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The Systematic Construction of Financial Regulatory Law: Theoretical Foundation and Practical Path

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Abstract: With the deepening opening of China's financial market and the rapid iteration of financial technology, the financial industry is showing characteristics of mixed operation, digitalization, and cross-border development. The fragmented financial regulatory legal system, which is mainly based on single laws and supplemented by patch rules, is no longer suitable for the development needs of modern financial governance. For a long time, China's financial regulation has adopted a problem-oriented emergency legislation model, relying on a large number of "measures" and "notices" to respond to phased financial governance issues. Although this has the advantage of being flexible and adaptable to market changes, it has also caused drawbacks such as loose regulatory norms, confused value logic, frequent rule conflicts, and insufficient institutional connections, which can easily lead to governance problems such as regulatory gaps, regulatory arbitrage, and regulatory lag. Against this background, promoting the systematic construction of a financial regulatory law is a core measure to improve modern financial rule of law, prevent systemic financial risks, and promote the modernization of financial governance. Based on the current situation of China's financial rule of law construction, this paper systematically explains the practical necessity of the systematic construction of a financial regulatory law, deeply analyzes the four core theoretical cornerstones of financial security, financial fairness, financial efficiency, and financial consumer protection, and builds a systematic practical path from four dimensions: intrinsic value, external rules, implementation guarantees, and international cooperation. Combining the current pain points of financial governance, it proposes feasible improvement strategies. The aim is to shift the financial regulatory legal norms from a fragmented collection to an organic and unified system, and to build a modern financial regulatory legal system that is logically consistent, hierarchically clear, adaptable to innovation, and capable of preventing and controlling risks [10].

Keywords: Financial regulatory law, Systematization, Theoretical foundation, Practical approach.

1. Introduction

In the modern market economy system, finance is the core lifeline of the national economy, and financial rule of law is a crucial pillar of market economy rule of law. As the sum of norms regulating regulatory power, adjusting regulatory relationships, and standardizing financial market behavior, the Financial Regulatory Law bears the core functions of maintaining financial order, preventing financial risks, ensuring market fairness, and serving the real economy. Currently, my country's financial industry is undergoing rapid marketization, digitalization, and globalization. Banking, securities, insurance, and fintech are deeply integrated, and mixed operations, cross-sector innovation, and cross-regional risk transmission have become the norm, placing higher demands on the uniformity, systematicness, and forward-looking nature of financial regulation.

From a legislative practice perspective, China's financial regulatory legal system has long adopted a "single-legislation, patchwork" model, relying on individual laws such as the Commercial Banking Law, Securities Law, and Insurance Law to regulate various financial sectors [11], supplemented by departmental regulations and normative documents to fill regulatory gaps. This model suited the rapid expansion phase of the financial industry, offering advantages such as short legislative cycles and rapid implementation. However, in the stage of high-quality financial development, the drawbacks of fragmented legislation have become increasingly apparent: inconsistent regulatory standards across different sectors, poor coordination between old and new regulations, and conflicts in the effectiveness of high-level laws and low-level documents have resulted in fragmented regulatory logic, blurred boundaries, and insufficient stability. This has not only fostered regulatory arbitrage opportunities for financial institutions and weakened regulatory authority but also hindered the stabilization of market expectations and the optimization of the financial business environment. Therefore, promoting the systematic construction of a financial regulatory law, unifying regulatory values, integrating the rule system, and connecting implementation mechanisms is an inevitable choice for the construction of financial rule of law in the new era [1].

2. The Necessity of Systematizing Financial Regulatory Law

The systematization of financial regulatory law refers to the systematic integration, hierarchical sorting, and logical alignment of scattered and fragmented financial regulatory laws, regulations, and rules, based on a unified value logic and normative standards [4]. This involves eliminating conflicting norms, filling institutional gaps, and unifying regulatory standards to form an organic regulatory system that is value-consistent, structurally complete, logically self-consistent, and highly efficient. In the context of deep integration of financial sectors, cross-sectoral risk transmission, and continuous innovation, systematic construction is of great practical significance for improving financial governance and safeguarding financial security.

First, a systematic approach is needed to overcome the challenges of fragmented regulation and improve overall regulatory effectiveness. Traditional sectoral legislation is suited to traditional sectoral business models, but it easily leads to the coexistence of "multiple regulators" and "regulatory vacuums" when facing today's complex financial products that span multiple markets and business formats. Some financial innovations exist in regulatory gray areas, lacking effective regulation; some routine businesses are subject to duplicate regulation, increasing market compliance costs. A systematic approach, by unifying regulatory standards, integrating regulatory rules, and streamlining regulatory responsibilities, eliminates institutional redundancy and rule conflicts, achieving comprehensive, non-overlapping, and gap-free financial regulation, effectively improving regulatory accuracy and operational efficiency.

Secondly, a systematic approach to regulatory construction enhances regulatory transparency and stabilizes market participants' expectations. The orderly operation of the financial market relies on a stable and predictable legal environment. However, the sheer volume of fragmented and frequently updated regulatory documents significantly increases the compliance identification costs for financial institutions, making it difficult to establish stable compliance expectations. Systematically integrating various regulatory norms and clarifying unified standards for market access, operational norms, risk control, and penalties for violations allows market participants to clearly understand the boundaries of their behavior and the legal consequences, effectively improving regulatory transparency and predictability, and guiding financial institutions towards standardized operations and rational innovation.

Secondly, a systematic approach to building a standardized market order is crucial for promoting high-quality development in the financial industry. Fragmented rules can easily lead to differentiated and selective regulation, disrupting fair market competition. Furthermore, regulatory loopholes can foster regulatory arbitrage, distorting the allocation of financial resources and encouraging the financial sector to move away from the real economy. A systematic regulatory and legal framework can create a unified and fair market competition environment, curb disorderly competition and malicious arbitrage, guide financial resources to precisely serve the real economy, and drive the financial industry from extensive growth focused on scale expansion to high-quality development that emphasizes quality and efficiency.

Finally, a systematic approach is needed to solidify the bottom line of financial security and prevent systemic financial risks. Modern financial risks are characterized by their concealment, contagiousness, and cross-sectoral nature; risks in a single industry can easily spread into systemic risks [14]. Traditional fragmented regulation focuses on risk management in single industries, lacking a holistic, cross-sectoral risk prevention and control logic, making it difficult to address complex financial risks. A systematic regulatory system, with overall risk prevention and control at its core, establishes a unified mechanism for risk identification, early warning, handling, and accountability, achieving full-chain risk control, resolving major financial risks at the institutional level, and safeguarding national financial security and economic stability.

3. Theoretical Foundations for the Systematized Construction of Financial Regulatory Law

The systematization of financial regulatory law is not merely a simple compilation of articles, but a systematic institutional reconstruction supported by legal and economic theories [3]. The four core principles of financial security, financial fairness, financial efficiency, and financial consumer protection constitute the core theoretical foundation of this systematization, clarifying the value orientation and basic principles of financial rule of law construction, and providing fundamental guidance for rule integration, institutional improvement, and mechanism innovation.

First, the principle of financial security is the primary value foundation of a systematic framework. Financial security is the core of national economic security, and preventing and resolving financial risks and maintaining the stability of the financial system are the primary objectives of financial regulation. The inherent characteristics of financial markets—high leverage, high liquidity, and high risk—make free market mechanisms highly susceptible to failure and loss of risk control. The principle of financial security requires that regulatory rule of law be based on a holistic perspective, constructing a comprehensive, end-to-end risk regulation system, prioritizing risk prevention and control as the highest value, unifying risk prevention and control standards and handling procedures across all sectors, addressing the institutional shortcomings of segmented regulation, and building a solid defense against systemic financial risks.

Second, the principle of financial fairness is the core value criterion of a systematic framework. Fair competition is the core essence of a market economy and a fundamental pursuit of financial rule of law. Fragmented legislation easily creates regulatory barriers within industries, resulting in imbalances in regulatory standards for large and small institutions and new and old business models, thus disrupting the fair order of the market. The principle of financial fairness requires a systematic approach to eliminate differentiated regulations and regulatory bias, unifying standards for market access, operational supervision, and penalties for violations, ensuring that all types of market participants participate in competition equally, accept supervision equally, and enjoy institutional benefits equally, thereby maintaining comprehensive fairness in financial market competition, transactions, and redress.

Third, the principle of financial efficiency is the core development orientation of a systematic approach. The core function of finance is to optimize resource allocation and serve the real economy, while the core objective of financial regulation is to achieve a dynamic balance between risk control and market efficiency. Fragmented regulation leads to redundant and excessive regulation, significantly increasing institutional costs and hindering financial innovation. A systematic approach, by integrating scattered rules, simplifying compliance processes, and unifying regulatory standards, reduces regulatory inefficiency while reserving institutional space for financial products and fintech innovation, achieving a balance between safeguarding risk and stimulating market vitality.

Fourth, the principle of financial consumer protection is the fundamental element of a systematic approach to improving people's livelihoods. Compared to professional financial institutions, financial consumers are inherently vulnerable due to information asymmetry, weak bargaining power, and insufficient risk identification capabilities, making them highly susceptible to financial fraud, unfair transactions, and other harms. Traditional regulation focuses on institutional compliance and control, neglecting the protection of consumer rights, resulting in fragmented redress mechanisms and high costs for rights protection. A systematic approach integrates consumer protection throughout the entire regulatory process, unifying rules for information disclosure, marketing regulations, dispute resolution, and infringement punishment, and improving redress mechanisms such as public interest litigation and compensation for losses, thereby comprehensively strengthening the legal barrier protecting the rights and interests of financial consumers.

4. Practical Path for the Systematized Construction of Financial Regulatory Law

The systematization of financial regulatory law is a comprehensive and systematic reconstruction encompassing values, rules, implementation, and coordination. In light of the current state of my country's financial legal system, efforts should be made in four dimensions: top-level legislative positioning, the establishment of internal and external systems, the improvement of implementation mechanisms, and international regulatory coordination. This will construct a logically unified, smoothly operating, and adaptable systematic practical path to achieve the scientific and modern governance of finance.

First, clarify and unify the legislative positioning to solidify the foundation for a systematic approach. Currently, my country's sectoral legislation lacks a unified top-level positioning, resulting in fragmented value objectives and disjointed regulatory logic [2]. Promoting a systematic approach requires establishing a unified top-level legislative positioning, with "preventing financial risks, maintaining financial fairness, improving financial efficiency, protecting financial consumers, and serving the real economy" as the core objectives, and establishing a value hierarchy of "safety first, efficiency in consideration, fairness guaranteed, and people's livelihood as the foundation." This involves coordinating the logic of various individual legislative acts, eliminating outdated and conflicting regulations, and unifying the scope and core principles of regulatory adjustment to provide top-level institutional guidance for the systematic approach.

Second, reshape the intrinsic value system and unify the regulatory value logic. With the intrinsic value system as its core spirit and relying on four core principles, construct a clearly hierarchical and mutually synergistic value system. With financial security as the bottom line guarantee, financial fairness as the support for order, financial efficiency as the driving force for development, and consumer protection as the foundation of people's livelihood, unify the value orientation of all regulatory norms and behaviors, resolve the value conflicts and misaligned objectives of traditional regulatory rules, and achieve self-consistency and unified guidance in the financial legal logic.

Third, reconstruct the external regulatory system and improve the hierarchical regulatory structure. With regulatory functions at its core, establish a hierarchical regulatory system consisting of a "top-level basic law + industry-specific laws + supporting detailed rules." This involves clarifying the general regulatory system, powers, responsibilities, procedures, and legal liabilities through a unified basic financial regulatory law, refining specific regulatory rules based on industry-specific laws [8], and filling practical gaps with supporting detailed rules. Simultaneously, around the three core regulatory behaviors of risk prevention, risk warning, and risk disposal, construct a full-chain risk regulation system to achieve the legalized and systematic management of financial risks.

Fourth, improve the implementation guarantee mechanism and enhance the effectiveness of the system. Clarify the boundaries of regulatory powers and responsibilities among the central bank, the State Financial Regulatory Commission, the China Securities Regulatory Commission, and other entities, and establish a cross-departmental collaborative supervision, information sharing, and joint enforcement mechanism. Standardize regulatory enforcement procedures, constrain discretionary power, and eliminate regulatory arbitrariness. Construct a multi-faceted supervision framework encompassing administrative supervision, judicial supervision, industry self-regulation, and social supervision, improve channels for resolving financial disputes and providing redress for rights, and ensure the standardized operation of regulatory power and effective protection of the rights and interests of market entities.

Fifth, deepen international regulatory cooperation and align with global financial governance. In the context of financial globalization, cross-border risk transmission and transnational financial innovation are becoming increasingly frequent, making it difficult for a single domestic regulatory system to achieve comprehensive risk prevention and control. It is necessary to proactively align with internationally accepted financial regulatory standards, actively participate in the formulation of global regulatory rules, and promote the integration of domestic rule of law with international rules. We must improve mechanisms for cross-border regulatory cooperation, information sharing, joint risk prevention, and law enforcement coordination to prevent the importation of cross-border financial risks and enhance my country's international voice and influence in financial rule of law.

5. Specific Suggestions for Improving the Systematized Construction of the Financial Regulatory Legal System

Based on the current shortcomings in financial legal system and systematic practical paths, and grounded in the needs of high-quality financial development, this paper proposes specific improvement measures from the dimensions of legislation, mechanisms, technology, supervision, and talent [5], so as to promote the implementation and effectiveness of the systematic construction of financial regulatory law.

First, we will coordinate top-level legislative revisions to build a unified regulatory system. We will systematically review existing financial regulatory norms, eliminate outdated, conflicting, and invalid provisions, revise lagging regulations, and fill regulatory gaps in emerging sectors such as fintech and cross-border finance [12]. We will promote unified basic legislation for financial regulation, clarifying general regulatory principles, institutional rights and responsibilities, and completely changing the fragmented pattern of sectoral legislation to achieve organic unity of regulatory rules.

Second, optimize the regulatory implementation mechanism and improve governance effectiveness. Refine the division of functions among various regulatory bodies, establish a regular cross-departmental collaborative regulatory mechanism, and consolidate regulatory efforts. Unify enforcement discretion standards, standardize enforcement measures, and eliminate selective and differentiated enforcement. Establish a regular system evaluation mechanism to dynamically optimize regulatory rules and improve the market adaptability of regulatory systems.

Third, we will strengthen the empowerment of financial technology and build a smart regulatory system. We will promote the deep integration of modern technologies such as big data and artificial intelligence with financial regulation, build an intelligent regulatory platform, and achieve real-time risk monitoring, intelligent identification, and accurate early warning [9]. We will improve financial technology regulatory rules, improve the sandbox regulatory mechanism, and embrace compliant financial innovation while adhering to the bottom line of risk control [13], so as to achieve a dynamic balance between risk control and innovation.

Fourth, we will improve the multi-party governance mechanism and enhance regulatory credibility. We will fully disclose regulatory rules, procedures, and penalty results to ensure market participants' right to know and right to supervise. We will improve the legislative hearing and public review systems, and involve industry associations, experts, scholars, and the public in rule-making to enhance the scientific nature of the system and its public support, thereby building a multi-party and collaborative financial governance structure.

Fifth, we will strictly implement regulatory accountability and solidify regulatory responsibilities. We will build an accountability system with clear powers and responsibilities and strict accountability, clarify the standards for holding accountable those who fail to perform their duties, abuse their power, or otherwise neglect their responsibilities [7]. We will hold those who condone financial risks or fail in their regulatory duties accountable in accordance with the law, thereby forcing regulatory departments to perform their duties in accordance with the law and enhancing the effectiveness and credibility of regulatory enforcement.

Sixth, we will strengthen the cultivation of scientific research talent and solidify the foundation of the rule of law. We will delve into the theoretical research of financial law, focusing on cutting-edge issues such as digital financial supervision and systemic risk prevention and control, to provide theoretical support for the improvement of the system [6]. We will cultivate compound talents with both legal and financial literacy, improve the talent training system, and provide a solid talent guarantee for the construction of the rule of law in financial supervision.

Seventh, we will deepen international exchanges and cooperation and align with global governance. We will benchmark against advanced international regulatory systems, actively participate in the formulation of international financial regulatory standards, deepen cross-border law enforcement cooperation and joint risk prevention and control, improve cross-border consumer rights protection mechanisms, and build a solid financial security defense line through opening up to the outside world, thereby enhancing my country's international influence in the financial rule of law.

6. Conclusion

The systematic construction of a financial regulatory law system is a core measure for advancing the modernization of financial governance and an essential path to overcome the dilemma of fragmented regulation, prevent systemic financial risks, and promote the high-quality development of the financial industry. my country's traditional fragmented legislative model for financial regulation suffers from shortcomings such as scattered rules, logical conflicts, and insufficient adaptability, making it difficult to adapt to the modern financial development landscape characterized by diversification, digitalization, and globalization. The four principles of financial security, financial fairness, financial efficiency, and financial consumer protection form the core theoretical foundation for a systematic approach and clarify the value orientation of financial rule of law. By clarifying the top-level legislative positioning, unifying internal and external regulatory systems, improving implementation guarantee mechanisms, and deepening international regulatory collaboration, a scientific and complete systematic practical path can be established. Supporting measures such as legislative revision, technological empowerment, accountability and supervision, and talent cultivation can drive the transformation of financial regulatory rule of law from patchwork governance to systematic governance. Continuously advancing the systematic and modern construction of a financial regulatory law system can effectively solidify the bottom line of financial security, optimize the financial business environment, stimulate market innovation, and provide a solid legal guarantee for financial services to the real economy and promote high-quality economic development.

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