INTERNATIONAL LAW ASSOCIATION

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INTERNATIONAL SECURITIES REGULATION COMMITTEE

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I. INTRODUCTION

1. Since the Athens biennial conference in 2024, three trends have been evident in the evolution of the committee. First, we welcomed new members from Europe, Asia and Africa, thereby enabling us to extend our global coverage and to better understand the drivers that are shaping global capital markets. Second, with the benefit of new members, we were able to engage more actively with international securities regulators. Our joint event with IOSCO in Madrid on March 13th, 'Building Resilient Capital Markets in a Digital Era: A Legal and Regulatory Dialogue', marked the beginning of what we expect to be a more active phase of interaction on policy issues. Third, we initiated our plan to liaise more systematically with MOCOMILA in recognition of our shared interest in issues which overlap across monetary law and securities law. Our joint session at the Vienna conference will take forward that collaboration, building on a joint publication currently in progress in honour of former ISRC chair and MOCOMILA member Prof. Cynthia Lichtenstein.

2. This report picks up where we left off in 2024 and is organised around the same themes, digital finance, competition and collaboration between stockmarkets, and sustainable finance. All three themes are linked to core issues in international law and international cooperation, and considerable change is evident since our last report. In digital finance, technological and regulatory developments have accelerated, posing considerable challenges to traditional forms of regulation and the capacity of national authorities to control cross-border investment flows. In sustainable finance, the change of tone in the United States during the second term of the Trump presidency has constrained ESG-focused policy and the impact has been felt more broadly, with the EU reining-in its ambitious agenda. Concerns over competitiveness have been to the fore in global stockmarkets, amid a global decline in the role of public markets as private markets have expanded rapidly.

3. These changes demand a more active role for international law and international cooperation in framing solutions. A key feature of many of the challenges is that they are not amendable to resolution by state action alone, indeed reliance on that approach runs the risk of exacerbating the situation by deepening divergence and embedding it in emerging capital market structures. Our report aims to identify some of the key challenges and to suggest solutions that could be adopted at the international level by global standard setters. The initiation of an-going dialogue with IOSCO (the International Organisation of Securities Commissioners) during the current reporting period provides us with a valuable sounding board and conduit for such proposals. While remaining alert to the dangers of the cognitive bias that 'we live in special times', our report does suggest that some fundamental issues that carry implications well beyond the perceived technical domain of securities regulation are currently in play. We hope that our report casts some light on these issues and the potential way forward.

II. DIGITAL FINANCE

4. Digital finance is undergoing rapid transformation across major jurisdictions. This is driven by technological innovation, and new forms of financial intermediation. While each jurisdiction is taking its own approach, several themes recur: regulating crypto-assets, strengthening operational resilience, and re-thinking market structures; while cases like the

FTX insolvency stress the need for enhanced risk management. These developments clearly intersect with international law. Digital finance operates across borders and depends on shared standards for data flows, cybersecurity, or anti-money-laundering; digital assets may be classified as financial instruments or e-money, and covered by traditional laws, with appropriate adjustments, or treated separately by explicit legislation. With each jurisdiction making its own choices, this raises the need for coordination. Furthermore, and crucially, all these developments take place among heightened geopolitical considerations around data, payments, and market infrastructure. Global standard setters such as the BIS/BCBS, CPMI, IOSCO and FATF are permanently active in updating their frameworks applied to digital finance, focusing primarily on (i) threats to global financial stability; (ii) protection of investors and market integrity; and (iii) AML and combat of terrorism financing. Jurisdictions try to combine these goals with the need to foster innovation, with different priorities, as seen from the examples of China (1), Japan and Korea (2), the European Union (3), the United States (4), Latin America (5) and Africa (6). Meanwhile, it is important to not disregard the relevance of private law issues (7).

1.1 China

5. Digital finance development in China is deeply rooted in national strategies and policy initiatives. At the Central Financial Work Conference held at the end of 2023, the 'Five Financial Priorities'[1] concept was first proposed, to ensure that the financial system focuses on advancing technological finance, green finance, inclusive finance, pension finance, and digital finance. On November 21, 2024, seven departments including the People's Bank of China jointly issued the *Action Plan for Promoting the High-Quality Development of Digital Finance*[2], which established specific development pathways and implementation measures for digital finance. On March 2, 2025, the General Office of the State Council released the *Guidance on Advancing the Five Financial Priorities* (Guobanfa [2025] No. 8)[3], laying out a comprehensive and systematic policy framework for the 'Five Financial Priorities' and marking the transition of this national strategy into a stage of full-scale implementation.

6. To support the development of digital finance, China has established a multi-tiered and comprehensive legal and regulatory system, with national laws as the foundational framework, administrative regulations and departmental rules as pillars for risk prevention, and local practices as exploration for institutional innovation.

7. Specifically, national laws such as the *Cybersecurity Law*[4], the *Data Security Law*[5], and the *Personal Information Protection Law*[6] constitute the fundamental legal framework for digital finance and establish data security governance mechanisms. Administrative regulations and departmental rules, including the *Measures for the Supervision of Information Technology*

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[1] The Central Financial Work Conference was held in Beijing, https://www.gov.cn/yaowen/liebiao/202310/content_6912992.htm.
[2] The Notice on Issuing the 'Action Plan for Promoting High-Quality Development of Digital Finance, https://www.mofcom.gov.cn/cwxx/zcfb/art/2025/art_a4f08a24e0ef468f83fcf21cbdbcdfe7.html.
[3] The Guidance on Advancing the Five Financial Priorities (Guobanfa [2025] No. 8), https://www.gov.cn/gongbao/2025/issue_11926/202503/content_7014001.html.
[4] The Standing Committee of the National People's Congress, 'the Cybersecurity Law of the People's Republic of China' (7 November 2016), http://www.npc.gov.cn/zgrdw/npc/xinwen/2016-11/07/content_2001605.htm.
[5] The Standing Committee of the National People's Congress, 'the Data Security Law of the People's Republic of China', (10 June 2021), http://www.npc.gov.cn/c2/c30834/202106/t20210610_311888.html.
[6] The Standing Committee of the National People's Congress, 'the Personal Information Protection Law of the People's Republic of China' (20 August 2021), http://www.npc.gov.cn/npc/c2/c30834/202108/t20210820_313088.html.

Outsourcing Risks of Banking and Insurance Institutions[7], embed compliance review and risk assessment throughout the entire process of innovation and outsourcing, thereby strengthening digital financial risk prevention. Regulations on Cyber Data Security Management [8]offer both institutional and technical safeguards to enhance data and network security. The *Interim Measures for the Supervision and Administration of Financial Holding Companies*[9] implement functional regulation and reinforce oversight of digital financial activities. Regulations such as the *Implementation Plan for the High-Quality Development of Digital Finance in the Banking and Insurance Sectors* [10]systematically deploy regulatory digital transformation and promote the digitalization of digital finance supervision.

8. Meanwhile, the *Measures for Regulatory Evaluation of Consumer Rights Protection by Financial Institutions*[11] establish a consumer protection framework and improve mechanisms for safeguarding the rights and interests of financial consumers. These laws, administrative regulations and departmental rules are effectively implemented through multi-level and normalized mechanisms, including the integration of compliance internal controls with technological governance, as well as the adoption of penetrating and continuous regulatory assessments. In parallel, financial institutions and regulatory authorities conduct joint enforcement actions and special rectification campaigns in accordance with relevant rules, and promote the establishment of diversified dispute resolution mechanisms, thereby comprehensively enhancing industry-wide risk prevention capacity and compliance standards.

9. At the level of local institutional practice, Beijing and Shenzhen provide illustrative examples. On October 16, 2024, the Beijing Municipal Financial Committee Office, together with five other departments, issued the *Opinions on Promoting the High-Quality Development of Digital Finance in Beijing*[12]. Leveraging Beijing's advantages as a national financial management centre and a hub of scientific and technological resources, the policy emphasizes pilot innovations in areas such as the application of large language models in finance and the expansion of pension finance scenarios. Similarly, on April 11, 2025, the Shenzhen Branch of the People's Bank of China, in conjunction with eight other departments, released the *Implementation Opinions on Advancing the Digital Finance "Major Article" and Building a "Digital China" Shenzhen Model*[13]. Taking advantage of Shenzhen's unique geographical and institutional position, this initiative explores compliance-first pilot programs in areas such as cross-border data flows and the construction of local credit information platforms. Together, these local practices form complementary and mutually reinforcing models, accumulate valuable experience for national legislation, and have achieved tangible results.

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[7] The China Banking and Insurance Regulatory Commission, 'the Measures for the Supervision of Information: Technology Outsourcing Risks of Banking and Insurance Institutions' (30 December 2021) https://www.gov.cn/zhengce/zhengceku/2022-01/25/content_5670294.htm.

[8] The State Council of the People's Republic of China, 'the Regulations on Cyber Data Security Management' (24 September 2024) https://www.gov.cn/zhengce/zhengceku/202409/content_6977767.htm.

[9] The People's Bank of China, 'the Interim Measures for the Supervision and Administration of Financial Holding Companies' (11 September 2020), https://www.gov.cn/zhengce/zhengceku/2020-09/13/content_5543147.htm.

[10] The General Office of the National Financial Supervision and Administration, 'the Implementation Plan for the High-Quality Development of Digital Finance in the Banking and Insurance Sectors' (22 December 2025), https://www.gov.cn/zhengce/zhengceku/202512/content_7052874.htm.

[11] The National Financial Supervision and Administration Bureau, 'the Measures for Regulatory Evaluation of Consumer Rights Protection by Financial Institutions' (10 September 2025), https://www.gov.cn/gongbao/2025/issue_12386/202511/content_7047400.html.

[12] The Opinions on Promoting the High-Quality Development of Digital Finance in Beijing, https://jrj.beijing.gov.cn/zcfg/bjszcfgn/202410/t20241028_3929697.html.

[13] The Implementation Opinions on Advancing the Digital Finance '"Major Article" and Building a "Digital China" Shenzhen Model' https://shenzhen.pbc.gov.cn/shenzhen/122811/122830/5648743/5674164/index.html.

10. Thus, China has sought to provide a systematic and stable institutional environment for the high-quality development of digital finance under the premise of security and compliance. Looking ahead, China will continue to refine its digital finance governance framework with Chinese characteristics, contributing Chinese wisdom and solutions to global digital finance governance.

1.2 Japan and Republic of Korea

11. The years 2024 and 2025 marked a turning point for digital finance regulation in Japan and Republic of Korea (hereinafter, "Korea"), focused on user/investor protection and market integrity after the FTX collapse, and laying the institutional groundwork for new industries, such as Web3 and Security Tokens. Japan made progress in integrating stablecoins and DAOs (Decentralized Autonomous Organizations) into its existing legal framework, placing weight on industrial promotion and market revitalisation through tax reform and the expansion of stablecoin liquidity. Korea, for its part, successfully implemented the Virtual Asset User Protection Act (VAUPA), prioritising market trust, and pushed for the legalization of security tokens, and completed the approval of three major Big Tech firms to operate BNPL services following their institutionalisation. Both countries showed a shared direction of resolving uncertainties for institutional investors' market entry through the introduction of clear regulations. Meanwhile, the central banks of both countries (Bank of Japan and Bank of Korea) conducted CBDC pilot tests throughout the 2024–2025 period.

1.2.1 Japan

12. Following the establishment of Japanese stablecoin regulations with the enforcement of the revised *Payment Services Act* (PSA) in 2023,[14] the Japanese Cabinet approved an additional amendment in March 2025 to relax reserve management requirements for stablecoin issuers.[15] Previously, issuers were required to hold their entire reserve in cash-equivalent assets (such as demand deposits); however, the 2025 amendment allows them to hold up to 50% in low-risk assets like government bonds or time deposits. This measure is regarded as a step to improve the profitability of the stablecoin business within Japan and enhance international competitiveness. Furthermore, market entry intensified in 2025, with SBI VC Trade having finalised registration procedures to handle stablecoins like USDC, marking a first in Japan.

1.2.2 Allowance of LLC-type DAOs

13. In April 2024, Japan established regulations allowing DAOs to acquire legal personality in the form of a Limited Liability Company (*Godo Kaisha*). This was achieved through an amendment to the *Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act*, effective April 22, 2024,[16] aiming to promote Web3 startups in Japan by clarifying the legal liability of DAO members and enabling real-world economic

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[14] The revised PSA defines stablecoins as "Electronic Payment Instruments" and restricts issuers to banks, trust companies, and funds transfer service providers, thereby permitting fiat-backed stablecoins.

[15] See more on this, FSA, 'Explanatory Document on the Draft of the Payment Services Act Amendment' (March 2025), <https://www.fsa.go.jp/common/diet/217/02/setsumei.pdf>.

[16] To explain the key aspects of the amendment: previously, tokenized membership rights (equity) were classified as highly liquid "Type I Securities" such as stocks and subject to stringent regulations. However, the revised law introduced a special provision reclassifying them as "Type II Securities", which are subject to comparatively relaxed regulations, provided that requirements such as transfer restrictions and investor protection measures are met. This established a legal basis for DAOs to acquire legal personality as Limited Liability Companies (LLCs) and legally raise funds and operate within Japan.

activities, such as opening bank accounts and signing contracts.[17] A distinct feature of this approach is that, unlike jurisdictions such as Wyoming in the U.S., Japan adopted an indirect method by amending provisions related to securities regulation rather than revising the Company Act itself.

1.2.3 Cryptoasset Tax Reform and Reclassification as Financial Products

14. The Financial Services Agency (FSA) of Japan pursued a plan to overhaul the taxation system for cryptoassets to resemble that of stocks through tax reform discussions in 2025. Following the 2024 tax reform, which abolished mark-to-market taxation on cryptoassets held long-term by corporations, concrete discussions were held in 2025 to lower the income tax rate for individual investors from a maximum of 55% (classified as miscellaneous income) to a flat rate of 20% (separate taxation).[18] Additionally, the FSA is preparing legislative amendments to reclassify cryptoassets as 'financial products' under the *Financial Instruments and Exchange Act*, aiming to strengthen investor protection and pave the way for the launch of derivatives such as ETFs.[19]

1.2.4 Korea

15. Implementation of the Virtual Asset User Protection Act**:** On July 19, 2024, Korea officially enforced the *Act on the Protection of Virtual Asset Users (VAUPA)*.[20] The VAUPA mandates that Virtual Asset Service Providers (VASPs) segregate users' deposits from their own assets and deposit or trust them with banks and further requires that at least 80% of users' virtual assets be stored in cold wallets. Additionally, the VAUPA strictly prohibits unfair trading practices such as the use of material non-public information, market manipulation and fraudulent transactions, establishing grounds for imprisonment of at least one year or fines ranging from three to five times the unfair profits.

16. Legislative Push for Security Tokens**:** Throughout 2025, the Korean National Assembly and the financial authority continued their work on amending the *Capital Markets Act* and the *Act on Electronic Registration of Stocks, Bonds, etc.* which is so called "Electronic Securities Act" to regulate the issuance and distribution of Security Tokens. In November 2025, the relevant bills passed the National Assembly subcommittee, clearing a major legislative hurdle, with enforcement targeted for 2026. The bill recognises distributed ledger technology as a legitimate ledger for electronic securities and allows qualified issuers to directly issue security tokens without relying on securities firms.[21] This is expected to accelerate the tokenization of

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[17] See FSA, "Amendment to the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act", 1 April 2024 (in Japanese), https://www.fsa.go.jp/news/r5/shouken/20240401/20240401.html; and National Tax Agency (NTA), 'Tax Treatment of Crypto Assets (FAQ)', 26 December 2025, https://www.nta.go.jp/publication/pamph/pdf/virtual_currency_faq_03.pdf.

[18] See FSA, 'Tax Reform Requests for 2026' (August 2025) (in Japanese), https://www.fsa.go.jp/news/r7/sonota/20250829/01.pdf .

[19] See more details, FSA Financial System Council, 'Working Group's Report on the Regulatory Framework for Crypto Assets' (10 December 2025) (in Japanese), https://www.fsa.go.jp/singi/singi_kinyu/soukai/siryou/20260203/2-2.pdf.

[20] See Financial Services Commission (FSC), "The Act on the Protection of Virtual Asset Users to Take Effect from July 19" (17 July 2024) (in Korean), https://www.fsc.go.kr/no010101/82682?srchCtgry=&curPage=&srchKey=sj&srchText=%EA%B0%80%EC%83%81%EC%9E%90%EC%82%B0%EC%9D%B4%EC%9A%A9%EC%9E%90%EB%B3%B4%ED%98%B8%EB%B2%95&srchBeginDt=&srchEndDt=.

[21] See more on this, FSC, 'Passage of the Amendments to the Electronic Securities Act and the Capital Markets Act by the National Assembly Plenary Session for the Introduction of Security Tokens and the Distribution of

various Real-World Assets (RWAs), such as real estate, art and music copyrights. Currently, the issuance of security tokens is permitted only on a limited basis through the financial regulatory sandbox scheme.

17. Discussion on Phase 2 Legislation: With the completion of Phase 1 legislation focused on user/investor protection, discussions began in 2025 regarding Phase 2 legislation, which covers regulations on the VASPs, issuance and distribution disclosures, and stablecoins, etc. Currently, six relevant legislative bills have been submitted to the National Assembly, and the plan is to swiftly push for legislation once the government's proposal is unveiled in early 2026.

18. Legislation of BNPL Regulations: In Korea, Big Tech companies meeting certain requirements had been piloting BNPL services through the financial regulatory sandbox scheme. This was institutionalized following the addition of Article 35-2 to the *Electronic Financial Transactions Act* (EFTA), revised in September 2023. Subsequently, in July 2025, three major companies—Naver Pay, Kakao Pay, and Toss—received approval to conduct Small-sum Post-payment Services (the Korean version of BNPL). For reference, the Small-sum Post-payment Service under Article 35-2 of the EFTA is defined as a concurrent business for prepaid electronic payment means issuers.

1.3 European Union

19. The European Union adopted a comprehensive regulatory package under the Digital Finance Strategy (2020).[22] The centrepiece is the *Markets in Crypto-Assets Regulation (MiCA)*, approved in 2023 and entering into force in 2024–2025.[23] MiCA introduces licensing and conduct rules for crypto-asset service providers ('CASPs'), regulates stablecoins ('asset-referenced tokens' or 'ARTs' and 'e-money tokens' or 'EMTs'), and sets organisational and prudential requirements.[24] Crypto-asset issuers in the EU must publish an authorised white paper.[25] MiCA entered into force on 29 June 2023, with a phased-in application to ART/EMT issuers (30 June 2024) and CASPs and issuers of crypto-assets other than ARTs or EMTs (30 December 2024),[26] with the European Banking Authority (EBA) and the European Securities Market Authority (ESMA) delivering the implementing technical standards.

20. The EBA released a Risk Assessment Questionnaire (RAQ) in autumn 2025,[27] showing (i) low tokenisation, with few (12%) EU banks expected to provide non-MiCA scope tokenised assets (e.g. tokenised bonds) in the next years, only one 'live' case of tokenised deposits, and a handful at the design/experimentation phase; and (ii) growing EMT issuance (11% of banks expecting to provide it in the next years, up from 1% in H2 2024), which may reflect the adoption of technical standards; and (iii) low interest in ART issuance (7% of banks expecting to provide within the next 2 years). As of November 2025, there were 27 EMTs registered at

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Investment Contract Securities' (15 January 2026) (in Korean), https://www.fsc.go.kr/no010101/86064?srchCtgry=&curPage=&srchKey=sj&srchText=%ED%86%A0%ED%81%B0%EC%A6%9D%EA%B6%8C&srchBeginDt=&srchEndDt=.

[22] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on a Digital Finance Strategy for the EU. COM/2020/591 final. Available at: https://finance.ec.europa.eu/publications/digital-finance-package_en.

[23] Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937

[24] Articles 3(1) (6) and (7) (EMTs and ARTs), 59 and ff. (CASPs)

[25] Article 6 MiCAR.

[26] Article 149 (1) – (4) MiCAR.

[27] EBA, 'Risk assessment questionnaire' (2024), Available at https://www.eba.europa.eu/sites/default/files/2025-12/063a8860-830a-49e6-9515-7003db629d89/RAQ%20Booklet%20graphs%20Autumn%202025.pdf

ESMA, issued by 17 institutions (2 credit institutions, 15 e-money institutions), although issued EMT volumes are not material[28].

21. One outstanding issue is whether MiCAR covers stable coin multi-issuances (SMIs), i.e., joint issuances of stablecoins with EU and non-EU-based issuers (often within the same group), to offer stablecoins with the same technical characteristics that are presented as interchangeable by the issuers. In 2024, the French financial supervisory authority (ACPR) asked EU authorities to clarify whether such schemes were admissible under MiCAR,[29] usually pegged to an official currency (predominantly the US dollar) and qualify as EMTs under MiCAR. Pursuant to MiCAR, the issuance of asset referencing stablecoins, and, in particular, EMTs is subject to specific prudential requirements that ensure investor protection. EU issuers must, in particular:[30]

- redeem the token at par value, any time, without a fee;
- back the token by an asset reserve (composed of high-quality liquid assets); and
- comply with own funds requirements.

22. In 2025 the ECB[31] and the ESRB[32] published warnings relating to SMIs, pointing out financial stability concerns and indicating that these schemes should not be admissible under MiCAR, or should at least be subject to stricter supervision and enforcement under (amended) MiCAR rules. The key concern is that SMIs that can be requested to be redeemed by any issuer, irrespective of who issued the specific tokens, whether the EU or the non-EU issuer, while the EU entity would not be able to cover all redemption requests from EU and non-EU token holders with its assets. The ECB and ESRB highlight the following risks that they see as crucial:

- high incentive for non-EU stablecoin holders to demand redemption from the EU entity;
- run on EU issuers of EMTs in stress episodes due to more favourable redemption rules;
- contagion risk across EU banks due to redemption related liquidity strains.

23. Given that the clarification Question concerns the MiCA Regulation the query submitted by the ACPR will be addressed by the European Commission. An Answer is expected in early 2026.

24. The EU has also adopted the *Digital Operational Resilience Act* (DORA),[33] which applies from 2025. DORA creates a unified framework for ICT risk management across financial institutions, sets standards for incident reporting,[34] and introduces direct oversight for critical

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[28] EBA, 'Risk Assessment Report' (December 2025), available at https://www.eba.europa.eu/publications-and-media/publications/risk-assessment-report-december-2025#ipn-0-522952902056239

[29] EBA, 'Q&A single rulebook 2024_7068' (2024) See https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2024_7068

[30] Articles 48-49, 54, and 35 MiCAR.

[31] ECB, 'Non-paper on EU and third country stablecoin multi-issuance', available here: https://data.consilium.europa.eu/doc/document/WK-4742-2025-COR-1/en/pdf

[32] ESRB, 'RECOMMENDATION OF THE EUROPEAN SYSTEMIC RISK BOARD of 25 September 2025 on third-country multi-issuer stablecoin schemes' ESRB/2025/9, available at: https://www.esrb.europa.eu/pub/pdf/recommendations/esrb.recommendation251020.en.pdf?469ebdeaa563699c20de7008b8a997e0.

[33] Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011.

[34] Articles 5-16 (governance and risk management), 17-23 (incident management) DORA.

third-party providers, including cloud service operators outside the EU.[35] The extraterritorial implications are significant: non-EU technology providers must comply with EU supervisory expectations, raising questions of international cooperation and data access.

25. A further initiative is the *pilot regime for distributed ledger technology* (DLT),[36] allowing multilateral trading facilities and settlement systems to experiment with tokenised securities under temporary regulatory exemptions. This seeks to facilitate experimentation while safeguarding market integrity.

26. The EU is also advancing work on a *digital euro*, led by the European Central Bank (ECB). The preparatory phase began in 2023 and explores a retail central bank digital currency (CBDC) with privacy-enhancing features and intermediated distribution.[37] The digital euro would complement cash and would be available to the general public and businesses to make payments anytime and anywhere in the euro area. As a truly public facility directly backed by the ECB, it would help preserve central bank money as the main anchor for a well-functioning payments system. On 19 December 2025, the Council agreed its common position for entering into negotiations with the European Parliament, the co-legislator, entering into the final phase of the law-making process.

1.4 United States

27. In the United States, digital finance regulation is divided across several federal agencies, including the SEC, CFTC, Federal Reserve, OCC, and FinCEN. There is no unified legislation for crypto assets. Instead, the SEC has applied the Securities Act of 1933 and the Securities Exchange Act of 1934 to many crypto-asset offerings, considering that many tokens qualify as investment contracts under the *Howey* test. The CFTC asserts jurisdiction over crypto-asset derivatives and certain spot market activities. The SEC and CFTC recently provided an interpretation on the application of federal securities laws to Crypto Assets.[38]

28. The United States signalled one of the most consequential legislative reforms with the GENIUS Act,[39] a 2025 federal law establishing the first comprehensive regulatory framework for payment stablecoins in the U.S. Signed by President Trump to favour dollar-backed digital assets, it mandates 1:1 reserves in safe assets, periodic disclosures, and licensing for issuers. While providing a clear legal basis for stablecoins, there are concerns about potential sources of risk in the bank-crypto links, or privacy gaps, as well as the potentially destabilising effect in some countries' payment and monetary systems, through the substitution of dollar-based stablecoins for payments in domestic currency.

[35] Articles 31 and ff. (critical ICT third-party service providers).

[36] Regulation (EU) 2022/858 of the European Parliament and of the Council of 30 May 2022 on a pilot regime for market infrastructures based on distributed ledger technology, and amending Regulations (EU) No 600/2014 and (EU) No 909/2014 and Directive 2014/65/EU.

[37] Proposal for a Regulation of the European Parliament and of the Council on the establishment of the digital euro. COM/2023/369 final.

[38] 'Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets. 23 March 2026. Commodity Futures Trading Commission 17 CFR Part 1. RIN 3038-AF67. Securities and Exchange Commission 17 CFR Parts 231 and 241. US Securities and Exchange Commission, 'SEC Clarifies the Application of Federal Securities Laws to Crypto Assets' (2026) available at: https://www.sec.gov/newsroom/press-releases/2026-30-sec-clarifies-application-federal-securities-laws-crypto-assets

[39] Guiding and Establishing National Innovation for U.S. Stablecoins Act, S.1582 – 119th Congress (2025-2026).

29. On crypto-assets Congress has debated several bills, such as the Responsible Financial Innovation Act (RFIA), or the Digital Asset Market Clarity Act, but as of January 2026 they have not been enacted yet.

1.5 Latin America

30. Brazil adopted a Law creating a regulatory framework for virtual assets and granting supervisory authority to the central bank for licensing virtual asset service providers.[40] Brazil's PIX instant payment system is a global benchmark for public digital infrastructure[41] and is influencing CBDC experimentation under the Drex project.

31. Mexico regulates crypto-assets under the Fintech Law (2018) with central bank oversight, but restricts financial institutions from engaging directly with digital assets.[42] Colombia is testing sandbox models for digital finance through the Superintendencia Financiera[43] and exploring a CBDC.

1.6 Africa and the Middle East

32. South Africa adopted the Financial Sector Conduct Authority (FSCA) Declaration (2022),[44] classifying crypto-assets as financial products and bringing service providers under licensing requirements. Nigeria initially banned banks from serving crypto-businesses,[45] although it reversed its stance in 2023.[46] Simultaneously, it is piloting a CBDC, the e-Naira.[47] Egypt maintains strict controls.[48] These mixed approaches illustrate the tension between innovation and financial stability, and the need for international standards that support both market development and risk control.

1.7 Private Law issues

33. Although the primary focus is placed on public law issues, misapplication of private law could turn out to be a threat to financial stability as well, as it underpins (i) the certainty and

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[40] Lei no. 14.478/2022, 21 December 2022.

[41] PIX is Brazil's instant retail-payment scheme operated via Brazil's Instant Payments System (SPI) under the Central Bank of Brazil (Banco Central do Brasil - BCB). Technically, PIX is the payments' scheme (rulebook), while the infrastructure is the SPI. Both are controlled by the BCB. See David Ramos Muñoz, Marco Lamandini, Daniele D'Alvia, 'Resilience of the Banking Union's NonCash Payment Systems' Report for EGOV/ECON. PE 764.370 (November 2025), available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2025/764370/ECTI_STU(2025)764370_EN.pdf. For a comparative analysis between the Brazil, India and China homegrown payments systems, as a possible model for the EU.

[42] Ley para regular las instituciones de tecnología financiera, Diario Oficial, 9 marzo 2018. Available at: https://www.cnbv.gob.mx/Normatividad/Ley%20para%20Regular%20las%20Instituciones%20de%20Tecnolog%C3%ADa%20Financiera.pdf.

[43] Decreto 1234 de 2020 Por medio del cual se adiciona el Decreto 2555 de 2010 en lo relacionado con el espacio controlado de prueba para actividades de innovación financiera (2020) available at: https://www.funcionpublica.gov.co/eva/gestornormativo/norma.php?i=142005.

[44] Financial Sector Conduct Authority (FSCA) 'General Notice 1350 of 2022, Declaration of a Crypto Asset as a Financial Product under the Financial Advisory and Intermediary Services Act', Staatskoerant, 19 October 2022 No. 47334. Available at: https://www.gov.za/sites/default/files/gcis_document/202210/47334gen1350.pdf.

[45] Central Bank of Nigeria (CBN) 'Letter to all Deposit Money Banks, Non-Bank Financial Institutions, and Other Financial Institutions' BSD/DIR/PUB/LAB/014/001 (February 5, 2021).

[46] CBN Circular to all Banks and Financial Institutions "Guidelines on Operations of Bank Accounts for Virtual Asset Service Providers (VASPs)" FPR/DIR/PUB/CIR/OO2/OO. 22 December 2023.

[47] See https://www.cbn.gov.ng/currency/eNaira.html .

[48] The Central Bank of Egypt has regularly issued warnings about the risks of crypto assets. See, e.g., https://www.cbe.org.eg/en/news-publications/news/2023/03/08/warning-statement.

enforceability of individual investors' legal position; or (ii) the applicable insolvency jurisdiction.[49] Classifying digital assets as 'property' is key to facilitate the creation of security interests, trusts, and segregation from the bankruptcy estate of a wallet or custody services provider; while issues like the legal status of DLT/blockchain technology as documentary evidence, or the legal formalities for the transfer of crypto assets are also relevant. In Common Law jurisdictions the flexibility of the principles-based concept of property, and in the UK the adoption of the Jurisdiction Taskforce study 'Legal statement on Crypto Assets and Smart Contracts' (2019) and since 2025, the Property (Digital Assets, etc.) Act 2025 helps to classify digital assets as property. Some civil law jurisdictions have comprehensive legislation in place defining property rights and the legal status based on DLT/blockchain technology as well as the legal formalities applied to the transfer of digital assets (Liechtenstein, Switzerland), while case law continues to develop.

34. Thus, as private law remains un-harmonised, choice of law and court clauses in digital asset frameworks remain essential,[50] as is the clear identification of the domicile/residence of issuers of digital assets and services providers, as that determines the insolvency law.

III. INTERNATIONAL COMPETITION AND COLLABORATION BETWEEN STOCKMARKETS

35. Global capital markets continue to compete actively for new listings. Some markets do so by adopting dual listing reforms, collaborating with larger markets in different regions. The use of 'dual -listing ' arrangements enables investments in foreign issuers, avoiding the need to utilise foreign exchanges. From the issuer's perspective, access to foreign markets can facilitate capital raising, whilst potentially providing greater research coverage and index inclusion. This is consistent with the market segmentation hypothesis prominent in the academic literature, suggesting that firms cross-list to reduce regulatory and informational barriers to international equity investments.[51] This facilitates access to a larger global investor base[52] and also offers foreign investors assets that may not be available in their domestic markets.[53]

36. Alongside the developments in the area of dual listings a number of markets, such as the UK and the EU, are responding to competitive pressures by simplifying their listing requirements and expanding recognition of equivalent regulatory regimes. The EU is also aiming to promote greater convergence and coordination among Member State supervisory authorities. These reforms come in response to indications that EU listings have fallen and that some UK companies are in fact abandoning cross-listing to pursue single listings in markets

[49] The IMF-FSB Synthesis Paper: Policies for Crypto-Assets (7 September 2023), available at: https://www.fsb.org/uploads/R070923-1.pdf, emphasizing the need to importance of robust legal frameworks as a major factor to ensure financial stability. See also José Garrido, Yan Liu, Joseph Sommer, and Juan Sebastián Viancha 'Keeping Pace with Change: Fintech and the Evolution of Commercial Law' (2022) FinTech Note/2022/001. Available at: https://www.imf.org/-/media/files/publications/ftn063/2022/english/ftnea2022001.pdf.

[50] See, e.g., the HCCH Digital Assets Token, available at: https://www.hcch.net/en/projects/legislative-projects/digital-tokens1.

[51] Errunza, V.R. and Losq, E., 'International asset pricing under mild segmentation: Theory and test' (1985) *Journal of Finance*, *40*(1), pp.105-124.

[52] Merton, R. C., 'A simple model of capital market equilibrium with incomplete information' (1987) *Journal of Finance, 42*(3), 483–510.

[53] Mauer, D.C. and Senbet, L.W., 'The effect of the secondary market on the pricing of initial public offerings: Theory and evidence' (1992) *Journal of Financial and Quantitative Analysis*, *27*(1), pp.55-79.

such as the U.S. that have already adopted a deregulatory approach. These developments challenge the bonding hypothesis advanced several decades ago by Coffee and others, which posits that more stringent disclosure and governance standards in host countries attracts cross-listing by signalling the enhanced corporate governance of cross-listed firms.[54]

37. As discussed in Section 3 below, capital market efforts to harmonize sustainability disclosure with the international ISSB standards and the EU's efforts to simplify sustainability reporting obligations are further examples of a deregulatory trend in the face of market competition.

2.1. Competitiveness Through Collaboration: The SGX-Nasdaq Dual-listing Bridge and the dual listing mechanism in NZX

38. Recent developments in the Asia-Pacific region highlight how leveraging greater capital market coordination can be a path to global competitiveness. A key example is the proposal of the Singapore Exchange ('SGX') to promote dual listing with the US Nasdaq. If approved, the proposed framework would enable issuers to use a single offering document that satisfies the disclosure requirements in both jurisdictions, reducing duplicate filings and accelerating market entry. Trading would occur on the SGX and Nasdaq under a harmonized structure, although clearing and settlement arrangements are yet to be finalized. This will create closer alignment in governance and disclosure expectations, giving investors clearer comparability in reporting standards and transparency.

39. This initiative is expected to strengthen Singapore's ability to attract globally scalable firms in various industries in which the valuation benchmarks have traditionally been set in the United States. Nasdaq lists more than 3,800 companies with a combined market value exceeding US$20 trillion, compared with over 770 companies and approximately S$1.3 trillion (US$994 billion) in market capitalization on the SGX. These differences shape how investors interpret trading depth, valuation signals, and sector orientation.[55]

40. On 9 Jan 2026, the Monetary Authority of Singapore ('MAS') proposed various legislative and regulatory changes to the Singapore Securities and Futures Act ('SFA') to establish a new Global Listings Board ('GLB'). The GLB will serve as an SGX- Nasdaq dual-listing bridge to strengthen the competitiveness of Singapore's equity market. In a recent consultation paper, the MAS has sought feedback on various operational aspects related to the implementation of the bridge, such as the prospect of using a single prospectus for dual listings.[56] It also proposes admission requirements like a minimum market capitalisation of at least S$2 billion.[57]

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[54] Coffee, J.C. 'The Future as History: The Prospects for Global Convergence in Corporate Governance and Its Implications' (1999) *Northwestern University Law Review, 93*(3): 641–708; Stulz, R.M, 'Globalization, corporate finance, and the cost of capital' (1999) 12 *Journal of Applied Corporate Finance 3,* pp.8-25. Tsang, Albert and Wang, Kun Tracy and Zhu, Nathan Zhenghang 'Product Market Bonding and Cross-Listings: Evidence from Global Competition Law Reforms' (August 18, 2024). https://www.researchgate.net/publication/383155167_Product_Market_Bonding_and_Cross-Listing_Evidence_from_Global_Competition_Law_Reforms.

[55] Nasdaq, 'SGX Group to introduce Global Listing Board in Landmark Partnership with Nasdaq' (2025) https://ir.nasdaq.com/news-releases/news-release-details/sgx-group-introduce-global-listing-board-landmark-partnership

[56] SGX Group, 'Consultation paper - Introduction of New SGX Global Listing Board' (2026) https://api2.sgx.com/sites/default/files/2026-01/Consultation Paper on Introduction of New SGX Global Listing Board %2820260109%29.pdf

[57] B Cher, MAS, 'SGX RegCo proposes rule changes to pave way for SGX-Nasdaq dual-listing bridge' The Business Times (Singapore, 2026) https://www.singaporelawwatch.sg/Headlines/mas-sgx-regco-propose-rule-changes-to-pave-way-for-sgx-nasdaq-dual-listing-

41. Alongside the changes to prospectus requirements and timing alignment, the MAS has also proposed three ‘safe harbours’ for the GLB that would ensure further convergence with US regulations. These would relate to:

i. forward-looking statements;

ii. share repurchases; and

iii. pre-determined trading plans that do not contravene the SFA.

42. While these safe harbours do not provide a valid defence against fraud or dishonesty, they would shield issuers from criminal liability as long as the safe harbour conditions are met. MAS emphasized that the final decision on all listings and prospectus registrations in Singapore will be made jointly by MAS and SGX.[58]

43. Loh Boon Chye, CEO of SGX, highlighted that a key driver of the measure was granting issuers access to US market depth and Asian growth without introducing the complexity of dual regulatory regimes.[59] Adena Friedman, Chair and CEO of Nasdaq, Inc., also emphasized that the initiative showcases the potential of cooperation and shared standards for both global and regional economies.[60]

44. Another example of a dual listing regime is New Zealand's stock exchange NZX Limited. It operates on an 'exempt foreign issuer' basis, by which foreign issuers listing with a designated stock exchange as their home exchange will be considered to be in compliance with NZX rules so long as they remain listed and comply with the rules of the home exchange, and the financial products quoted on NZX remain quoted on the home exchange.[61]

2.2 Competitiveness of EU Markets

45. In recent years, the number of listed companies in the EU has remained substantially lower than before the 2007 Global Financial crisis, and the listing gap compared to the United States has continued to widen.[62] In this context, the 2024 ISRC report explored the wide range of EU initiatives aimed at promoting the competitiveness of the EU capital markets and encouraging greater access, with a particular focus on the EU Listing Act. [63] The Listing Act, which came into force on 4 December 2024, is expected to reduce the costs and administrative burdens associated with listing, notably by simplifying the content and format of prospectuses and introducing several exemptions.[64]

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bridge#:~:text=The%20SGX%2DNasdaq%20dual%2Dlisting,regional%20nexus%20and%20global%20ambitions.

58 Ibid

59 SGX Group, ‘SGX Group to introduce Global Listing Board in Landmark Partnership with Nasdaq’ News Media (Singapore, 19 Nov 2025) <https://www.sgxgroup.com/media-centre/20251119-sgx-group-introduce-global-listing-board-landmark-partnership-nasdaq>

60 Ibid,.

61 12 NZX Listing Rules , January 2025, Rules 1.6-1.7. https://assets.ctfassets.net/m5mydry9e35f/3eK6kIctON99Z7OWWcdyi1/8fcbcfd8a0a2115f911b943219a06c6e/1._NZX_Listing_Rules_1.9_-_January_2025__restricted_.pdf

62 Zakaria Gati, Claudia Lambert, Davide Ranucci et al, ‘Examining the causes and consequences of the recent listing gap between the United States and Europe’ https://www.ecb.europa.eu/press/fie/box/html/ecb.fiebox202406_07.en.html

63 See ILA ISRC 2024 report.

64 Regulation (EU) 2024/2809 of the European Parliament and of the Council of 23 October 2024 amending Regulations (EU) 2017/1129, (EU) No 596/2014 and (EU) No 600/2014 to make public capital markets in the Union more attractive for companies and to facilitate access to capital for small and medium-sized enterprises *OJ L, 2024/2809.*

46. Since 2024, influential reports by Enrico Letta[65] and Mario Draghi[66] have further examined the causes of the weak competitiveness of EU markets. Building on the related Recommendations, the newly appointed European Commission ('EC') launched in 2025 a Strategy to build a 'Savings and Investments Union', setting out a series of measures aimed at boosting the competitiveness of EU financial markets.[67] Relevant objectives of the Strategy include, among other things, advancing work toward the simplification of listing requirements, incentivizing investments in capital markets and addressing the persistent fragmentation of markets across Member States.[68]

2.2.1 Key developments in relation to listing

47. The EC has expressed its intention to support the implementation of the Listing Act, particularly the creation of the related regulatory technical standards ('RTSs'), with a view to minimizing the compliance burdens associated with listing and to increasing the supply of capital to listed companies.[69] Pursuant to its mandate under the Listing Act, the EU financial supervisory authority, the European Securities and Markets Authority ('ESMA'), issued draft RTSs in 2025 that provide standard 'building blocks' for the drafting of prospectuses. It also introduced additional standards for issuers of non-equity securities that are intended to further environmental, social and governance ('ESG') objectives.[70] If endorsed by the EC, such RTSs are expected to mitigate issuance costs and further streamline the content of prospectuses, including in relation to sustainability matters, where disclosure practices have traditionally been highly divergent.[71]

2.2.2 Key developments in relation to the integration of EU markets and supervisory practices

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[65] Enrico Letta, 'Much more than a market' (2024) https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf

[66] Mario Draghi, 'The future of European competitiveness - Part A | A competitiveness strategy for Europe' (2024) https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961_en?filename=The%20future%20of%20European%20competitiveness%20_%20A%20competitiveness%20strategy%20for%20Europe.pdf

[67] Communication From the Commission to the European Parliament, the European Council, the Council, the European Central Bank, The European Economic And Social Committee And The Committee Of The Regions, 'Savings and Investments Union - A Strategy to Foster Citizens' Wealth and Economic Competitiveness in the EU' (2025) COM 124.

[68] A relevant consultation was also launched to gather stakeholders' input on the factors contributing to fragmentation. EU Commission, 'Targeted consultation on integration of EU capital markets' (2025) https://finance.ec.europa.eu/regulation-and-supervision/consultations-0/targeted-consultation-integration-eu-capital-markets-2025_en

[69] Communication from the Commission, 'Savings and Investments Union - A Strategy', Appendix.

[70] ESMA, Final Report Technical advice concerning the Prospectus Regulation and the RTS updating the CDR on metadata (2025) https://www.esma.europa.eu/sites/default/files/2025-06/ESMA32-117195963-1417_Final_Report_Listing_Act_Advice_on_Prospectus.pdf.

[71] As also noted by ESMA, 'public statement - sustainability disclosure in prospectuses' (2023) https://www.esma.europa.eu/sites/default/files/2023-07/ESMA32-1399193447-441_Statement_on_sustainability_disclosure_in_prospectuses.pdf.

48. The Market Integration Package, launched in December 2025 and consisting of a Master Regulation[72] and a Master Directive,[73] represents the first and central instrument aimed at addressing market fragmentation. The Package seeks to 'remove barriers to integration in the core sectors of trading, post-trading and asset management, and improve the ability of market actors to operate more seamlessly across Member States, thereby enabling market integration and scale.'[74]

49. If adopted in its current form, the proposed Package would, *inter alia,* streamline the authorization procedure for funds, particularly Undertakings for Collective Investment in Transferable Securities (UCITS) and Alternative Investment Funds (AIFs), as well as their cross-border marketing, through the introduction of a single notification process administered by ESMA.[75] It would also standardize the content of the related marketing materials.[76]

50. Another core objective of the Package is to facilitate the convergence of supervisory practices among Member States. To this end, the Package is also expected to centralise supervision of 'large EU groups of cross-border managers', i.e. those that manage over €300 billion in assets and operate in multiple Member States. ESMA will be empowered to assess risk management practices and governance requirements on an annual basis, as well as to evaluate the supervisory approaches of national authorities within the EU.[77] In cases of deficient supervisory actions, and especially when these culminate in obstacles to cross-border activities, ESMA would have the power to engage with national authorities or to directly engage in corrective actions where appropriate.[78] Although limited in scope to a relatively small group of market participants, this partial centralisation of supervisory powers has the potential to address disparities in monitoring and sanctioning practices among national markets and supervisors.

51. Alongside further legislative developments in relation to the Package, initiatives that will warrant further attention by our committee in the future include the expected review of the European Venture Capital Regulation and a proposal to favour investment exits, both expected in the third quarter of 2026.[79]

2.3 Competitiveness of UK markets

52. Mirroring trends observed within the EU, the competitiveness of domestic markets has also risen to the forefront of the UK financial policy agenda. Recent and ongoing reforms reflect a broader effort to enhance the attractiveness, efficiency and international openness of UK financial markets. These initiatives include the simplification of listing and disclosure requirements in order to attract foreign investment, as well as wider measures designed to

[72] Proposal for a Regulation Of The European Parliament And Of The Council amending Regulations (EU) No 1095/2010, No 648/2012, No 600/2014, No 909/2014, 2015/2365, 2019/1156, 2021/23, 2022/858, 2023/1114, No 1060/2009, 2016/1011, 2017/2402, 2023/2631 and 2024/3005 as regards the further development of capital market integration and supervision within the Union (2025) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52025PC0943
[73] Proposal for a Directive Of The European Parliament And Of The Council amending Directives 2009/65/EC, 2011/61/EU and 2014/65/EU as regards the further development of capital market integration and supervision within the Union https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52025PC0942
[74] Proposal for a Directive.
[75] Art 1, 2 Proposal for a Directive.
[76] Art 6 (10)-(11) Proposal for a Regulation.
[77] Art 1 (47) proposal for a directive.
[78] Ibid.
[79] Communication from the Commission, Savings and Investments Union - A Strategy, Appendix.

support cross-border activity and reinforce the UK's position within the international financial arena.

53. In particular, 2026 will mark the first year of the full application of the Financial Services and Markets Act 2023.[80] The Act revoked certain EU rules, including those related to the Prospectus regime and to the investment fund framework (under the MiFID and MiFIR), with the aim of 'maintain[ing] the UK's position as a competitive marketplace.' [81] The changes will lead, among others, to the relaxing of certain disclosure requirements for the public offer of securities within UK markets, like the need to publish a prospectus summary, and to the streamlining of the regime for wholesale and retail securities. [82] These measures are, in turn, expected to facilitate capital raising.

54. Along similar lines, the UK Financial Services Growth and Competitiveness Strategy was launched on 15 July 2025, with the objective of promoting growth and reinforcing the international leadership of the UK financial services sector.[83] Key elements of this agenda include the intention to shorten the deadlines for applications for firms and senior managers seeking to conduct business in the UK. The strategy also introduces an Overseas Recognition regime for companies, designed to encourage cross-border financial flows, support investments in the UK economy and strengthen the UK's role as an international financial centre. The Financial Services Recognition Regime, which came into force on 28 November 2025,[84] introduced the possibility of 'recognising' foreign regulatory frameworks as equivalent to the UK. In doing so, it mirrors equivalence regimes already in place in other jurisdictions, including the EU and Australia.

55. The Regime empowers HM Treasury, subject to Parliamentary Oversight, to issue recognition decisions and to monitor them on an ongoing basis. The pre-decision assessment focusses on different elements of other jurisdictions' rules, such as the compatibility of policy outcomes with the objectives of the UK's framework as set out in the Financial Services Market Act 2000, differences in regulatory scope, and the overall effects of recognition. As the emphasis is placed on convergence of 'policy outcomes' between the UK and foreign regimes rather than literal alignment, recognition decisions are intended to enhance certainty for market participants, while leaving room for other jurisdictions to amend their legislation over time without automatically affecting equivalence decisions.[85] Recognitions of a partial or time-limited nature, as well as subject to other conditions, are also possible.[86] HM Treasury is further responsible for monitoring existing recognitions on an ongoing basis to ensure continued compatibility over time. It also retains the power to revoke recognition where necessary.[87]Generally, the use of 'dual -listing ' arrangements between exchanges continues to be an important mechanism whereby it is easier for investors to invest in foreign issuers,

[80] Financial Services and Markets Act 2023, https://www.legislation.gov.uk/ukpga/2023/29/schedule/1/part/1; see also The Financial Services and Markets Act 2023 (Commencement No. 11 and Saving Provisions) Regulations 2025, https://www.legislation.gov.uk/uksi/2025/1078/regulation/5/made

[81] See explanatory notes, ibid; see also UK Listings Review, 'Government's response' https://www.gov.uk/government/publications/uk-listings-review/uk-listings-review-government-response -fnref:1

[82] See also the Public Offers and Admissions to Trading Regulations 2024/105.

[83] HM Treasury, 'Call for evidence outcome - Financial Services Growth and Competitiveness Strategy: Overview' https://www.gov.uk/government/calls-for-evidence/financial-services-growth-and-competitiveness-strategy/outcome/financial-services-growth-and-competitiveness-strategy-overview

[84] The Financial Services (Overseas Recognition Regime Designations) Regulations 2025 (2025) 1147. https://www.legislation.gov.uk/uksi/2025/1147/introduction/made?view=plain

[85] Guidance, pp. 10-11.

[86] Guidance p. 15.

[87] Guidance p. 17.

avoiding the need to utilise foreign exchange and providing a greater range of entities in which to invest. From the issuer's perspective, access to foreign markets can facilitate capital raising, potentially providing morer access to capital , greater research coverage and potential index inclusion.

56. As an example of a classic dual listing model, New Zealand's stock exchange NZX Limited operates on an 'exempt foreign issuer' basis , by which listing as an NZX foreign issuer with a designated stock exchange as its home exchange will deem that issuer to be in compliance with NZX rules so long as it remains listed and complies with the rules of the home exchange and the financial products quoted on NZX remain quoted on the home exchange. [88]

2.4 Competitiveness of US markets

57. In early 2026, the US House of Representatives passed the Invest Act, a bipartisan bill that is intended to broaden investor access to private capital markets and to strengthen the competitiveness of the US public capital markets.[89] The context of the bill is a steep decline in the number of US listed firms, from nearly 9,000 in 1997 to less than half that number in 2024. The House Financial Services Committee cited as its core concerns the layered regulatory burden created by the Sarbanes-Oxley and Dodd-Frank Acts, which are viewed to raise compliance costs and to 'disproportionately impact' smaller issuers, pushing many to delist. If passed as proposed by the US House, the legislation would reduce from three to two years the audited financial statements required of 'Emerging Growth Companies', facilitate shelf offerings for smaller public companies by lowering the eligibility threshold, and simplify certain disclosures for 'fund of funds' products.

2.5 Contingent Convertible Bonds – CoCos

58. Contingent Convertible bonds or 'CoCos' are a hybrid debt instrument primarily issued by banks to strengthen their capital structure. The bonds automatically convert into equity or suffer a write-down of their principal value when a bank's capital falls below specific, pre-agreed conditions, i.e., below a specified threshold. Their aim is to stabilize the bank against financial distress. Hence, a bank can absorb losses and raise capital from the bond issue without needing external bailouts. As high-risk instruments, CoCos offer higher interest rates compared to traditional bonds. They are regulated and designed to meet Basel III capital requirements as additional Tier 1 capital (AT1), strengthening their financial resilience and serving as buffer against bank failures. Recent developments highlight the continued importance of international collaboration in dealing with risk events affecting creditors holding AT1 bonds.

2.5.1 Developments related to AT1 bonds in Switzerland and beyond

59. On 19 March 2023, the Federal Department of Finance (FDF), Swiss Financial Market Supervisory Authority (FINMA), Swiss National Bank (SNB), together with the UBS and Credit Suisse (CS) announced the takeover of CS by UBS based upon an Emergency Ordinance of the Federal Council. The takeover measures included the full write-off of Additional Tier 1 capital instruments (AT1 bonds) of CS for a nominal value of approximately CHF 16.5 (USD 20.7 billion) under the contractual terms governing these bonds. The same day, the Federal Council added article 5a to the Ordinance authorizing FINMA to order CS the write off of its

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[88] NZX Listing Rules , January 2025, Rules 1.6-1.7. https://assets.ctfassets.net/m5mydry9e35f/3eK6kIctON99Z7OWWcdyi1/8fcbcfd8a0a2115f911b943219a06c6e/1._NZX_Listing_Rules_1.9_-_January_2025__restricted_.pdf

[89] H.R. 3383 or the Incentivizing New Ventures and Economic Strength Through Capital Formation ("INVEST") Act of 2025, 302 to 123.

AT1 bonds. The FINMA decree instructed CS to immediately and completely write off these bonds and notify the bondholders, which CS did.

2.5.2 Appeals in Switzerland

60. The write off led to about 3000 complainants lodging appeals in around 360 cases with the Federal Administrative Court (FAC) against the decree.[90] The complainants requested the revocation of the decree and the reversal of the write off. They argued that there was neither a contractual nor a sufficient statutory basis to write off these bonds. The write-off of AT1 capital instruments would only be legitimate in case of a contingency or a viability event. According to the prospectus, the requirements for a viability event were not fulfilled at the time of the write-off, because CS complied with the regulatory equity capital requirements and the emergency liquidity granted by the SNB regarded its liquidity only. Thus, the measures adopted by the government were inappropriate and the Emergency Ordinance unconstitutional.[91][

61. On 1st October 2025, the FAC issued a partial decision in one appeal case, confirming the validity of the complainants' right to appeal. It revoked the FINMA decree, but did not decide on the reversal request at that point.[92] FAC held that the conditions for a write off of CS AT1 capital instruments were not fulfilled. The contractual viability event had not been triggered. CS was sufficiently capitalised at the time of the write-off. The measures granted by the Federal Government and the SNB served to ensure the liquidity of the CS and not to capitalise or recapitalise CS. They had no direct impact on its equity base, according to an interpretation of the bond prospectus based on the trust theory.[93] An appeal is now pending before the Federal Supreme Court.

62. The judgment has been severely criticized by academics, in part because issues regarding liquidity and equity capital are interlinked and some argue that the FAC should have applied a holistic view. The set of measures adopted in March 2023 was necessary to avoid the insolvency of CS. The measures must be considered as a whole and not separately. Moreover, the takeover agreement must be interpreted objectively and in good faith, as understood by all stakeholders involved (authorities, banks, investors) at the moment it was concluded. It cannot be considered based on arguments submitted later to the Court. In addition, applying the bailout plan as argued by FAC would have only led to the write-off of the AT1 in the first place. Others argue that acting based on an Emergency Ordinance was not illegal either, considering the urgency of the situation.

2.5.3 Appeals in the USA

63. In addition to the Swiss action, a group of more than 50 CS AT1 bondholders filed a civil lawsuit before the Southern District Court of New York against the Swiss Confederation in connection with the write-off of the bonds. They have sought damages of USD 370 million to recover related losses .

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[90] Bundesverwaltungsgericht, 'Unlawful write-off of AT1 capital instruments. - back
Press release regarding judgment B-2334/2023' (14 October 2025) https://www.bvger.ch/en/newsroom/media-releases/unlawful-write-off-of-at1-capital-instruments-2385

[91] Ibid.

[92] FAC's Partial Decision B-2334/2023, Write off of AT1 capital instruments.

[93] Media Release, n. 6.

64. In its decision of 30 September 2025[94], the District Court followed the arguments of the Swiss Confederation that it had not pursued commercial interests in relation to the UBS emergency takeover of CS and the measures ordered by FINMA. However, the Court dismissed the complaint for lack of subject matter jurisdiction. It held that according to the Foreign Sovereign Immunities Act of 1976 (FSIA) a foreign state enjoys immunity from the jurisdiction of US Courts and that the commercial activity exception did not apply.

65. The plaintiffs have appealed the decision to the US Court of Appeals for the Second Circuit.[95]

2.5.4 Increased awareness of the role of collaboration and responsiveness

66. The takeover of CS by UBS serves as a prime example of international collaboration among authorities and financial markets. To avoid the insolvency of CS, measures had to be adopted before the opening of securities exchanges on Monday morning. Moreover, at about the same time in early 2023, the US was facing a series of bank failures and bankruptcies. Three small-to-mid size US banks had just failed, Silicon Valley Bank (SVB), Silvergate Bank and Signature Bank, and the US federal government had intervened, launching extraordinary measures to stabilize the situation. Hence, international financial markets were tense. Indeed, there was a very serious risk of global contagion. Not least based on that context, the prevailing opinion was that a collapse of a too-big-to-fail bank like CS, occurring almost concurrently, would have caused a global financial crisis.

67. Swiss authorities were well-aware of that situation and the need to intervene urgently, as they were in touch with foreign authorities to coordinate measures if necessary. However, they were also motivated by a competitive attitude and sought to demonstrate that they could act effectively and in a responsible way to find a solution and preserve the reputation of the Swiss financial centre. As a result, on Monday morning, 20 March 2023, the stock exchanges opened without incident.

2.6 Future developments

68. Collaboration can be seen as a means to enhance international capital flows and also as a defensive mechanism to mitigate the prospective listings on home exchanges being vacated in favour of moves to larger jurisdictions with greater liquidity. One prospective development is a move to "intralisting", with bilateral arrangements between exchanges becoming multiple arrangements involving the potential to list on multiple exchanges under a co-ordinated regulatory umbrella [96]

IV. SUSTAINABLE FINANCE

3.1 Sustainability, Sustainable Finance and Carbon Trading: Global Divergence

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[94] Creditincome Limited et al. v. The Swiss Confederation, 802 F.Supp.3d 591 (SDNY 2025).
[95] Creditincome Limited et al. v. The Swiss Confederation, cv-25-2733 (2nd Cir. 2025) (filed Oct. 27, 2025).

[96] See e.g. Eurasian Economic Union: Agreement on Cross-Border Admission to Placement and Circulation of Securities (2025) https://docs.eaeunion.org/en/documents/236/9851/

69. Since the 2024 report, sustainability regulation has entered a phase of global divergence. Developments in ESG integration, climate disclosure, sustainable finance, and carbon markets reflect increasingly different regulatory philosophies across jurisdictions.

70. In several western economies, sustainability regulation has shifted toward retrenchment. Political scrutiny, litigation risk, and concerns over fiduciary duties have driven a more defensive posture. By contrast, many Asian and emerging markets continue to embed climate risk, resilience, and transparency requirements into financial supervision.

71. Sustainable finance is a phenomenon that fits naturally with International Law. The 2025 Advisory Opinion from the International Court of Justice (ICJ) made clear that climate change is a responsibility of states, even if they are not part of the Paris Agreement or similar frameworks, following the trend set by other international courts, such as the International Tribunal for the Law of the Sea (ITLOS), regional courts, such as the European Court of Human Rights (ECtHR) or the Inter-American Court of Human Rights (IACHR), as well as a host of domestic courts. Reconciling financial flows with this responsibility over climate, as well as other goals, such as biodiversity, and social objectives, has turned sustainable finance into central regulatory priority in some jurisdictions.

72. However, sustainable finance has also become a controversial issue especially in western countries. While the United States stepped-back from some initially timid efforts to apply climate reporting standards to corporate issuers, the European Union has used a new emphasis on ‘competitiveness’ and ‘simplification’ to amend the rules on sustainability reporting and supply chain due diligence, in a way that will reduce the compliance and reporting burden, for some, and/or will create relevant data gaps that will limit the assessment of sustainability risks and impact, for others (even with the scale-back, the framework still remains the most comprehensive). Meanwhile, in Asia the integration of sustainability standards into securities and financial regulation proceeds apace, based on pragmatic considerations of improving risk management and resilience, and catering to investors’ and public interest. This uneven approach means that international cooperation is as necessary as it remains elusive.

3.1.1 United States

73. In 2025 and 2026, climate risk and other sustainability or ‘ESG’ issues have been the focus of deregulatory measures undertaken by the Trump administration and many state legislatures in the U.S.

74. There are three regulatory arenas affected by this policy shift, all of which have implications for investors in US capital markets: (1) The abandonment of federal climate disclosure rules by the SEC; (2) anti-ESG initiatives and proposed reversals to Biden-era policies on federal pension fund ESG integration; and (3) SEC policy shifts that reduce investors’ ability to engage with portfolio companies or to pressure companies to take actions favoured by investors. These developments come in the context of the Trump administration’s second withdrawal from the Paris Agreement in 2024, its pullback in early 2026 from the Intergovernmental Panel on Climate Change (IPCC), the Framework Convention on Climate Change, and its retreat from a wide range of international organizations and initiatives focused on combatting the climate change threat.

3.1.1.1 Mandatory Corporate Climate Disclosure

75. Mandatory corporate climate reporting based on international frameworks is proceeding in stages in California but has been halted at the federal level, affecting the information available to investors in U.S. capital markets and limiting financial institutions’ ability to assess portfolio

and systemic risk. In 2024, the SEC adopted TCFD-aligned climate disclosure rules in order to standardize listed company reporting of climate-related financial risk and greenhouse gas emissions.[97] In September 2025, litigation challenging the SEC's climate disclosure rules was paused indefinitely after the SEC indicated it would no longer defend the rules. State-level mandatory GHG emissions reporting will be required in California in 2026 for large companies doing business in the state, although implementation of biennial climate-related financial risk disclosures aligned with international standards (i.e. TCFD and ISSB) has been delayed until pending litigation challenging those rules concludes. While the SEC's 2010 guidance on the materiality of climate-related risks under the existing federal disclosure regime remains in effect, SEC Chair Atkins announced plans in 2026 to overhaul Reg S-K in order to reduce the reporting obligations on issuers that may affect the scope of current environmental and human capital management disclosures.

3.1.1.2 State and Federal Barriers to ESG Integration in Investment

76. Many capital markets require certain asset managers and investors to monitor and disclose their portfolio carbon footprint and most jurisdictions impose fiduciary duties on investors to take account of material climate and sustainability risks. In the US, however, ESG integration practices and participation by investors and asset managers in voluntary climate and sustainability initiatives have come under fire from federal and state regulators. These anti-ESG initiatives reflect the administration's view that climate, sustainability, and 'diversity, equity and inclusion' (DEI) policies and practices advance contentious political positions out of step with mainstream investor concerns, rather than reflecting potentially material financial risk factors. These measures have created new uncertainty and disincentives for shareholder engagement around these issues.

77. At the federal level, Biden-era regulations had allowed federally regulated pension fiduciaries to take ESG factors, including climate risk, into account, but in 2025, the Trump administration ended its defence of those rules in litigation and is expected to propose rules in 2026 restricting ERISA fiduciaries' ability to consider ESG factors in investment and engagement decisions. A majority of states have adopted various forms of anti-ESG legislation that aims to block public pension funds and asset managers from integrating ESG factors into investment decision-making and engagement and in some cases, from participating in voluntary climate and sustainability initiatives like the Net Zero Asset Managers Initiative (NZAMI) and Climate Action 100+.[98]

78. Federal and state antitrust litigation is also proceeding against prominent asset managers, Black Rock, State Street, and Vanguard, for their commitments to climate-related shareholder engagement and initiatives, and a number of states prohibit state procurement or state pension fund investment with financial institutions that have adopted fossil fuel divestment policies. Leading proxy advisors and asset managers, as well as corporate issuers, have responded by revising their policies to soften or eliminate explicit backing for diversity, equity and inclusion (DEI), ESG, and other sustainability matters. However, in December 2025, the Trump administration increased the pressure on proxy advisers by issuing an Executive Order directly targeting proxy advisory firms ISS and Glass Lewis for their perceived support for DEI and

[97] Sec. Exch. Comm'n, Enhancement and Standardization of Climate-Related Disclosures for Investors, 89 Fed. Reg. 21,668 (Mar. 28, 2024) (to be codified at 17 CFR parts 210, 229, 239, 249).

[98] Ropes and Gray, 'Navigating State Regulation of ESG' https://www.ropesgray.com/en/sites/navigating-state-regulation-of-esg (accessed 16 Jan 2026). See further T. Gosling and I. MacNeil, 'Can Investors Save the Planet? NZAMI and Fiduciary Duty' 18(2) Capital Markets Law Journal (2023) 172-193.

ESG matters that may come before a shareholder vote.[99] The order, to be enforced by the SEC, requires greater transparency on the proxy advisers' methodologies and policies.[100]

3.1.1.3 Restricting Shareholder Communication & Engagement

79. New SEC policies and several executive orders by the Trump administration in 2025 and 2026 have taken further steps to curtail the use of shareholder proposals and to discourage shareholder engagement and coordination, particularly around climate and sustainability goals. In February 2025, the SEC issued guidance allowing management broad discretion to exclude shareholder proposals on ESG or other matters from going to a vote if the proposals 'micromanage' the business, reversing changes made by the Biden administration.[101] It also revised its beneficial ownership reporting guidance to provide that investors who 'exert pressure on management', for example by conditioning support of director nominees on management's support for governance, ESG, or management changes favoured by shareholders, may be required to make a more burdensome Schedule 13D filing required for covered investors seeking to change or influence control of the issuer.[102] In November 2025, the SEC announced that it would no longer conduct 'no action' review of companies' decisions to block shareholder proposals from going to a vote, giving companies leeway to do so without SEC oversight, with the exception of companies seeking to exclude proposals for violating state law.[103] The latter provision has been understood to require that shareholder proposals directed at U.S. issuers must be only advisory, not mandatory. However, SEC Chairman Paul Atkins surprised many experts in a speech in October 2025 by casting doubt on the established right of shareholders to use advisory proposals as a matter of state law.[104] The SEC is expected to issue amendments to the rules governing shareholder proposals that are likely to restrict their use in the manner outlined by the above policy changes. Taken together, these developments significantly restrict the primary mechanisms shareholders in U.S. companies have used historically to communicate and advance their positions on governance and sustainability matters.

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[99] The White House, "Protecting American Investors From Foreign-Owned and Politically-Motivated Proxy Advisors" (11 Dec 2025), https://www.whitehouse.gov/presidential-actions/2025/12/protecting-american-investors-from-foreign-owned-and-politically-motivated-proxy-advisors/; 'Executive Order Targeting ISS and Glass Lewis: Impact on the 2026 Proxy Season and Beyond' (2026) https://corpgov.law.harvard.edu/2026/01/06/executive-order-targeting-iss-and-glass-lewis-impact-on-the-2026-proxy-season-and-beyond/

[100] Prior efforts by the SEC to regulate proxy advisors were struck down by the courts in 2024. Institutional Shareholder Services v Securities and Exchange Commission (1 July 2025) No. 1:19-cv-03275 (DC Dist 2025).

[101] SEC, Shareholder Proposals: Staff Legal Bulletin No. 14M (CF) (12 Feb 2025), https://www.sec.gov/about/shareholder-proposals-staff-legal-bulletin-no-14m-cf.

[102] SEC, Exchange Act Sections 13(d) and 13(g) and Regulation 13D-G Beneficial Ownership Reporting, Compliance and Disclosure Interpretation (11 July 2025), https://www.sec.gov/rules-regulations/staff-guidance/compliance-disclosure-interpretations/exchange-act-sections-13d-13g-regulation-13d-g-beneficial-ownership-reporting .

[103] Statement Regarding the Division of Corporation Finance's Role in the Exchange Act Rule 14a-8 Process for the Current Proxy Season (17 Nov 2025), https://www.sec.gov/newsroom/speeches-statements/statement-regarding-division-corporation-finances-role-exchange-act-rule-14a-8-process-current-proxy-season. "

[104] Paul S. Atkins, Keynote Address at the John L. Weinberg Center for Corporate Governance's 25th Anniversary Gala (9 Oct 2025), https://www.sec.gov/newsroom/speeches-statements/atkins-10092025-keynote-address-john-l-weinberg-center-corporate-governances-25th-anniversary-gala. Experts have challenged this position on state law grounds. See Jill Fisch, Sarah Haan, Ann M. Lipton and Amelia Miazad, "Stockholder Proposal – Law and Policy Considerations" (9 Dec 2025), https://corpgov.law.harvard.edu/2025/12/09/stockholder-proposals-law-and-policy-considerations/ .

3.1.2 European Union

3.1.2.1 The core legal acts

80. The EU has built the most comprehensive sustainable finance legislative and regulatory framework, although its level of detail is increasingly seen by some as an excessive burden, and a drag on competitiveness. At the core of the EU sustainable finance architecture lie three interlocking legislative instruments, each addressing distinct but mutually reinforcing dimensions of transparency, classification, and accountability.

(a) The Taxonomy Regulation (EU 2020/852): a classification system for environmentally sustainable economic activities

81. The Taxonomy introduces a legally binding classification framework for environmentally sustainable economic activities. Rather than mandating specific investments, it functions as a reference system that determines when an activity qualifies as 'environmentally sustainable' on the basis of six environmental objectives, including climate change mitigation and climate change adaptation. To meet this standard, an activity must (i) make a substantial contribution to at least one of the objectives, (ii) cause no significant harm (DNSH) to the others, and (iii) adhere to minimum social safeguards.

82. The Taxonomy is primarily operationalised through delegated acts containing highly technical screening criteria. Its overarching purpose is to reduce information asymmetries, prevent greenwashing, and enhance comparability among financial products and corporate sustainability disclosures. Nonetheless, the increasing complexity of the technical criteria and the extensive reporting requirements have raised concerns about legal uncertainty, inconsistent interpretation, and heightened compliance costs—particularly for undertakings that lack sophisticated sustainability data systems.

(b) The Sustainable Finance Disclosure Regulation (SFDR, EU 2019/2088): requiring asset managers and financial advisers to disclose sustainability risks and impacts

83. The SFDR complements the Taxonomy by establishing disclosure obligations at both entity and product level for financial market participants and financial advisers. Its core purpose is to embed sustainability risks within investment decision-making processes and to enhance transparency regarding principal adverse sustainability impacts.

84. It introduced a categorisation of financial products (commonly referred to as Articles 6, 8, and 9 products), distinguishing between products that (i) products that integrate sustainability risks, (ii) products that promote environmental or social characteristics, and (iii) products that pursue sustainable investment as their objective. Although the SFDR was not conceived as a formal labelling regime, this de facto categorisation has acquired quasi-labelling status in market practice. Persistent interpretative uncertainties, the progressive development of regulatory technical standards, and divergent supervisory approaches among Member States have generated criticism concerning regulatory complexity and potential overreach. Despite these challenges, the SFDR remains a central instrument in addressing greenwashing by subjecting sustainability-related claims to binding transparency and disclosure requirements.

(c) The Corporate Sustainability Reporting Directive (CSRD, 2022/2464): mandating extensive ESG reporting for large companies and listed SMEs, using the European Sustainability Reporting Standards (ESRS)

85. The CSRD replaced and substantially expanded the Non-Financial Reporting Directive. It mandates detailed sustainability reporting by large undertakings and listed SMEs, structured in

accordance with the European Sustainability Reporting Standards (ESRS), developed by EFRAG.

86. A defining feature of the CSRD is the principle of 'double materiality', requiring companies to disclose both (i) how sustainability issues affect their financial performance (outside-in perspective) and (ii) how their activities impact environmental and social factors (inside-out perspective). This dual lens reflects the EU's broader normative commitment to stakeholder capitalism and systemic risk mitigation. The Directive also introduces mandatory limited assurance and digital tagging requirements, thereby integrating sustainability reporting more deeply into capital market infrastructures.

<u>3.1.2.2. Regulatory Objectives and Emerging Tensions</u>

87. These legal acts aim to improve comparability of sustainability information and to mitigate greenwashing, although the current emphasis by the Omnibus Package on simplification and deregulation (having especially affected the CSRD and the Taxonomy) increases the uncertainty over the impact of these pieces of legislation.

88. Proposed amendments, particularly affecting reporting thresholds, timelines, and certain Taxonomy obligations, signal a recalibration toward proportionality and administrative feasibility. While simplification may alleviate short-term compliance costs, it introduces transitional uncertainty and may attenuate the coherence of the overall framework.

89. While the European Commission and Council have taken up this new emphasis on simplification, the European Central Bank (ECB) continues to stress the need to properly assess climate and sustainability risks, and to step up its efforts on measurement and supervision, placing an indirect pressure on corporate issuers funded by banks. This supervisory stance places indirect pressure on credit institutions and, consequently, on corporate borrowers, whose access to financing increasingly hinges on their ability to demonstrate effective sustainability risk management. The prudential rationale guiding the ECB's actions therefore operates in parallel with the legislative recalibration undertaken by the Union's political institutions.

90. The EU sustainable finance framework constitutes an unprecedented exercise in regulatory market-shaping. By combining detailed classification criteria, binding transparency obligations, and the integration of sustainability considerations into prudential supervision, it seeks to reposition financial markets as drivers of the environmental transition. However, its ambition gives rise to structural tensions: between legal certainty and technical complexity; between global competitiveness and normative leadership; and between political initiatives aimed at deregulation and supervisory approaches grounded in risk management. The future evolution of the regime will depend on its capacity to reconcile these tensions without diluting its central objective, anchoring sustainability as a structural pillar of European financial governance.

3.3. Carbon trading and offsetting

3.3.1 State of the market

91. The market for Voluntary Carbon Credits (VCCs) has been described as the 'Wild West'. The market for credits where the underlying value is removing carbon dioxide is even less developed. It comprises only an estimated 4% of VCCs at present. The Voluntary Carbon Market (VCM) is generally private between buyers (typically emitters with emission targets) and sellers (typically project developers or communities where projects with emission mitigation potential are based).

92. Carbon Dioxide Removal (CDR) is a process of actively removing CO2 from the atmosphere and storing it safely – and to the extent possible, permanently, preventing it from contributing to global warming. Precise definitions vary and there is a need for more consistency in the market. It is different from Carbon Capture and Storage (CCS) which captures emissions at the source (e.g., a power plant). CDR focuses on removing CO2 that is already in the atmosphere.

93. Notwithstanding challenges, to limit warming to 1.5 degrees or even 2 degrees C in line with the goals of the Paris Agreement and scenarios outlined by the IPCC, there seems to be a consensus that the large-scale deployment of CDR will be necessary. It is estimated (by the advisory organisation, Carbon Direct) that roughly 5-10 billion tonnes of CO2 must be removed each year if Paris Agreement emissions targets are to be met by the year 2050.

94. The market is now small with an estimated transaction value of US$1 billion – for the VCM scale to levels needed to support IPCC targets, increased private sector demand is critical. But many buyers are sitting on the sidelines due to concerns over credit quality and transparency.

95. While reducing greenhouse gas emissions at source is crucial, CDR is vital to offset unavoidable emissions and potentially reverse the effects of past emissions. CDR must not be at the expense of deep and rapid emissions reductions – and robust guardrails are necessary to ensure that countries and organisations are vigilant about mitigation and adaptation. Given the climate emergency the perfect should not be the enemy of the good – and all tools available must be used.

96. The Science Based Targets initiative (SBTi) has developed standards, tools and guidance which allow companies to set greenhouse gas (GHG) emissions reductions targets in line with what is needed to keep global heating below catastrophic levels and reach net-zero by 2050 at the latest.[105] It provides the following approach to neutralisation – or measures companies take to remove carbon from the atmosphere and permanently store it, counterbalancing the impact of carbon emissions that remain unabated after their long-term science-based targets are achieved.

97. It recognises that although many companies can reduce emissions by at least 90% through their long-term science-based targets, some residual emissions will remain, and some processes, such as traditional heavy industry, for example[106] will continue to produce carbon dioxide. These emissions must be neutralized to reach net-zero - a state of no impact on the climate.

98. 'Beyond value chain mitigation' represents mitigation action or investments such as in carbon credits that fall outside of a company's value chain. These include activities that remove and store GHGs (including carbon dioxide) from the atmosphere. They recognise that businesses can accelerate the net-zero transition by addressing the residual 10%. They can do that by investing in mitigation action beyond their value chains.

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[105] See SBTI, 'the corporate net-zero standard' https://sciencebasedtargets.org/net-zero and SBTI, 'the financial institutions net-zero standard' https://files.sciencebasedtargets.org/production/files/Financial-Institutions-Net-Zero-Standard.pdf?_gl=1*bym9tn*_gcl_au*MTMzMDcyNTA1OS4xNzcwNDYxMzQ1*_ga*NzI3MjY0MDY5LjE3NzA0NjEzNDU.*_ga_22VNHNTFT3*czE3NzQ0MjcyMzYkbzMkZzEkdDE3NzQ0MjcyNjQkajMyJGwwJGg3MTEyNzQzMg..

[106] Such as metal refining and cement manufacture, among others.

3.3.2 The Disparity between Global North and South in Carbon Emissions

99. The Global North comprising of wealthy, industrialised nations have historically been responsible for over 75% of cumulative CO_2 emissions. Since the 1800s, heavy industrialization and fossil-fuelled growth occurred in Global North. The key countries in Global North comprising the US, UK and EU are setting Net Zero targets by 2050. On the contrary, the South contributes less than 20% of global emissions today. Many countries in this hemisphere still face energy poverty and underdevelopment and are forced to decarbonize *without having fully industrialized*.[107]

100. In Singapore's 'Dual Identity: Heart of Global South, and Soul of North?' the country is still classified under the Global South, due to its geographical and cultural ties. The Global South is defined as a region occupied by developing or even underdeveloped countries, located in the southern hemisphere, and associated with a history of colonialism.

101. On the contrary, the North constitute a group of developed countries with large economic, political, economic and dominance powers. It is the controller of the world, seen in the utilisation of the South's raw natural resources that provide many benefits to it, while destroying the earth's environment. The division of these two economic groups is often not entirely clear cut as many criteria overlap and the labels do not match the facts. Singapore is qualified to be classified under Global North from an economic and institutional perspective with a GDP per capita of USD 82,000 (2023) rivalling the United States and Switzerland. Singapore is also getting close to the North in terms of rapid growth in technology, standard of living and quality.[108]

102. The Economic Development Board ('EDB') of Singapore states that the Republic is the first in Southeast Asia to introduce a carbon tax. Following this initiative, carbon-tax liable companies can purchase high-quality international carbon credits to offset up to five per cent of their taxable carbon emissions from 2024. From FY2025, all listed companies must report climate-related disclosures aligned with global standards for sustainability reporting. Singapore also has published guidelines on Voluntary Carbon Markets to guide companies in their use of carbon credits as part of a credible decarbonisation plan. These measures create sustained demand for low carbon advisory, monitoring, reporting, verification ('MRV') and carbon market services.

103. Singapore is also actively procuring carbon credits through Requests for Proposals ('RFP'). In September 2024, it launched an RFP for high-quality, nature-based Article 6 (Paris Agreement) carbon credits. The National Climate Change Secretariat ('NCCS') and the Ministry of Trade and Industry ('MTI') will contract 2.175 million tonnes worth of high-quality nature-based carbon credits from four projects in Ghana, Peru, and Paraguay[109] at a total value

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[107] See, among others, H. Fuhr, 'The rise of the Global South and the rise in carbon emissions' (2021) Third World Quarterly, 42(11), 2724–2746 https://doi.org/10.1080/01436597.2021.1954901

[108] The Geoeconomics, 'Singapore's Dual Identity: Heart of Global South, and Soul of North?' https://thegeoeconomics.com/singapores-dual-identity-heart-of-global-south-and-soul-of-north/#:~:text=However%20despite%20Singapore's%20rapid%20economic,its%20geographical%20and%20cultural%20ties.

[109] National Climate Change Secretariat Singapore, 'Singapore Will Contract High Quality Nature Based Carbon Credits From Four Projects' (2025) https://www.nccs.gov.sg/singapore-will-contract-high-quality-nature-based-carbon-credits-from-four-projects/.

of around S$76 million. A second RFP was launched in October 2025 to source both nature-based and technology-based Article 6 credits from partner countries.[110]

3.3.3 Limitations: The Paradox and Fallacy of Global Carbon Credits

104. Notwithstanding the various carbon trading and offsetting mechanisms mentioned, the conceptual and practical challenges of determining additionality for carbon offsets have been widely discussed.[111] Additionality is one of the key principles for evaluating the climate impact of a carbon crediting project. It refers to whether the project is delivering climate benefits that otherwise would not have occurred, due to a lack of funding or regulation.[112]

105. Offset credits are calculated based on the difference between project emissions and a hypothetical baseline scenario without the project.[113] Constructing these counterfactual baselines inevitably involves high uncertainty and subjectivity.[114] Studies have documented widespread over-crediting of offsets due to inflated baselines and crediting of non-additional renewable energy and industrial gas projects that would have been implemented regardless.[115] In 2023, researchers found most REDD projects have not significantly reduced deforestation.[116]

106. In December 2023, the World Bank announced plans for a high-integrity global carbon market to help 15 resource-rich countries earn income from forest protection carbon credits.[117]

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[110] Ministry of trade and industry Singapore, 'Singapore launches second request for proposals for high quality carbon credits' https://www.mti.gov.sg/newsroom/singapore-launches-second-request-for-proposals-for-high-quality-carbon-credits/

[111] B. C. Cheong, 'The Paradox and Fallacy of Global Carbon Credits: A Theoretical Framework for Strengthening Climate Change Mitigation Strategies' (2025) Anthr. Sci. 4, 72–83 https://doi.org/10.1007/s44177-025-00084-0 Bumpus AG, Liverman DM 'Carbon colonialism? Offsets, greenhouse gas reductions, and sustainable development' (20110 In: Peet R, Robbins P, Watts M (eds) Global Political Ecology. Routledge, London, pp 203–224; L Schneider, 'Assessing the additionality of CDM projects: practical experiences and lessons learned' (2009) Clim Pol 9(3):242–254. https://doi.org/10.3763/cpol.2008.0533.

[112] Carbon Market Watch, 'Additionality' https://carbonmarketwatch.org/glossary/additionality/?gad_source=1&gad_campaignid=23373611696&gbraid=0AAAAAqlFW3eGBsH9YWvBU_XSKoCx1C0Lt&gclid=CjwKCAiAvaLLBhBFEiwAYCNTfzh0AWNMc7qxNuZiASldpBauX_F1SEFs6BXIykihqHubbFPEBP2DDhoC3GgQAvD_BwE

[113] HC Lovell, 'Governing the carbon offset market' (2010) Wires Clim Change 1(3):353–362. https://doi.org/10.1002/wcc.43.

[114] M Gillenwater, 'What is Additionality? Part 1: A long standing problem. Greenhouse Gas Management Institute' (2012) Silver Spring. https://ghginstitute.org/wp-content/uploads/2015/04/AdditionalityPaper_Part-1ver3FINAL.pdf

[115] B Haya, 'Measuring emissions against an alternative future: fundamental flaws in the structure of the Kyoto Protocol's Clean Development Mechanism' (2009) Energy and Resources Group Working Paper ERG09–001, University of California Berkeley. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1562065; Cames M, Harthan R, Füssler J et al, 'How additional is the Clean Development Mechanism? Analysis of the application of current tools and proposed alternatives' (2017) Öko-Institut, Berlin. https://climate.ec.europa.eu/system/files/2017-04/clean_dev_mechanism_en.pdf R Calel, J Colmer, A Dechezleprêtre et al, 'Do carbon offsets offset carbon?' (2021) CESifo Working Paper No. 9368. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3950103.

[116] TAP West TAP, EC Ellis, I Koh et al, 'Action needed to make carbon offsets from forest conservation work for climate change mitigation' (2023) Science 381(6636):873–877. https://doi.org/10.1126/science.ade3535

[117] World Bank, 'World Bank Carbon Credits to Boost International Carbon Markets. The World Bank' (2023) https://www.worldbank.org/en/news/press-release/2023/12/01/world-bank-carbon-credits-to-boost-international-carbon-markets.

107. However, it remains to be seen if this would improve carbon market integrity or avoid durability issues affecting the four largest voluntary market registries.[118]

108. Additionality issues also apply to emissions allowances under cap-and-trade. In the Kyoto Protocol and EU-ETS, generous free allocation based on historical emissions (grandfathering) has enabled polluters to amass large allowance surpluses without significant emissions reductions.[119] Regulated entities often receive allowances exceeding their actual emissions, generating 'hot air' credits not associated with climate benefits.[120] This lack of scarcity undermines the incentive to reduce emissions.[121]

V.CONCLUDING REMARKS

109. The period covered by this report was marked by increasing divergence between jurisdictions on some key issues, especially climate policy and related ESG issues. At the same time the emergence of heightened risks to the global financial system was apparent as private credit expanded and a plethora of digital financial instruments caused disruption to conventional investment patterns and their regulation. These trends can be understood at a technical level in terms of their market implications and the consequences for regulation at the international and national level but they need to be seen too in terms of their broader implications. These arise in particular in terms of access to finance and its role in economic development, as discussed in the first part of our report on digital finance; the role of competition and cooperation between stock markets in supporting entrepreneurship and innovation, as discussed in the second part of our report; and the responsibility for and distributional consequences of climate change across the globe, as discussed in the final part of our report on sustainable finance.

110. We aim to discuss these issues in more detail in our planned programme of work over the next few years. This includes: a special issue of a leading peer-reviewed journal focusing on the contributions to the ILA -IOSCO March 2026 event on digital finance, private markets and private credit, and cross-border cooperation on fraud prevention; in collaboration with MOCOMILA, a *liber amicorum* in honour of the late Prof. Cynthia Lichtenstein, former chair of the ISRC and member of MOCOMILA. This volume would provide insights into the key issues addressed by the ISRC and MOCOMILA over the years and link them to current developments.

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[118] M Macfarlane, 'Assessing the State of the Voluntary Carbon Market in 2022' (2022) Carbon Direct. https://carbon-direct.com/2022/05/assessing-the-state-of-the-voluntary-carbon-market-in-2022/

[119] Rajamani L, Guérin E, Michaelowa A et al, 'National 'fair shares' in reducing greenhouse gas emissions within the principled framework of international environmental law' (2021) Clim Pol 21(8):983–1004. https://doi.org/10.1080/14693062.2021.1970504; Ellerman AD, Buchner BK, 'Over-Allocation or Abatement? A Preliminary Analysis of the EU ETS Based on the 2005–06 Emissions Data' (2008) Environ Resource Econ 41:267–287. https://doi.org/10.1007/s10640-008-9191-2 ; A Whitmore, 'An agenda for strategic reform of the ETS: What's the future for EU carbon pricing' (2017) Sandbag, London. https://sandbag.be/wp-content/uploads/2017/12/Strategic-Reform-of-the-ETS-2017-Sandbag-1.pdf.

[120] F Green, 'The logic of fossil fuel bans' (2018) Nat Clim Chang 8:449–451. https://doi.org/10.1038/s41558-018-0172-3.

[121] Cheong, B.C. 'The Paradox and Fallacy of Global Carbon Credits'.