

LEGAL ACCOUNTABILITY IN FINANCIAL MARKETS: ADVANCING SDG 16 THROUGH STRONG INSTITUTIONS AND THE RULE OF LAW

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Abstract

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Lawfulness is one of the fundamentals in facilitating transparency, trustworthiness, and stability of financial markets. The latest research conducted emphasizes the overlapping connection between market integrity, sustainability, and governance (Radzi et al., 2025; Johannsdottir et al., 2025). This paper investigates the essence of law systems and institutional strength in the establishment of corporate accountability across the global financial systems, also addressing Sustainable Development Goal 16 (SDG) and the associated objectives. Based on the case studies in the developed and emerging economies, the researchers will discuss the role of regulatory enforcement, corporate governance standards, and the anti-corruption systems in developing market integrity and ensuring the sustainable development of the economy. The paper presents that strong legal infrastructures not only discourage misconduct and systemic risk but also lead to increased investor confidence and inclusive improvement. In light of recent reforms and enduring challenges, this study suggests policy recommendations that can help reinforce legal accountability frameworks in a bid to facilitate the achievement of SDG 16 and resilient, just, and accountable financial systems around the globe.

Keywords: Financial Markets, Rule of Law, Accountability, SDG 16, Good Institutions, Financial Regulation

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1. INTRODUCTION

The stability and soundness of financial markets in a globalized economy are crucial not only for economic growth but also for achieving broader sustainable development goals. SDG 16, Peace, Justice, and Strong Institutions, can be regarded as one of the pillars of achieving legal accountability, transparency, and effectiveness, as one of the 17 Sustainable Development Goals (SDGs) of the United Nations (UN). Target 16.3 speaks about the necessity to promote the rule of law and equality of access to justice, whereas Target 16.6 states that effective, accountable, and transparent institutions need to be developed at all levels. Although the contribution of legal frameworks to fostering ethical financial practices has received an increased scholarly interest, a significant knowledge gap remains in terms of how legal accountability structures can be methodically reorganized to achieve SDG 16 in terms of resilient and inclusive financial markets. The integration of SDGs into financial institutions is still fragmented, despite a recent study highlighting the rising confluence between governance, accountability, and sustainable development (Radzi et al., 2025; Johannsdottir et al., 2025).

Despite the expanding number of studies on financial oversight and governance, existing studies tend to focus largely on compliance methods, risk elimination, or legal steps in isolation. There is inadequate integrated research addressing how legal accountability frameworks might be strategically matched with macro-level development aims such as SDG 16, particularly in the context of growing financial markets and cross-jurisdictional governance arrangements. This creates a gap in comprehending how legal, organizational, and stakeholder-driven techniques may work synergistically to build stronger, clearer financial institutions. Financial operators differ greatly in how they integrate SDGs into their operational logic, according to studies looking at sustainability reporting and governance frameworks, including board diversity and institutional transparency (Alshaiba & Abu Khalaf, 2024; Kazan et al., 2025).

The article addresses this gap by elucidating the concept of legal accountability in financial markets and how it facilitates the achievement of SDG 16, which is inclusiveness, accountability, and integrity in institutions and the rule of law. Based on institutional theory and stakeholder theory, the study provides a dual theoretical perspective that is used to examine the role of regulatory bodies, market participants, and civil society in formal legal systems to ascertain compliance and transparency as well as justice in financial functions.

Contextually speaking, as of late, there have been growing concerns about financial misconduct, such as insider trading, market manipulation, and corporate fraud, that challenge the trust of investors and erode the trust of people in institutions (Alexander & Cumming, 2022). Such concerns extend particularly to the nascent economies, in which the flawed institutions and the lack of sustainability between law enforcement undermine the evolution of fair and sustainable markets. However, a big part of the current literature concentrates on compliance without addressing the problems directly to other macro development goals, namely, SDG 16.

This study views financial errors as both a regulatory problem and a developmental impediment, highlighting the importance of incorporating legal obligations into institutional strengthening and equitable economic progress.

Theoretically, this article draws on institutional theory to explain how the behavior of financial market organizations is shaped by existing legal structures and the need for strong, legitimate institutions. It also uses stakeholder theory to explore the roles of regulators, companies, investors, and civil society in upholding legal standards and promoting justice. By merging these theories, the research offers a simple conceptual model for strengthening accountability across financial system levels, relating regular operations to governance aims.

Empirically, the paper draws on recent studies from top journals, including the *Journal of Business Ethics* and *European Journal of Law Reform* (2024–2025), focusing on case studies and regulatory reforms in Singapore, the UAE, and the UK. Using a qualitative, comparative case analysis, the study identifies patterns, innovations, and institutional practices that strengthen accountability, offering insights that can be applied across different financial systems to support SDG 16 targets on transparency and the rule of law. This strategy is in line with growing academic demands for more thorough cross-national comparisons in studies on accountability and governance (Radzi et al., 2025; Johannsdottir et al., 2025).

The main research questions framing this inquiry are the following:

RQ1: What is the effect of legal frameworks on financial market accountability?

RQ2: What institutional set-ups could be adopted in favor of aligning the governance of financial markets with SDG 16?

RQ3: What are the stakeholder expectations, and how do they influence legal accountability practices within the market financial sector?

This article provides three contributions by means of answering such questions: It fills some of the space between financial regulation and sustainable development, and explains how legal accountability can be used as a point of departure to attain SDG 16. It presents a theoretically based model that incorporates institutional and stakeholder models to appreciate legal accountability in action. It gives policy and practical lessons to regulators, financial institutions, and international agencies that want to tighten legal strings and enhance fair and transparent systems of finance.

It concludes that legal responsibility is a strategic instrument to promote justice, develop institutions, and integrate the rule of law in financial market governance, not only a regulatory necessity. Aligning governance with SDG 16 helps policymakers improve market integrity and sustainability practically and developmentally.

The rest of the paper is structured as follows. Section 2 discusses current literature addressing the relation between legal accountability and financial market governance. Section 3 explains the methodology, research design, and questions. Section 4 provides the results and an extended discussion. Section 5 sets out policy recommendations. Section 6 identifies future areas. Section 7 concludes the study with reflections on its contribution to strengthening institutions under SDG 16.

2. LITERATURE REVIEW

2.1. Theoretical framework

Legal accountability in financial markets is increasingly seen as essential to achieving SDG 16 of a peaceful, just, and inclusive society. Recent cross-agency research highlights the importance of rule of law institutions, transparent governance, and accountable regulatory frameworks for reducing illicit financial flows, protecting investors, and maintaining market integrity — all necessary to achieve long-term development results (Aidoo, 2025; Raza et al., 2025).

Current literature highlights two mutually reinforcing ways in which legal accountability promotes financial stability and SDG 16. First, good institutional architecture, such as independent regulators, clear reporting requirements, and effective enforcement tools, reduces regulatory arbitrage and market opacity, reduces systemic risk, and increases public trust. Empirical and policy assessments from major international organizations have supported the capacity building of national regulators and improved cross-border cooperation to address deficiencies.

Empirical and policy studies by major international organizations have advised national regulators to increase their capabilities and strengthen cross-border cooperation to fill gaps, particularly in the non-bank financial intermediation and cryptocurrency markets (Trapanese & Lanotte, 2023; Omarini, 2023).

Second, targeted legislative measures that increase transparency and penalize misconduct (e.g., beneficial ownership registers, anti-money laundering, and stricter disclosure regimes) directly combat illicit financial flows and corruption, which are key goals of SDG 16. Civil society and UN assessments note that progress on such measures has been uneven: although some jurisdictions have advanced legal frameworks, enforcement and information sharing remain inadequate in many low- and middle-income countries, limiting the overall benefits of these changes (Mahmutovic & Al Sudais, 2025).

The literature also identifies new difficulties. The rapid rise of non-bank financial assets and digital assets has overtaken regulatory systems, resulting in rule of law stress tests for institutions unable to manage complex, cross-border risks (Pelizzon et al., 2025). International authorities (Financial Stability Board (FSB), Organisation for Economic Co-operation and Development, (OECD)) have called for harmonized standards, better data collection, and greater accountability systems to manage structural transitions and ensure the enforcement of legislation.

Finally, scientific and policy studies agree on a guiding principle: achieving SDG 16 through accountability in the financial sector requires both formal legislative reforms and practical investments in institutional capacity, judicial independence, and civilian oversight. Future research should therefore combine legal analysis with institutional case studies to determine which combinations of regulations, resources, and enforcement result in measurable improvements in SDG 16 in different situations.

2.2. Understanding SDG 16

The financial system and all relevant actors within it, including national governments, international financial institutions, and public-private initiatives, should take action in line with global best practices, standards, and norms to prevent and address the financial sector's exposure to human rights abuses (World Health Organization [WHO], 2022). They should also hold legal accountability for such abuses, particularly, but not only, in cross-border situations. States must take steps to ensure effective enforcement and remedial action, including through legislation, the judiciary, and national-level accountability mechanisms (Madiaga, 2024).

2.2.1. Overview of SDGs

The Sustainable Development Goals (SDGs) were launched in 2016 to provide a universal and multidimensional framework for comprehensive sustainable development (Úbeda et al., 2022). The 17 SDGs cover various aspects of development, including poverty reduction, environmental sustainability, public health, education, inequality, economic growth, and good governance.

The SDGs and their 169 targets represent a huge effort for businesses to meet the criteria and decide priorities. The financial sector, as the sector that allocates massive funds, is expected to play a prominent role in the implementation of the SDGs. However, feedback from the financial sector has received little attention.

2.2.2. Importance of peace, justice, and strong institutions

The world is now facing multiple crises affecting humanity in their plight for peace, justice, and institutional capacity to ensure the rule of law. Options for enhancing legitimacy and transparency in financial markets offer benefits through improved capabilities.

This proposal outlines an integrated approach to enhance trust mechanisms in financial markets, particularly for banks, which must cultivate public trust due to their societal role. Transparency could be delivered upwards as well as downwards, providing a pathway to improved stability and accountability either way, depending on the configuration of institutions and observables of interest (Adam & Fazekas, 2021).

2.2.3. Legal accountability in financial markets

Financial markets, and banks in particular, are expected to promote growth, invest in social goods, and comply with laws and regulations. However, they often get involved in illegal, immoral, and unethical behavior, exclusively pursuing their interests or the interests of some groups at the expense of others. As a consequence, financial crises, scandals, and corruption cases emerge that jeopardize social trust, thereby violating SDG 16 (Duri, 2021). Although it is expected that legal accountability could attenuate these undesirable scenarios, research on the accountability of financial markets is still limited due to the breadth and

complexity of the topic. Fulfilling SDG 16 means achieving peace, justice, and strong institutions.

Financial markets, primarily private institutions, aim to efficiently mediate savings and investments, requiring accurate firm valuations. Trust in the communicated information is essential; investors and firms need assurance that it adheres to laws and regulations set to protect the public interest against private interests. If trust is breached, affected parties should seek legal recourse for compensation.

3. RESEARCH METHODOLOGY

This study uses a framework of comparative institutional analysis, backed up by mixed-methods triangulation, to look into the connection between legal responsibility and market integrity in the context of advancing SDG 16. The method is based on combining qualitative and quantitative data, such as mapping legal instruments, comparing cases, and cross-jurisdictional benchmarking of enforcement data. To ensure comprehensive transparency, the investigation begins with the collection of essential legal papers and regulatory data from numerous jurisdictions. It also analyses secondary data from official financial and

legal sources to estimate enforcement results and compliance levels.

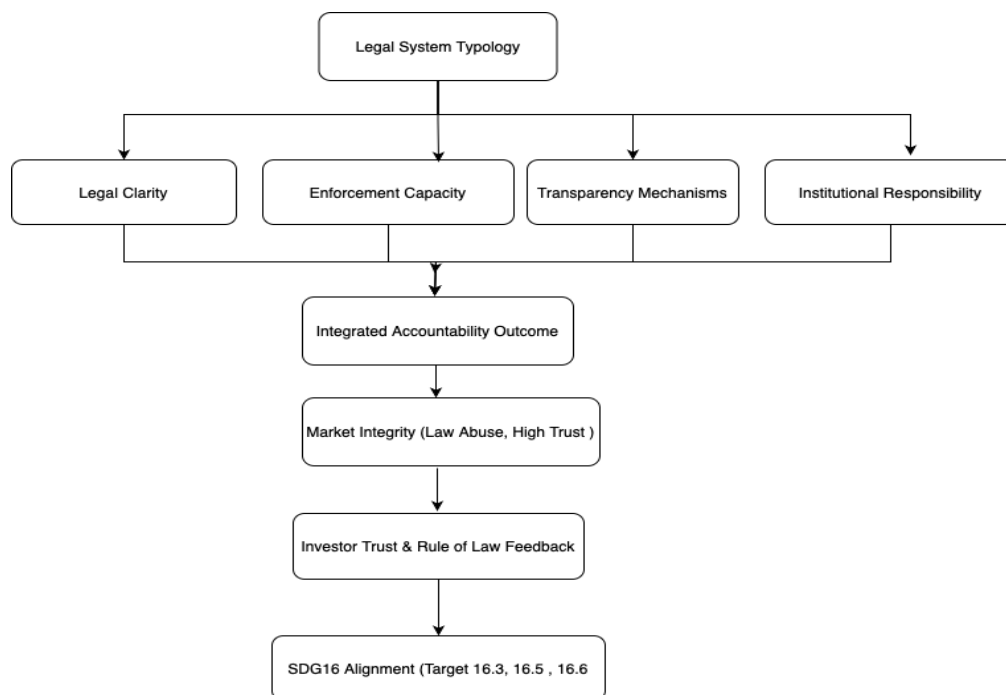
Figure 1 shows that the methodological framework is based on four pillars that come one after the other:

- 1) Legal systems categorization;
- 2) Incident-based market abuse analysis;
- 3) SDG 16 legal instrument mapping;
- 4) Institutional performance synthesis

Each pillar is a basic element that helps us understand how legal accountability works in regulating the financial markets. The study uses a logical approach based on global governance theory and research on how to implement the SDGs.

Additionally, survey-based techniques to gather stakeholder perceptions of accountability, econometric modelling to evaluate the quantitative effect of legal frameworks on market integrity, longitudinal case studies to monitor institutional reforms over time, and network analysis to investigate interactions between financial actors, regulators, and legal instruments are all viable alternatives for carrying out this research. These additional techniques might supplement the main technique by providing deeper qualitative insights as well as empirical rigour.

Figure 1. Methodological framework linking legal systems, accountability pillars, and SDG 16 mapping



Source: Authors' elaboration.

4. RESULTS AND DISCUSSION

This study looks at the relationship between legal accountability and market integrity in depth, putting its results in the context of SDG 16: Peace, Justice, and Strong Institutions. The results show that there is a constant and empirically validated link between having strong legal accountability frameworks and reducing market abuse, especially when it comes to insider trading and financial manipulation.

Table 1 shows a comparison of different legal systems. It shows that Common Law systems, especially in the UK, the US, and Canada, have much lower rates of market abuse than Civil Law and Islamic Law systems. It is important to note that this difference is not just because the laws are strict. Instead, it shows that the four main pillars of legal accountability — legal clarity, enforcement capacity, transparency, and institutional independence — are more deeply ingrained in institutions (as shown in Figure 2). These pillars work together to make sure that regulations are not just passed but also

enforced by independent, well-funded financial regulatory bodies. Common Law frameworks are better at dealing with new and complicated types of

financial malfeasance because they are more flexible and decide cases depending on the facts of each case.

Table 1. Comparative overview of legal systems and their effectiveness in market abuse enforcement

Country	Legal framework for market abuse	Enforcement body	Notable cause	Impact on SDG 16 progress
US	Dodd-Frank Act, Sarbanes-Oxley	Securities and Exchange Commission (SEC)	Insider trading (Raj Rajaratnam)	High institutional accountability
UK	UK Market Abuse Regulation	Financial Conduct Authority (FCA)	LIBOR manipulation	Strengthened regulatory trust
Nigeria	Investment and Securities Act	SEC Nigeria	Stock manipulation cases	Emerging framework, improving transparency
India	Securities and Exchange Board of India (SEBI) Act	SEBI	Fraudulent trade practices	Mixed enforcement effectiveness

Civil Law systems, like those in France and Germany, are based on a lot of written laws, but they have slower enforcement and lower prosecution rates. These systems are good at making the law clear, but they are limited by strict procedures and only minimal enforcement and openness. Islamic legal systems, especially those seen in some Gulf Cooperation Council (GCC) states, are unique. Even

though there are not many reports of market abuse, this is probably because of problems with reporting procedures, auditing transparency, and regulatory independence, not because there is no wrongdoing. These results imply that having rules alone, without institutional transparency and operational independence, may lead to inaccurate measures of governance.

Table 2. Mapping legal instruments to SDG 16 targets

Legal instrument/Framework	Relevant SDG 16 target	Description
Securities regulation laws (e.g., insider trading laws)	16.5 Substantially reduce corruption and bribery	Prevent unfair advantage and manipulation in markets
Anti-money laundering (AML) laws	16.4 Illicit financial flows	Help trace and prevent illegal capital movements
Regulatory bodies (e.g., SEC, FCA)	16.6 Effective, accountable institutions	Ensure oversight and transparency in finance
Whistleblower protection laws	16.6 Accountable institutions	Encourage reporting of misconduct without retaliation
International treaties (e.g., OECD Anti-Bribery Convention)	16.a Strengthen institutions globally	Promote harmonized legal standards across borders

Table 2 demonstrates how existing legal tools align with specific SDG 16 targets, reinforcing their relevance and importance. It serves as a starting point for more research that compares national laws to specific SDG 16 goals, such as Target 16.3 (promoting the rule of law), Target 16.5 (reducing corruption), and Target 16.6 (building effective, accountable institutions). Jurisdictions that do well on these indicators usually have integrated governance systems where anti-fraud laws are backed up by effective whistleblower protections, public access to regulatory outcomes, and clear roles for financial oversight agencies and the courts.

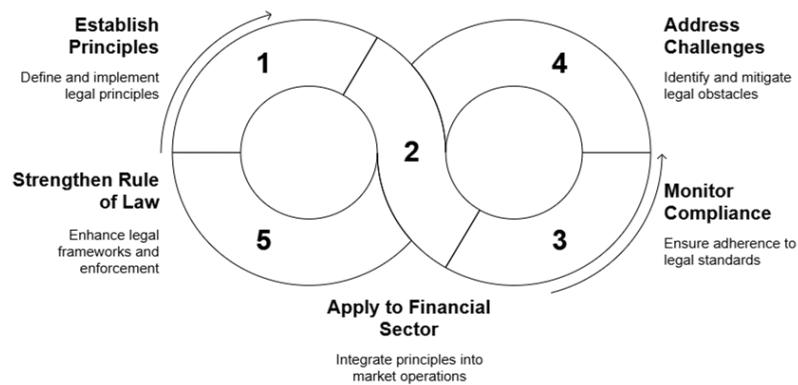
The circular flow model used in this study helps to explain the recursive relationship between legal accountability, public trust, regulatory compliance, and institutional legitimacy. The results support the idea that legal accountability needs to be built into all parts of financial governance, from writing laws to enforcing regulations and overseeing the courts. This is especially important for emerging and transitional economies. Lastly, the data support a dual-path reform agenda for advancing SDG 16 through financial market governance: 1) making enforcement bodies more independent and strengthening their institutional capacity, 2) putting in place transparency measures that focus on stakeholders, such as open regulatory data, mandatory compliance disclosures, and civil

society's participation in monitoring. Singapore and Australia are examples of places that put these ideas into practice and design.

These findings highlight the importance of achieving SDG 16 in financial markets, not just by enacting laws, but by putting them into practice through effective institutions, active stakeholder engagement, and continuous monitoring. Finally, this study contributes to the literature by demonstrating that legal liability is both a regulatory and strategic tool for sustainable economic development, providing policymakers with concrete ways to improve the health of financial markets around the world.

4.1. The rule of law in financial markets

The rule of law is essential for achieving SDGs, as highlighted in the 2030 Agenda. SDG 16 focuses on establishing the rule of law and effective, transparent governance. A definition of the rule of law emphasizing its role in development is essential. Financial markets operate under laws and regulations, forming institutional frameworks. Financial markets are crucial for development goals; stability and transparency in these markets are vital, underscoring the rule of law and the need to focus on institutional elements to ensure compliance.

Figure 2. Cycle of the rule of law in financial markets

Source: Authors' elaboration.

4.1.1. Principles of the rule of law

Adherence to the rule of law is a core function of every state, though its meaning and application vary across legal traditions. In common law, it involves challenging government actions in court, while in civil law, *Estado de derecho* signifies limiting state power within a constitutional framework (Macaulay, 2018). The rule of law must be applied continuously, consistently, and predictably. States can be classified based on how well they uphold their laws. They range from neo-tribal societies where rules are selectively ignored by rulers to enlightened societies where the rule of law is better observed, despite imperfections. Strong systems with a culture of lawfulness help reduce arbitrariness, yet still strive for greater adherence to the law (Žibaitė, 2022).

To ensure a government upholds the rule of law, accountability among branches is crucial. The executive must answer to the legislature as mandated by the constitution in transitional democracies. Citizens can petition the judiciary to hold branches accountable to the law. Institutionalized practices are necessary for the judiciary's independence to maintain its role in upholding the law (Yusuf, 2021). In general, it requires checks and balances, where one branch of government acts as a check on another. This breaks down into two separate procedures in the case of the independent authority of the judiciary *stricto sensu*: immunity to arbitrary pressure from branches of state power, otherwise rule of law is not upheld; and integrity, such that laws or decisions are enforced fairly.

4.1.2. Impact on market stability

Legal accountability in financial markets can help maintain stability by improving transparency and information sufficiency, promoting the development of self-regulatory organizations, and focusing on isomorphic coverage by acknowledging the risks in small pools of money. Sufficient accounting and disclosure standards reduce information asymmetry in stock exchanges, enhance law enforcement, reduce regulatory uncertainty, and facilitate managers' engagement with investors. All of this

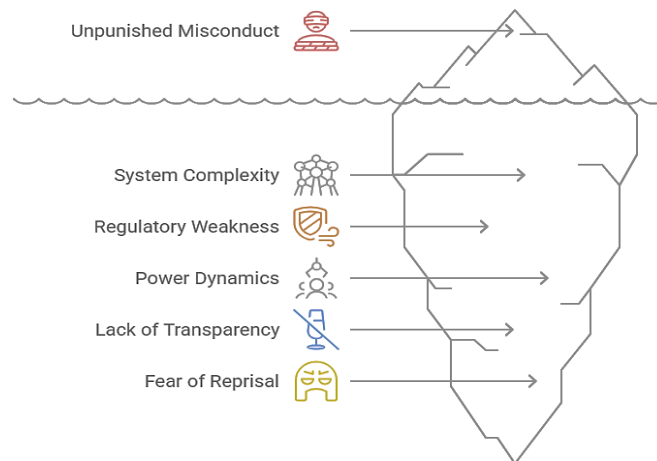
fosters better corporate governance and more informed investing, which help maintain financial market stability (Úbeda et al., 2022). One way in which labeling organizations can be established is by using information provided by the financial markets themselves and linking specific aspects of this information to indicators on market quality. This would guide investors toward firms that operate legally in terms of ownership structure and accounting standards.

Self-regulatory organizations (SROs) help reduce regulatory uncertainty and the impact of specific policies on market performance. Key factors include a flexible regulatory framework, a system for investors to claim damages for infringements, and support from the central bank, all contributing to increased market liquidity.

4.2. Challenges to legal accountability

The failure of top management systems in regulators, banks, stockbroking firms, and investment advisory companies stemmed from regulatory laxity, uncoordinated supervision, self-interest, negligence, and collusion. These individuals are responsible for their organizations' roles in the market failure, raising significant issues of accountability for their lawful lapses and negligence, which contributed to the organizations' failures (Ahmed & Bello, 2015). Another manifestation of the effect of the lack of accountability on investor confidence in the capital market is the great increase in the propensity of fraudulent transactions in it. It is common knowledge that man as a species is by nature covetous, self-serving, and deceitful.

The advancement of financial sophistication allows the knowledgeable to exploit the less able and aware. Without proper regulatory oversight and effective whistle-blowing systems to deter illegal activity, the Nigerian capital market may face numerous abuses of its rules, facilitating ongoing illicit trades (Nwachukwu, 2021). Business restructuring, civil liability, crime, existing investors, market intelligence, fees, financial institution, government liability, and wider ranging inquiries are some aspects of this far-reaching accountability that would be examined.

Figure 3. Elusive accountability in financial misconduct

Source: Authors' elaboration.

4.2.1. Corruption in financial systems

Public and private sector corruption has increased, especially during the COVID-19 pandemic. The following baseline conditions helped corrupt criminal actors benefit from increased poverty and social unrest: institutional weaknesses in the labor, social security, and financial sectors; banking systems characterized by a lack of transparency in the entry of loans; weak oversight and response mechanisms; and insufficient audit capacity (Teremetskyi et al., 2021). When corrupt individuals deployed these systems, situations arose that helped civil unrest grow into severe violence.

Working conditions in banking and finance have improved, yet they remain high-pressure environments that some employees address through extreme behavior. Corruption in financial systems is linked to broader contexts like the evolution from commercial to investment banks, close ties between regulators and banks, and weak criminal justice in countries with notable fraud and corruption. This suggests that major fraud in the financial sector often mirrors ongoing corruption issues in politics or the private sector (Heidenheimer et al., 2024).

4.2.2. Weak regulatory practices

Financial turmoil arises from inadequate risk management policies. It is not just the regulators' role to mitigate risk, as excessive regulation can harm market effectiveness. Regulators have undermined risk managers through various methods, such as taking unethical guidance from financial firms during capital market crises.

At the core of effective oversight and regulation is institutional capacity. The financial market is the art of striking a balance between self-interest and sound risk management. Any disruption to these functions multiplies the potential crises in the economy and financial markets (Adeniran et al., 2024). Institutions should be committed to independent and strong financial regulators that monitor and supervise the risk management practices of all institutions offering financial products.

Particularly within the context of developing countries, almost all have agreements providing for the establishment of independent regulatory and

oversight institutions. However, this independence is imperfect. Governments often issue covert orders and threats to influence the behavior of institutions that report not directly to them (Saxena, 2022; Abbott & Snidal, 2021). These efforts are documented for countries with financial instability and weak institutions.

4.3. Case studies

According to the rules of business, SDG 16 has been refined through the identification of vulnerable groups and a specific focus on the perspectives of women and youth. Like the other SDGs, this has opened an opportunity for the financial industry to be involved in new initiatives. Various types of expertise housed in financial organizations relevant to SDG 16 have planned and studied various innovative ways through public-private partnership to circumvent the sustainable development deficiencies facing the public sector (Úbeda et al., 2022).

Compliance with traditional regulations and voluntary requirements is not conclusive. Financial organizations need to function independently and with integrity, guided by thorough risk assessment (Mamaysky, 2021). Overreliance on government perceptions poses a risk to this independence. Innovative governance models, incorporating expertise from both financial and public sectors, are necessary. Aligning private risk appetite with public interest fosters engagement incentives. Focusing on SDG-sensitive industries facilitates co-investing, lending, and insurance partnerships. Portfolio segregation and sustainability performance measurements serve as crucial safeguards.

4.3.1. Successful legal frameworks

Promoting SDG 16 through ensuring effective institutions and legal accountability in financial markets. Accountability is vital for global efforts to achieve the SDGs, as it involves holding all relevant actors accountable, including financial institutions and companies. Financial transparency rules, laws, and regulations are necessary to combat illicit financial flows, tax evasion, and tax avoidance, which deplete the revenues available to states as public funding for services in health, education, and

social protection, as well as fiscal revenues (Abhayawansa et al., 2021). For example, public policies proposed by tax jurisdictions designed to promote economic activity in a jurisdiction without real value-added premises involve unlawful tax benefits to multinationals that compare to a “race to the bottom” scenario. Further, disaggregation of due diligence regulation is recommended to facilitate the fight against illicit financial flows through financial markets by mandating financial market participants and their issuers at various levels of sophistication to establish tailor-made advice systems and due diligence screenings termed separate or proportional obligations (Úbeda et al., 2022). The legal accountability of countries and international organizations for breaches of the right to sustainable development is also advocated. Accountability in addressing the SDG 16 agenda includes establishing independent mechanisms, complemented by the UN Secretary General’s historic commitment to taking a more active role in national-level reviews and follow-ups, to inspect and investigate non-compliance by all relevant stakeholders.

4.3.2. Failures and lessons learned

Regulatory failures in a country’s capital market engender substantial financial losses to investors and the economy. The introduction of legislation to establish a specialized regulatory institution charged with the responsibility of regulating the sector does not absolve the other regulatory institutions; rather, it adds an additional layer of regulatory responsibility to inter-agency responsibilities in the capital market. With the 1990s influx of portfolio investment into Nigeria’s capital market, the regulatory framework established to midwife market reforms became the subject of several capital market crises (Nwoke, 2023). Capital market misdeeds, some of which were allegedly perpetrated by institutions that should provide oversight, led to losses estimated at trillions of naira. Would the absence of market regulatory institutions have prevented these challenges or curtailed the enormity? Were there lapses on the part of the regulators before and during the crises? What responsibilities did the other regulators have with respect to the capital market? Were these responsibilities activated or ignored? What actions were taken to hold these regulators accountable? (Ahmed & Bello, 2015).

The regulators directly and indirectly caused the 2007–2011 crises in the capital market due largely to regulatory laxity and regulatory highhandedness, undermining investors’ confidence in the market. A recurring problem in this market crisis has been the lack of accountability of nearly all the regulatory players involved. This suggests that regulatory accountability has either not been conceptualized or is infeasible. This paper interrogates this issue with the hope that it will be of some assistance to the operators and regulators of emerging capital markets. It focuses on two types of regulatory accountability as commonly conceptualized, either of which would suffice in ensuring effective capital market operation.

4.4. Technological innovations

Technological innovations, which include the design of financial products as well as their underlying technologies, are essential for leveraging SDG financing in jurisdictions with limited financial service provision (Úbeda et al., 2022). Where rapid population growth and urbanization are straining public service provision, adhering to good practice exposes incumbents to competition from riskier sources of finance. However, countries with greater income inequality, lower human capital, and those that are more advanced in mobile banking deployment have weaker private debt markets than their counterparts, suggesting the presence of a combined effect that exacerbates this problem.

4.4.1. Fintech and legal accountability

Developments in information and communication technology, including big data analytics, artificial intelligence, cloud computing, blockchain, and the Internet of Things, have led to the emergence of Fintech. Fintech should be understood as a systemic phenomenon that involves the emergence of new firms and systems of provision for accessing the market for finance, and regulated actors, such as incumbent banks, interacting with these new entrants. While developments in Fintech have a tremendous potential to promote financial inclusion and the provision of financial services and products to underserved segments of the population, the emergence of new entrants has also led to soaring concern regarding potential risks to customers, competition, regulation, and the financial system at large (Boot et al., 2021).

As increased access to financial services does not lead to increased welfare by default, Fintech needs to be integrated into a transparent and accountable financial regime guided by long-term vision, purpose, values, norms, and rules. It is through the governance of Fintech development that it can contribute to the delivery of SDG 16 (strong institutions, peace, justice, and the rule of law) through legitimation for accountability, transparency for capacity-building or soundness, and inclusiveness for equality and fairness (Obeng et al., 2024).

4.4.2. Blockchain and transparency

This collection of papers aims to shed light on how technology, specifically blockchain and its applications in machine learning, can mitigate the so-called market opacity that surrounds certain publicly traded companies in the US and abroad and can create a substantially better-ordered market (Magnier & Barban, 2018). Investors cannot escape uninformed trading that will surely adversely affect the price formation process if there is a significant push for a company-decided transparency. This would allow a price to form based on the available information, but the transparency-enhancing supply of information would override an investor’s ability to provide price-relevant information to the market. Such a proposal would run afoul of the principle of market integrity. The suggested move for a blockchain-based dividend reinvestment plan is well thought out and novel. However, discussions surrounding greater investor engagement through

blockchain would benefit from a more skeletal examination of how introducing a “cunning” artificial intelligence trading machine would change the market environment and history.

To secure and safeguard against running afoul of market integrity, the authors suggest that disclosures would reach many high-speed trading firms and enable them to front-run any trading by passive investors. The culture of mismatched parties in reverse mergers also needs more attention, with Bitcoin being a good paradigm. Spreading a symbiotic system-wide risk-shifting contagion can seriously destabilize any properly functioning market system. If the Black-Scholes pricing mechanism fails to arbitrate value implications among asymmetrical parties, other systemic risks spawn like contagions across similar settings (Zaharudin et al., 2022). Attention should also be paid to how a retail market context-cognition incompatibility, including low quark-beam capable agents, lapses into manic; thereby spawning investment property bubbles. These difficulties grant hedge funds and ninjas the incentive to control and manipulate the price formation process for slim-margin contracts and misbond heists.

5. POLICY RECOMMENDATIONS

To unlock financial markets’ potential to contribute to sustained economic growth, efforts to increase legal accountability must also intensify. Sound legal institutions and strict laws associated with openness and transparency underpin trust and well-functioning financial markets. Hampering factors include political constraints and weak institutions, as well as complex and unclear processes for approval inside and outside of the agencies screening new instruments (Nguyen & Su, 2022). Receiving clearer and more reimbursable instructions on how to comply with approval requests would help issuers and regulators alike. Some operators argued for a trade-off between openness and growth potential, but there is no doubt that avoidance of strict regulations can only work for a limited time period (Abaidoo & Agyapong, 2022).

Cooperation among regulatory authorities in developing economies must be strengthened to create a coherent regulatory framework and improve collaboration between national and supranational entities. This focus is vital to addressing the dual nature of the Mahogany market regulation. Regulatory bodies require substantial budgets and robust infrastructures, alongside oversight from non-political authorities, to prevent extreme price fluctuations and crises. Additionally, while financial innovations may initially stabilize prices, they can ultimately increase volatility and lead to market bubbles. (Úbeda et al., 2022).

5.1. Strengthening legal frameworks

In recent years, the need to protect investors and the integrity of the global financial system has become a more pressing issue. This concern is evidenced by the growing number of initiatives aimed at shaping a more transparent and accountable financial system. At the same time, the protection of the legal rights of unsuspecting citizens from corporate malfeasance needs to be

examined (Úbeda et al., 2022). The global financial markets and cross-border transactions mean that the legitimacy of legal claims depends on the national regulatory environment of the accused business’s legal seat. Analyzing unregulated financial loopholes that enable corrupt practices is crucial.

Providing instruments for civil redress allows affected individuals to recover losses. While international civil law can protect legal rights, effective enforcement remains a challenge, with treasuries responsible for this. National governments frequently shield criminals rather than aid legally wronged citizens, leading to a lack of measures to protect and compensate victims. This highlights a significant gap in legal accountability within international financial markets that needs to be addressed.

5.2. Enhancing institutional capacity

International organizations, governments, and regulators worldwide have strived to foster a sound financial system, but progress has been slow and inconsistent, focusing mainly on regulation and supervision. Although there were successes, some market players ignored rules due to regulatory loopholes. In certain Asian nations, stricter regulations were implemented, yet issues persisted, as major institutions being too big to fail led to lax management and risky behavior.

The insertion and maturation of the finance, insurance, and real estate (FIRE) sector into a fast-emerging economy is among the most challenging tasks in economic development. It requires advanced engineering and diverse skills, complicating know-how transferability. The global financial crisis revealed systemic risks from the FIRE sector as failed institutions triggered the Asian crisis. Major developed nations recognized that risk management and derivatives in this sector had surpassed the effectiveness of existing regulations. Consequently, creating a credible framework for these sectors became central to post-crisis discussions, though proposals from the OECD and BASEL were frequently viewed as unsuitable due to complexity.

6. CONCLUSION

In addition to national frameworks, it is essential to integrate the accounting domain into evolving international architecture. Rapid developments in financial markets necessitate a more rigorous global accounting framework. Like international regulatory standards for banking and insurance, consistent accounting standards must govern the issuance of SPNs and the reports filed in international capital markets, as SPNs often exploit tax differences across countries (Polzer et al., 2022).

There is a clear need for an international body, either an existing one or a new one, to accept the chairmanship of a global regulatory framework on SPNs (or any other financial innovations or instruments). It should be empowered to formulate all the standards and principles around which commercial agents can innovate, and be the authoritative party to approve any new instruments on a consultative basis with the banking legal community (Úbeda et al., 2022).

The progressive development of legal standards has been a key basis for addressing the integrity of financial markets, identifying obligations that are otherwise rarely articulated in domestic law. This evolution included the creation of standards to counter the dangers posed by money laundering, and subsequently the addressing of international inconsistencies in domestic regulation of over-the-counter (OTC) derivatives markets. Similarly, the promulgation of the “Big Bang” Principles for International Business Conduct following the Asian financial crisis moved into a new and different arena, with clear relevance to many financial services. The rise of transnational networks has facilitated new standards, although initial financial markets like corporate equities and debt obligations were excluded. In 1983, the International Organization of Securities Commissions (IOSCO) was formed to address this, introducing the “Objectives and Principles of Securities Regulation”. By 1998, these had expanded to 30 standards with a peer review process for compliance (Singhania & Saini, 2023). These Principles established a system of transnational governance in securities regulation, firmly placing it on the international policy agenda to address efficiency, integrity, and fairness deficits in financial markets.

Civil societies and NGOs play a crucial role in fighting financial crime, operating independently from the government. These organizations raise awareness and foster cooperation among key stakeholders in justice and accountability, while also supporting initiatives for economically disadvantaged nations. Financial crime poses a significant challenge to achieving SDGs, particularly Target 16.4, which aims for better resource mobilization against such crimes. In many developing and middle-income countries, weak detection and prosecution systems

enable vast sums to be lost, with over USD 1.6 trillion misappropriated annually, affecting the global economy (Arthur et al., 2025).

Measuring Target 16.4 on financial crime is challenging due to a pervasive and expanding system of secrecy that enables illicit money flows globally. Accurate accounts likely underestimate the true scale of financial crime, as powerful figures like presidents, prime ministers, and billionaires dominate information flow. Ultimately, corruption involves not just corrupt countries but everyone (Úbeda et al., 2022).

Hence, this study highlights the need for legal responsibility and robust institutions in accomplishing SDG 16. Key findings indicate that good governance necessitates both macro-level regulations and micro-level changes, such as issue identification, information exchange, and the enforcement of sustainable practices. Developed nations often rely on autonomy and self-regulation, whereas emerging economies prioritize tougher legal enforcement, emphasizing the importance of context-specific governance solutions to ensure transparency, the rule of law, and institutional efficacy.

The results indicate that policymakers have to tailor modifications to local institutional capabilities and market conditions to enhance trust and sustainability in financial systems.

This study’s limitation encompasses a focus on broad jurisdictional differences and macro-level frameworks, rather than a thorough empirical analysis of individual national or sectoral contexts. Future research might include comparative case studies to assess the effectiveness of legal and governance improvements, as well as investigations into how digital financial systems interact with traditional accountability mechanisms to better sustainable development outcomes.

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