusive and stability.

#### (1) Changes in International financial law brought about by globalization

With the deepening of global economic integration, the globalization of financial law has gradually evolved into a notable trend. This trend is not only the integration of a single legal system, but also the strengthening of exchanges and co-operation between the financial legal systems of various countries, laying a solid foundation for the stability and development of the international financial market.

Under the wave of globalization, the coordination and unification of international financial regulations is particularly important. With the advancement of globalization, banks began to operate intentionally, and engaging in cross-border transactions and expanding their presence in multiple countries (Borlini, L, 2020). So there were large differences in the financial laws and regulations of various countries, which brought a lot of inconvenience to cross-border financial transactions. Therefore, financial risks spread globally without being constrained by borders and it affects the stability, so it requires international cooperation and coordination to deal with regulatory differences. For example, the launch of Basel III is an important achievement in the coordination and harmonization of international financial regulations. It aims to strengthen the regulation of the banking sector and improve the capital adequacy ratio of banks in order to cope with financial risks. Through Basel III, banks in various countries have been able to follow uniform international standards in capital management, risk prevention and control (Borlini, L, 2020), which not only enhances the stability of the global financial market, but also provides more convenient conditions for cross-border cooperation among banks.

In the context of globalization, countries have also actively adjusted their domestic financial regulations to meet the requirements of the international financial market. Taking China as an example, in recent years, in order to attract foreign investment and promote the opening up of the financial market, the Chinese government has made a large number of revisions and improvements to financial regulations. Among them, the revision of the Regulations of the People's Republic of China on the Administration of Foreign-funded Banks is a typical example. By relaxing the access conditions for foreign banks in the Chinese market, China has provided more development opportunities for foreign banks and at the same time injected new vigor into the Chinese financial market. Such regulatory adjustments have not only promoted the internationalization of China's financial market, but also created favorable conditions for financial cooperation between China and other countries.

In addition, the globalization of financial laws has also promoted the improvement of transnational financial dispute resolution mechanisms. With the increasing frequency of cross-border financial transactions, financial disputes have inevitably increased. In order to resolve these disputes, international organizations such as the International Chamber of Commerce (ICC) have actively intervened and formulated a series of arbitration rules, such as the ICC Arbitration Rules. These rules provide an effective means of resolving transnational financial disputes, safeguard the fairness and legality of transactions, and further enhance confidence in the international financial market (Voser, N, 2011).

The impact of financial law globalization on emerging economies is far-reaching. On the one hand, it promotes the opening up and development of financial markets in emerging economies. By attracting more international capital inflows, the financial markets of emerging economies have been able to grow rapidly, injecting a strong impetus to economic growth. On the other hand, the globalized legal framework has also provided emerging economies with better means of financial risk prevention and control. By drawing on and learning from the international advanced financial legal system, emerging economies can more effectively deal with financial risks and reduce the probability of financial crisis.

#### (2) Changes brought about by technological advances

With the rapid development of the Internet and mobile technology, the digital transformation of financial services has become an irreversible trend. The rise of technologies such as online banking and mobile payments has enabled financial services to transcend the limitations of physical space and achieve convenient operations around the clock and across geographical areas. In China, the popularity of mobile payment tools such as Alipay and We Chat Pay is a vivid example of how technological advances are driving changes in financial services. These tools have integrated financial services into people's daily lives through mobile terminals such as smartphones, and can be completed at the touch of a button. The EU's Payment Services Directive 2 (PSD2) is indeed real. It is a European Union regulation enacted in 2015, PSD2 introduces a range of new regulations and measures, and including the requirement for financial institutions to open up payment account interfaces (APIs) to allow third-party payment service providers (TPPs) access to customers' payment account information. And it aimed at promoting competition and innovation in the European payment services market while enhancing the security of payment services and protecting consumer rights. It is just the regulation towards to the technology.

The use of big data and artificial intelligence technology, on the other hand, provides financial institutions with more accurate and efficient risk management and decision-making support. Through big data analysis, financial

institutions are able to gain a more comprehensive understanding of customers' needs and behavioral patterns, so as to formulate more accurate marketing strategies (Arner, D.W., Castellano, G.G. & Selga, E.K, 2022). At the same time, credit assessment models based on big data can more accurately assess the credit risk of individuals and enterprises, providing a more reliable basis for financial institutions to make lending and investment decisions. The application of artificial intelligence technology in the fields of intelligent investment consulting and intelligent customer service has enhanced the personalized and intelligent level of financial services, allowing customers to enjoy more intimate and professional services. Some contracts are signed in the special technology companies, when drafting and executing smart contracts in practice, it typically involves various legal documents such as contracts, terms and conditions, authorization letters, etc. These documents need to clearly define the content, conditions, and execution methods of the smart contract to ensure its legality and effectiveness.

### 2.2.3 The Relationship Between International Financial Law and Globalization

The relationship between international financial law and globalisation has become increasingly close in recent years, especially in the context of financial globalisation, and the mutual influence and promotion of the two have become more and more obvious. Globalisation has promoted the opening up of financial markets and the free flow of capital, while international financial law has played an important role in regulating the market and preventing risks in this process.

With the deepening of globalisation, the financial market gradually breaks down national boundaries, and capital seeks the best investment opportunities on a global scale. In this process, the role of international financial law cannot be ignored. It is not only an important tool for governments to regulate the financial market, but also a key factor in ensuring the stable operation of the international financial market.

In the process of implementing these financial regulatory measures, international financial law plays a key role. It not only provides the government with a legal basis and regulatory tools, but also provides market participants with a clear code of conduct. Through the regulation of international financial law, the country's financial market has gradually regained stability, and the irregularities of foreign banks have been effectively curbed.

At the same time, international financial law has also promoted the interconnection of financial markets on a global scale. Through international treaties and agreements, the financial markets of various countries have been able to link up more closely and capital flows have become smoother. This not only promotes the growth of the global economy, but also provides more development opportunities for the financial markets of various countries.

## 3. Current Challenges in International Financial Law

The landscape of international financial law is constantly evolving, shaped by the relentless forces of globalization, technological innovation, and economic integration. In this context, the current challenges in international financial law are multifaceted, encompassing regulatory issues, the impact of digital technologies, and the implications of global financial crises.

### 3.1 Legal Lag and Imperfection

In the context of globalization, international financial law faces many challenges and changes. Among them, the lack of legal progress is a significant issue. With the rapid development of financial markets and the continuous emergence of financial innovation, the existing international financial legal system often fails to keep up with the pace of market changes. This leads to a disconnection between legal norms and financial practices, making it possible for participants in the financial market to engage in transactions and operations without clear legal guidance. In the wave of globalization, international financial law is facing a series of challenges and transformations. One of them is the imperfection in law. With the increasing complexity of financial markets and the continuous innovation of financial instruments, the existing legal system is unable to cover emerging financial products and trading methods in some aspects. This imperfection not only leads to some legal gaps, but also exposes participants in the financial market to legal risks and uncertainties. General exception clauses play an important role in international financial law, and they provide a legal basis for States to temporarily breach financial regulations in specific circumstances. These specific circumstances include, but are not limited to, national security, public interest or emergency considerations. However, the interpretation and application of these provisions are often controversial in practice. Differences in the definition of concepts such as "national security" and "public interest" among countries have led to ambiguity and uncertainty as to the scope and conditions of application of the general exception clauses. This uncertainty not only increases the difficulty of implementing international financial law, but also provides room for certain countries to abuse the general exception.

#### 3.1.1 Lack of Normality and Constraint in Addressing Illegal Activities

In the context of globalization, international financial law is experiencing many challenges and transformations, among which the issue of “soft law” nature cannot be ignored (Jordan, C, 2013). The so-called “soft law” refers to those international legal norms that do not have coercive power, such as guiding principles, recommendations, and best practices. In the context of globalization, in the challenges and changes of international financial law, soft law is regarded as “soft” law due to its lack of compulsion. Soft law is usually based on international consensus, principles, or industry self-regulation, rather than national legislation or international treaties. This nature poses certain difficulties in the implementation of soft law, especially when it comes to national sovereignty, conflicts of interest, or cross-border regulatory cooperation. For example, international financial regulatory standards such as the Basel Accord, although widely accepted globally, may be implemented differently by countries due to their own interests, resulting in varying effectiveness of global financial regulation. This lack of execution may increase systemic risks in financial markets and affect global financial stability. In the process of globalization, international financial activities are becoming increasingly frequent, and economic connections between countries are becoming increasingly close. In order to maintain the stability of global financial markets, it is necessary to establish an effective international financial regulatory system. However, due to reasons such as national sovereignty and conflicts of interest, traditional hard laws (i.e., mandatory laws) have certain limitations in cross-border regulatory cooperation. Therefore, as a supplement, soft law is increasingly being applied in the field of international financial regulation. The softness of soft law is mainly reflected in the following aspects: firstly, soft law lacks legal binding force and does not have a mechanism for compulsory enforcement. This means that when implementing soft law, countries can flexibly adjust according to their own situation, and even choose not to implement it. Secondly, the process of formulating soft law often relies on international consensus and industry self-discipline, rather than through national legislation or international treaties. This formulation process may result in certain constraints on the implementation effectiveness of soft laws. In global financial regulation, the weak enforcement of soft law is mainly reflected in the following aspects: firstly, countries may adopt different enforcement measures due to their own interests when implementing international financial regulatory standards. For example, during the implementation of the Basel Accord, some countries may relax their capital adequacy requirements for banks in order to promote the development of their financial industry, thereby reducing the intensity of financial regulation. This lack of enforcement may lead to inconsistent global financial regulatory effects and increase systemic risks in financial markets. Secondly, the weak enforcement of soft laws may also be reflected in cross-border regulatory cooperation. Due to the lack of enforcement mechanisms, there may be insufficient cooperation among countries in regulating cross-border financial activities. For example, in the fight against financial crimes such as cross-border money laundering and terrorist financing, regulatory agencies in various countries may avoid supervision due to insufficient information sharing and poor law enforcement cooperation, which increases the risk of global financial markets. In the context of globalization, in the challenges and changes of international financial law, soft law faces the dilemma of ineffective enforcement due to its lack of enforce ability. This lack of execution may increase systemic risks in financial markets and affect global financial stability.

**Sanctions and insufficient enforcement:** In the context of globalization, international financial law faces a series of challenges, of which the problem of insufficient sanctions and enforcement is particularly prominent. With the close connection of the global economy, transnational financial activities are increasingly frequent, and corresponding regulatory and sanctions measures need to be strengthened. On the one hand, existing international financial sanctions often result in significant discounts in their actual effects due to differences in legal systems, insufficient regulatory cooperation, and inconsistent enforcement efforts among countries. Specifically, ineffective implementation may manifest in the following aspects: Firstly, in the process of formulating and implementing international financial sanctions, countries may have differences in the enforcement of sanctions due to their own interests. For example, in economic sanctions against certain countries, some countries may choose not to strictly enforce the sanctions measures due to economic ties or other considerations with the sanctioned parties, resulting in a significant reduction in the effectiveness of the sanctions. Secondly, in the implementation process of international financial sanctions, the effectiveness of sanctions may be affected due to the lack of effective enforcement and supervision mechanisms. For example, when imposing sanctions on certain countries or individuals for engaging in illegal financial transactions, the lack of strong enforcement and supervisory agencies may make it difficult for the sanctions measures to be effectively implemented, leading to sanctions targets being able to evade sanctions and continue engaging in illegal financial activities.

### 3.1.2 Challenges in Navigating Regulatory Complexities

**Difficulties in coordination among different jurisdictions:** In the context of globalization. International financial law is facing challenges from different jurisdictions. As economic activities cross borders, there are differences between legal systems in various countries, which brings complexity to the compliance of financial transactions.

In the context of globalization, dealing with regulatory complexity is a key issue in the challenges and changes of international financial law. Globalization has led to financial activity that crosses borders, leaving regulators in different countries facing jurisdictional challenges. For example, a multinational bank operates in multiple countries, and regulators in each country may have jurisdiction over the bank's operations within its borders. In that case, regulators may need to coordinate and work together to oversee the bank's business.

The continuous evolution of regulations: In the wave of globalization, international financial law is undergoing a series of challenges and changes. Among them, the continuous evolution of regulations is one of the most significant features. In the context of globalization, the continuous evolution of regulation is an important issue in the challenges and changes of international financial law. Existing international financial regulations are characterized in that they are often based on international consensus, principles or industry self-regulation rather than national legislation or international treaties. This nature makes regulation difficult to enforce, especially when it involves national sovereignty, conflicts of interest or transnational regulatory cooperation. Perhaps the biggest feature of the process, from existing regulations to future ones, is a greater focus on transparency, consistency and international cooperation. For example, from Basel to stricter global financial stability standards, the change process emphasizes comprehensive risk assessment and regulation, as well as transparency and regulatory cooperation on cross-border financial transactions. The evolution of these regulations may have the following effects: first, stricter regulatory standards may increase the cost of compliance for financial institutions, but also reduce systemic risks in financial markets. Secondly, strengthening international cooperation may improve the effectiveness of global financial regulation, but it may also have an impact on the development of financial industry in some countries. In addition, the evolution of regulations may also lead to regulatory overlap and conflict, which requires national regulators to strengthen communication and coordination. Generally speaking, in the context of globalization, the continuous evolution of regulation is an important issue in the challenges and changes of international financial law.

### *3.2 Impact of Technology and Digital Finance*

The advent of technology and the proliferation of digital finance have brought about a paradigm shift in the financial industry, ushering in a new era characterized by innovation and convenience. However, these advancements have also presented a slew of challenges that demand careful consideration within the realm of international financial law:

The rise of Fin Tech companies has disrupted traditional financial models, necessitating a fundamental reevaluation of existing regulatory frameworks. Regulators face the formidable task of fostering innovation while simultaneously safeguarding financial stability and protecting consumers' interests. Striking the right balance is a multifaceted challenge that requires ongoing adaptability in the face of rapidly evolving financial technology. In the context of globalization, the impact of science and technology and digital finance can't be ignored in the challenges and changes of international financial law. The rise of fin tech companies has subverted traditional financial models, such as providing more convenient and personalized financial services through mobile payment block chain technology, artificial intelligence and other means. Through innovative technologies and business models, these fin tech companies have changed the way financial services are provided, lowered the threshold of financial services, and improved the penetration rate of financial services. However, the existing regulatory framework does not adapt to these traditional financial models. First, regulators may lack a deep understanding of emerging technologies and digital finance to develop effective regulatory policies. Secondly, regulators may lack experience in regulating the business model of fin tech companies, making it difficult to judge their risks and compliance. These maladjustments may lead regulators to fail to detect and deal with problems caused by fin tech companies in a timely manner. For example, regulators may not be able to effectively regulate data privacy and security issues of fin tech companies, which may lead to damage to the interests of consumers. This maladjustment not only affects the innovation of financial markets, but also may affect the stability of financial markets. For example, regulators may not be able to regulate the risks of fin tech companies in a timely manner, which may lead to the accumulation and spread of risks in financial markets. In addition, regulators may not be able to effectively protect the rights and interests of consumers, which may lead to damage to the interests of consumers.

### *3.3 The Challenges in the Areas in International Financial Law*

With the deepening development of globalization and continuous innovation in financial markets, the field of international financial law is facing unprecedented challenges. These challenges stem not only from technological changes and rapid changes in the market environment, but also involve the lagging behind of the legal system and the imperfections of the regulatory mechanism. In order to meet these challenges, countries and international organizations are actively seeking to supplement and modify their existing legal systems to better adapt to the trends of globalization and technological innovation. In this process, not only theoretical exploration and research, but also exploration and attempts in practice are needed.

### 3.3.1 Banking Law

Against the background of an increasingly complex and innovative financial system, banking law faces a number of challenges. Among them, the most prominent problems are insufficient coverage of applicable subjects and insufficient coverage of market behaviours.

The problem of insufficient coverage of applicable subjects is particularly obvious. The current Banking Law focuses mainly on banks and lacks clear legal regulation of the market behaviour of other financial institutions, such as automobile finance companies, consumer finance companies and enterprise group finance companies. These financial institutions have gradually become more active and influential in the market, but the lack of corresponding legal constraints and guidance has undoubtedly increased the risk of the entire financial system. Meanwhile, policy banks are also outside the scope of regulation of the Banking Law. Due to its long-term lack of specialised legislation, policy banks face different legal environments when conducting competitive business with commercial banks, which not only affects fair competition in the market, but also restricts policy banks from playing a greater role in specific areas.

Secondly, insufficient coverage of market behaviours is also a major challenge for banking law. With the rapid development of financial technology, some emerging business types such as limited deposit-taking, third-party payment, money brokering, and operating banking business through new technological means such as the Internet continue to emerge. While promoting innovation in the financial market, these emerging business types have also put forward new requirements for the existing legal framework. However, the existing Banking Law lacks clear legal regulation in these areas, resulting in certain legal gaps and uncertainties in the market operation of these business types.

### 3.3.2 Securities Law

In the context of globalization, securities law is a key area in the challenges and changes of international financial law. The purpose of securities law is to standardize the order of securities market and protect the rights and interests of investors. However, with the development of globalization, the securities market is also facing new challenges. First of all, the globalization of the securities market has led to the cross-border trading of securities, which has increased the scope of application and implementation of securities law. For example, when a multinational company issues shares in multiple countries, each country's securities laws may have different provisions, which can lead to regulatory complexity and enforcement difficulties. Secondly, with the development of financial innovation, new securities products continue to emerge, such as derivatives, crypto currencies and so on, which brings new challenges to the regulation and supervision of securities law. For example, the regulation of crypto currencies is a typical example, because of its decentralized and cross-border characteristics, it is difficult for traditional securities laws to effectively regulate them. In addition, the securities market in the context of globalization is also facing problems such as information asymmetry and insufficient cross-border regulatory cooperation, which may lead to regulatory loopholes and risk accumulation. For example, information asymmetry in cross-border securities trading may lead investors to not fully understand investment risks, thus affecting their investment decisions.

As financial markets continue to evolve, securities laws face increasing challenges. As a financial instrument, depositary receipts play an important role in cross-border capital flows. However, the legal attributes of depositary receipts are not clear, leading to ambiguity in their legal relationship with investors. This may raise issues of investor rights protection. Although the Administrative Measures for the Issuance and Trading of Depositary Receipts provide for the relationship between the depositary and the holders, in practice, this relationship may not be fully recognized. Therefore, the legal attributes of depositary receipts need to be clarified to ensure that investors' rights and interests are effectively protected.

The new securities law allows listed companies to voluntarily disclose information relevant to investor decision-making, which helps increase market transparency. However, some listed companies have problems in voluntary information disclosure, such as selective disclosure and concealment of negative facts, which seriously infringes investors' right to know. In order to maintain the fairness and impartiality of the market, there is a need to strengthen the regulation of voluntary information disclosure to ensure that listed companies disclose information adequately and accurately.

Dilemmas of Securities Administrative Enforcement Settlement Enforcement. Administrative settlement, as a form of enforcement, aims to resolve disputes through negotiation, reducing costs and time. However, there are fewer cases of settlement in securities administrative enforcement, and the implementation is lengthy and costly. This may be related to factors such as the lack of clarity in the relevant legal provisions and imperfect enforcement mechanisms. In order to improve the efficiency and effectiveness of administrative settlements, more effective solutions need to be sought, such as improving the relevant legal provisions and optimizing the enforcement mechanism.

### 3.3.3 Bill Law

Firstly, with the development of economic globalization and financial innovation, the scope of application and operating environment of bill law have changed, leading to new challenges. Economic globalization enables bill transactions to cross national borders, involving laws, regulations, and market environments of different countries, which requires bill laws to have higher international applicability and flexibility. Financial innovation, such as electronic bills and derivatives, has also put forward new requirements for the regulation and supervision of bill laws. Secondly, these challenges include lagging legal provisions, inadequate regulation, and insufficient risk awareness among market participants. The lag in legal provisions may limit the development of the bill market and prevent it from adapting to the rapid changes in the market (MacNeil, I., 1999). Insufficient regulation may expose market participants to higher risks, such as credit risk, operational risk, etc. Insufficient risk awareness among market participants may lead to their failure to take appropriate measures to prevent and control risks, thereby triggering financial risks. These challenges not only affect the healthy development of the bill market, but may also lead to the accumulation and spread of financial risks. Specifically, these challenges may be reflected in the liquidity risk, credit risk, and operational risk of the bill market (LiMei Cheng *et al.*, 2020). For example, in cases of inadequate regulation, false transactions and fraudulent behavior may occur, leading to financial risks. Credit risk may occur in bill transactions, and when market participants are unable to fulfill their contractual obligations, it may lead to the breakage of the funding chain and trigger financial risks. Operational risks may occur during the execution of bill transactions, such as operational errors, system failures, etc., which may lead to financial losses and trigger financial risks.

### 3.3.4 Futures Law

Firstly, with the rapid development of global financial markets, the size and complexity of futures markets continue to increase, leading to new challenges. The rapid development of global financial markets has led to a huge amount of money involved in futures trading and a large number of participants, which requires futures law to have higher standardization and adaptability. At the same time, financial innovation, such as derivatives and electronic trading, has also put forward new requirements for the regulation and supervision of futures law. Secondly, these challenges include lagging legal provisions, inadequate regulation, and insufficient risk awareness among market participants. The lag in legal provisions may limit the development of the futures market and prevent it from adapting to the rapid changes in the market. Insufficient regulation may expose market participants to higher risks, such as credit risk, operational risk, etc. Insufficient risk awareness among market participants may lead to their failure to take appropriate measures to prevent and control risks, thereby triggering financial risks. These challenges not only affect the healthy development of the futures market, but may also lead to the accumulation and spread of financial risks. Specifically, these challenges may be reflected in the liquidity risk, credit risk, and operational risk of the futures market. For example, in cases of inadequate regulation, false transactions and fraudulent behavior may occur, leading to financial risks. Credit risk may occur in futures trading, and when market participants are unable to fulfill their contractual obligations, it may lead to the breakage of the funding chain and trigger financial risks. Operational risk may occur during the execution of futures trading, such as operational errors, system failures, etc., which may lead to financial losses and trigger financial risks.

## 4. Transformations and Future Trends

The landscape of international financial law is undergoing significant transformations, driven by the forces of globalization and technological advancements. These changes are creating new challenges and opportunities, leading to the development of future trends that are reshaping the field. These transformations correspond to the evolving nature of global finance, the need for resilient regulatory frameworks, and the dynamic role of international organizations.

### 4.1 Additions and Modifications to the Legal System

With the deepening development of globalization and continuous innovation in financial markets, international financial law is facing unprecedented challenges and opportunities. In order to cope with these changes, the legal system of international financial law is in urgent need of comprehensive supplementation and revision. Improving the international financial regulatory system has become an urgent need to ensure the stability and security of the financial markets of all countries through the formulation of stricter regulatory standards, the strengthening of cross-border co-operation and the establishment of a unified global regulatory body. It is crucial to improve the enforceability of international financial laws, and to ensure that countries comply with the provisions of international financial laws and maintain their authority and effectiveness by strengthening international arbitration and litigation mechanisms. In addition, emerging financial areas such as block-chain and digital currencies need to be supplemented and regulated by the legal system in a timely manner to prevent potential risks and promote their healthy development. Meanwhile, cross-border capital flows, as a core component of the international financial market, also need to be more strictly regulated to ensure the legality and

safety of capital flows. It is equally important to popularize and educate the knowledge of international financial law, to raise the awareness and attention of governments and financial institutions to international financial law, and to promote the transparency and fairness of the global financial market. To sum up, the supplementation and modification of the legal system of international financial law is a process of continuous adaptation and response to challenges, and only by keeping pace with the times, continuous innovation and improvement can we provide solid legal protection for the stability and prosperity of the global financial market.

#### *4.2 Emerging Regulatory Frameworks and Policies*

The emergence of new regulatory frameworks and policies in international financial law is a direct response to the complexities introduced by globalization and technological innovations. These frameworks are being designed to address a myriad of challenges, ranging from the regulation of digital currencies and fin tech innovations to the management of cross-border financial risks. New regulatory frameworks and policies are centered on addressing challenges in the areas of digital currencies, fin-tech innovations and cross-border financial risks. Among other things, the rise of digital currencies had raised regulatory questions about their value storage, transaction security and anti-money-laundering. Fin-tech innovation, on the other hand, requires regulators to find a balance between protecting consumer rights, ensuring market fairness and maintaining financial stability. And the management of cross-border financial risks involves international cooperation and coordination to jointly address capital flows, market volatility and systemic risks.

A noteworthy trend in these new regulatory frameworks and policies is the integration of sustainability into financial regulation. Furthermore, there is a growing emphasis on incorporating sustainability into financial regulations. This involves integrating environmental, social, and governance (ESG) considerations into financial decision-making processes (Arslan, Z. & Göçmen Yağcılar, G., 2023). Regulations are increasingly focusing on sustainable finance, with an aim to align financial activities with broader societal and environmental objectives. This shift is reflective of a more holistic approach to financial regulation, one that recognizes the interdependence of economic growth, environmental sustainability, and social welfare. The development of new regulatory frameworks and policies in international financial law is primarily a reaction to the complexities introduced by globalization and technological innovation. These new frameworks aim to enhance rules' robustness, increase enforce ability, and standardize financial practices globally. In summary, the future of international financial law is characterized by a move towards greater harmonization, a focus on sustainability, adaptability to technological advancements, enhanced legal clarity and enforcement, preparedness for financial crises, and a heightened emphasis on regulating cross-border finance. These trends reflect a dynamic and responsive approach to the challenges and opportunities presented by the evolving global financial landscape.

#### *4.3 The Transformations in the Areas in International Financial Law*

As the process of globalization accelerates, the field of international financial law is undergoing unprecedented changes. These changes stem not only from the rapid development and innovation of the financial market itself, but also from the profound adjustment of the international political and economic landscape. Against this background, international financial law needs to continuously adapt and respond to these changes in order to ensure the stability, fairness and transparency of financial markets.

##### *4.3.1 Banking Law*

Banking law is undergoing a series of changes as a result of the rise of fin-tech, innovation in financial markets and the increasing complexity of the global financial environment. These changes are aimed at ensuring the sound operation of banks, safeguarding the rights and interests of financial consumers, and promoting the healthy development of the financial industry.

The changes in banking law reflect the inclusion and regulation of fin-tech. The development of fin-tech has brought unprecedented opportunities and challenges to the banking industry. In order to capitalize on these opportunities and respond effectively to the challenges, banking law needs to be continuously updated to accommodate the rapid development of fin-tech. This includes developing regulatory standards for fin-techs, clarifying the legal status of fin-tech organizations, and strengthening cooperation and coordination with the traditional banking sector (Stankevičienė, J. & Kabulova, J., 2022).

Second, changes in banking law emphasize risk management and prevention. As financial markets continue to innovate and cross-border financial activities increase, banks face increasingly complex and diverse risks. Therefore, banking law needs to place greater emphasis on risk management and prevention and control to ensure that banks can effectively identify, assess and control risks. This includes strengthening internal control mechanisms, improving risk management systems and enhancing the professionalism and effectiveness of risk management.

Changes in banking law also focus on the protection of the rights and interests of financial consumers. Financial consumers are the main target of banking services, and the protection of their rights and interests is an integral

part of banking law. In order to strengthen the protection of financial consumers, the banking law needs to clarify the basic rights and interests of financial consumers, regulate the service behaviors of banks, and establish effective complaint and dispute resolution mechanisms. At the same time, there is a need to strengthen the supervision and evaluation of banking services to ensure that banks can provide safe, convenient and efficient services to financial consumers.

Changes in the most banking laws need to be coordinated and consistent with international financial laws. With the deepening development of globalization, the internationalization of the banking industry is becoming increasingly obvious. Therefore, banking law needs to be closely coordinated and consistent with international financial law to ensure that multinational banks are able to conduct business globally and are subject to uniform regulatory standards. This includes strengthening cooperation and communication with international financial regulators, participating in the development and revision of international financial law, and promoting the harmonization and standardization of international financial law.

In summary, the changes in banking law are the inevitable result of adapting to the needs of financial innovation and risk management. These changes aim to ensure the sound operation of banks, safeguard the rights and interests of financial consumers and promote the healthy development of the financial industry. By constantly updating and improving the banking law, we can better cope with the challenges and opportunities of the financial market and provide a solid legal guarantee for the sustainable development of the banking industry.

#### 4.3.2 Securities Law

In the context of globalization, international financial law is facing a series of challenges and changes, among which the reform and improvement of securities law are particularly important. In order to address these challenges, securities law needs to take a series of solutions. Firstly, the international community should strengthen cooperation and promote the international unification of securities law, and reduce regulatory arbitrage and uncertainty. Secondly, financial regulatory standards should be improved and cross-border regulatory coordination should be strengthened to prevent financial risks. In addition, the resources and capacity building of financial regulatory institutions should be strengthened to improve regulatory efficiency and effectiveness. Finally, we should actively promote the innovation of financial technology, and promote the development and application of financial technology on the premise of ensuring controllable risks. Through these measures, we can effectively address the challenges faced by securities law in the context of globalization, promote the healthy development of international financial law, protect the legitimate rights and interests of investors, and maintain the stability and healthy development of financial markets.

#### 4.3.3 Bills Law

In the context of globalization, international financial law is facing many challenges and changes, among which the reform and improvement of the negotiable instrument law cannot be ignored. In order to address these challenges, the negotiable instrument law needs to take a series of measures. Firstly, the international community should strengthen cooperation and promote the international unification of negotiable instrument law, and reduce regulatory arbitrage and uncertainty. Therefore, the bills law should clarify the rules and procedures for the transfer of instruments, strengthen the supervision of the transfer of instruments, and ensure the legality and normality of the instrument market. Strengthening the information disclosure requirements is key, requiring the issuer and the transferor of the notes to fully disclose relevant information to reduce information asymmetry and the possibility of arbitrage. It is also crucial to establish risk prevention and control mechanism to monitor and warn of risks in the notes market in real time, and take timely measures to intervene and stop unusual transactions or potential arbitrage. For the cross-border notes market, it is indispensable to strengthen cooperation with international financial regulators to jointly develop cross-border regulatory standards and combat cross-border arbitrage. Raising legal sanctions is an important means to maintain market order and stability. Market participants who engage in arbitrage in violation of the provisions of the bills law should be severely sanctioned in accordance with the law. Through the implementation of these specific measures, we can effectively reduce arbitrage behavior in the bill market, promote the reform and improvement of the bills law, facilitate the healthy development of international financial law, and safeguard the stability of the financial market and the legitimate rights and interests of investors. Secondly, financial regulatory standards should be improved and cross-border regulatory coordination should be strengthened to prevent financial risks. In addition, the resources and capacity building of financial regulatory institutions should be strengthened to improve regulatory efficiency and effectiveness. Finally, we should actively promote the innovation of financial technology: and promote the development and application of financial technology on the premise of ensuring controllable risks. Through these measures, we can effectively address the challenges faced by negotiable instrument law in the context of globalization, promote the healthy development of international financial law, protect the legitimate rights and interests of investors, and maintain the stability and healthy development of financial markets.

#### 4.3.4 Futures Law

In the wave of globalization, international financial law, particularly futures law, is facing unprecedented challenges and changes. The special characteristics of the futures market, such as high risk, high leverage and cross-border nature, make its legal regulation particularly complex and critical. In order to cope with these challenges, the reform and improvement of futures law appears to be urgent.

Firstly, it is imperative to strengthen international cooperation and promote international harmonization of futures law. Taking the Basel Accord as an example, national banking regulators have effectively reduced regulatory arbitrage and uncertainty and enhanced the stability of the financial system by jointly formulating and complying with this internationally harmonized financial regulatory standard. Similarly, the futures market can also learn from this experience, through international organizations such as the International Organization of Securities Commissions (IOSCO) (Zlotnikova, E., 2010) and other platforms, to strengthen the communication and coordination of futures laws in various countries, and to promote the formation of a set of internationally unified futures laws and regulations, so as to provide a solid legal foundation for the healthy development of the global futures market.

Secondly, improving financial regulatory standards and strengthening cross-border regulatory coordination is the key to preventing financial risks. Taking the European Union as an example, it has strengthened regulatory cooperation and coordination among member states through the implementation of unified financial regulatory standards, such as the relevant rules formulated by the European Banking Authority (EBA), and effectively prevented the cross-border spread of financial risks. The futures market can also learn from this practice by formulating more stringent and specific regulatory standards, strengthening information sharing and concerted action among regulatory agencies of various countries, and forming synergy to jointly safeguard the stability and safety of the financial market.

In addition, it is also crucial to strengthen the resources and capacity building of financial regulators. Take the Financial Conduct Authority (FCA) of the United Kingdom as an example, the agency has strengthened its regulatory efforts and effectiveness by continuously improving the level of regulatory technology and the quality of professional staff. Regulators of the futures market should also invest more in improving the level of regulatory technology and the quality of professional staff to ensure efficient and accurate regulation.

Finally, financial technology innovation should be actively promoted. Promote the development and application of financial technology under the premise of ensuring controllable risks. Taking block-chain technology as an example, its decentralization, transparency and tamper ability have brought new regulatory ideas to the futures market. Through the application of block-chain technology, the whole process of monitoring and tracing of futures transactions can be realized, improving regulatory efficiency and transparency. At the same time, fin-tech can also provide more convenient and efficient trading and settlement services for the futures market and promote the healthy development of the market.

### 5. Conclusion

As globalization continues to evolve, it is anticipated that international financial law will witness further developments and transformations. One key area of focus will be the regulation of digital finance and technology-driven financial services. The rapid growth of fin tech, digital currencies, and block chain technologies presents both opportunities and challenges for financial regulators. Future developments are likely to include the establishment of comprehensive frameworks that can effectively regulate these innovations while fostering their potential to enhance financial inclusion and efficiency.

Another anticipated development is the increasing emphasis on global financial safety nets. This involves the creation of mechanisms and policies designed to prevent and manage financial crises on a global scale. Such safety nets may include enhanced liquidity provisions, coordinated regulatory interventions, and crisis response protocols. The aim is to develop a more resilient global financial system that can withstand shocks and maintain stability in the face of economic uncertainties.

In conclusion, the transformations and future trends in international financial law are shaped by the dynamic interplay between emerging regulatory frameworks, the role of international organizations, and the ongoing process of globalization. These developments reflect a continuous effort to adapt to an ever-changing financial landscape, marked by technological innovations and global integration. The future of international financial law will likely see further evolution, as it seeks to address new challenges and harness opportunities in a globalized financial world. The effectiveness of these efforts will be critical in ensuring financial stability, promoting sustainable growth, and achieving equitable economic development across the globe.

The exploration of the current landscape and future trajectory of international financial law reveals a complex interplay of challenges and transformations, deeply influenced by the relentless tide of globalization. This conclusion aims to succinctly summarize these critical elements, offering an outlook on the future of

international financial law and reflecting on the direction and impact of impending changes.

The key challenges in international financial law stem from the intricacies of regulatory harmonization, the rapid evolution of technology and digital finance, and the ramifications of global financial crises. These challenges are underpinned by the overarching theme of globalization, which has necessitated a shift from isolated, national financial legislation to a more integrated, global regulatory framework. The complexity of aligning diverse financial regulations, mitigating systemic risks in a highly interconnected global economy, and adapting to the digital revolution in finance, underscores the dynamic nature of these challenges.

Simultaneously, significant transformations are reshaping international financial law. These include the emergence of new regulatory frameworks tailored to address the peculiarities of digital finance, the heightened role of international organizations in fostering global cooperation and stability, and the increasing emphasis on sustainable and inclusive financial practices. These transformations are not mere responses to challenges but proactive steps towards creating a more robust, efficient, and equitable global financial system.

Looking forward, the outlook for international financial law in a globalized world is one of continual adaptation and evolution. The relentless pace of technological innovation and the deepening of global economic integration will perpetually reshape the financial landscape. International financial law is poised to become more inclusive, encompassing a broader range of financial activities and technologies, and more collaborative, with an increased reliance on international cooperation and harmonization of standards.

The trend towards sustainability and social responsibility in financial practices is expected to gain further momentum. Regulations are likely to increasingly integrate environmental, social, and governance (ESG) considerations, aligning financial activities with broader societal goals.

The future direction of international financial law is geared towards creating a more interconnected and resilient global financial system. This will involve not only addressing existing and emerging challenges but also capitalizing on new opportunities for growth and innovation. The impact of these changes will be far-reaching, affecting everything from global economic stability to individual financial practices.

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