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Legal Aspects of Foreign Investments in the Financial Sector – Regulations and Challenges in the Era of Globalization

SUMMARY In an era marked by accelerated globalization and increasing international capital flows, foreign direct investment (FDI) in the financial sector presents both immense opportunities and significant legal challenges. The growing tension between promoting open investment regimes and preserving regulatory sovereignty has become a central concern for policymakers and legal scholars. The study investigates how national and international legal frameworks address this tension, focusing on the regulation of foreign investments in finance across diverse jurisdictions. Through comparative legal analysis, supported by doctrinal interpretation, and institutional reports from bodies such as the OECD, UNCTAD, and ICSID, the research examines investment treaties, and recent shifts in policy direction. Special attention is given to the interplay between liberalization and protectionism, as well as the role of central banks and financial supervisory authorities in shaping investment governance. Findings reveal that while many legal systems have moved toward greater transparency and investor protections, rising geopolitical and security concerns have led to the resurgence of more restrictive measures. The study concludes that achieving a sustainable balance between openness and control is vital for ensuring legal coherence, financial stability, and trust in the globalized investment system.

KEYWORDS foreign direct investments (FDI), globalization, investment law, regulatory framework

As capital flows cross borders, globalization has opened the gates for not only foreign investments, but also for complex legal challenges. The financial sector, once bound by domestic regulations and traditional market practices, now operates in an expeditious, intertwined environment where foreign investment plays a pivotal role in shaping economic stability and growth. In order to be relevant and effective, laws have to keep pace with global changes within the particular societies to which they apply. Investment legislations are of no exception. The legal frameworks governing foreign investments are increasingly being tested for their adaptability, clarity, and balance in the era of globalization¹.

The economic development of a country depends on the inflow of foreign direct investments. Foreign direct investment in the financial sector has surged over the past two decades as a major form of international capital transfer, not only contributing to economic development but also transferring technology, strengthening competition, and deepening capital markets². According to UNCTAD's World Investment Report 2023, global FDI flows reached \$1.3 trillion in 2022, with a substantial portion directed toward banking, insurance, and fintech sectors in both developed and emerging markets. Nonetheless, this growth comes with increased regulatory complexity and geopolitical spotlight³.

Legal systems, both domestic and international, play a central role in either facilitating or deterring foreign investments. Treaties such as the ICSID Convention and numerous Bilateral Investment Treaties provide a framework for investor protections and dispute resolution, while national laws increasingly impose sector-specific restrictions⁴, ⁵. The OECD has observed a global trend toward

¹ The World Bank, *Investment Law Reform. A Handbook for Development Practitioners*, Washington 2010, p. 8.

² K. Froot, *Foreign Direct Investments*, Chicago 1993, p. 1.

³ UN Trade and Development (UNCTAD), <https://unctad.org/publication/world-investment-report-2023> [access: 06.04.2025].

⁴ International Centre for Settlement of Investment Disputes (ICSID), <https://icsid.worldbank.org/node/20271#:~:text=Investment%20treaties%20are%20agreements%20regarding,with%20relevance%20to%20international%20investment> [access: 06.04.2025].

⁵ Bilateral Investment Treaties, [https://guides.ll.georgetown.edu/c.php?g=371540&p=4187393#:~:text=Bilateral%20Investment%20Treaties%20\(BITs\)%20establish,agreement%20between%20the%20contracting%20states](https://guides.ll.georgetown.edu/c.php?g=371540&p=4187393#:~:text=Bilateral%20Investment%20Treaties%20(BITs)%20establish,agreement%20between%20the%20contracting%20states) [access: 06.04.2025].

more rigorous screening mechanisms in sensitive sectors like finance, reflecting states' growing concern with national security and economic sovereignty⁶.

The Proof of the Importance of Legal Aspects for Foreign Investments

Currently, wide globalization in the matter of investment flows of the capital shows that there is an urgent need for unified regulations. It is clear that both disciplines, such as law and economics, and furthermore finance, interpenetrate each other. The statistics about rapid growing of the numbers of scientific documents about the legal aspects in connection with foreign investments is a proof for growing interests. The analysis of the scientific Scopus database by shows that the topic starts to be extremely important nowadays. Scientifically, the topic on crossroad of legal aspects in foreign investments has been present since 1975 when the first scientific documents appeared in the Scopus database. However, interest in this topic has grown significantly over time. Prior to 2010, only a few documents were available yearly, but from 2011 onward, there has been an explosion of interest, getting 27 documents in 2024.

Based on the data it may be seen that the topic is very important for such countries as: United States, Russian Federation, United Kingdom, Ukraine, China, Canada, Indonesia, India, Italy and Australia by the numbers of the scientific papers published by those countries.

Overall, it is expected growing importance and needs for regulations of legal aspects for foreign investments worldwide.

Foreign Direct Investments from Legal Perspective

This legal tension between openness to foreign capital and regulatory control, raises fundamental questions. To what extent do existing legal frameworks serve to enable or constrain foreign investment in the financial sector? And how important it is for legal systems to reconcile the competing objectives of maintaining economic openness while ensuring adequate regulatory safeguards?

Foreign Direct Investment lies at the heart of globalization, functioning as a key mechanism for the cross-border movement of capital, goods, services, and

⁶ F. Wehrlé, J. Pohl, *Investment Policies Related to National Security: A Survey of Country Practices*, "OECD Working Papers on International Investment" 2016, nr 2, p. 10.

information among economies. It is generally defined as an investment made by a natural or legal person of one country into business located in another country, with the intention of establishing a lasting interest and exerting a significant degree of influence or control over the enterprise⁷. According to the OECD Benchmark Definition of FDI, such control is usually evidenced by an ownership of 10% or more of the voting power in the foreign enterprise⁸. FDI differs from portfolio investment in that it includes not merely a transfer of capital but also involves managerial participation, technology transfer, and long-term strategic interest⁹. This enduring relationship is of particular importance in the financial sector, where investors often seek access to local markets, regulatory advantages, and integration with domestic financial frameworks. The IMF's Balance of Payments Manual (BPM6) similarly characterizes FDI as a category of cross-border investment made by a resident in one economy with the objective of establishing a lasting interest in an enterprise that is resident in another marketplace¹⁰.

In the context of the financial sector, FDI typically involves the acquisition or establishment of banks, investment companies, insurance firms, or fintech enterprises. The sector's strategic importance, coupled with its role in monetary stability, consumer protection, and national economic security, makes it a particularly sensitive area for regulatory control¹¹. As such, financial sector FDI is often subject to additional layers of legal and regulatory oversight.

The legal governance of foreign direct investments within the financial sector is supported by a complex web of international treaties with the purpose to balance the interests of both – host states and foreign investors. The most important of these is the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention), which established the International Centre for Settlement of Investment Disputes. ICSID provides a neutral forum for fostering investor confidence across jurisdictions¹².

⁷ Foreign Direct Investment (FDI), <https://www.oecd.org/en/topics/foreign-direct-investment-fdi.html> [access: 06.04.2025].

⁸ International Monetary Fund, *Balance of Payments and International Investment Position Manual*, Washington 2009, p. 101.

⁹ E. Picardo, *FDI and FPI: Making Sense of It All*, [https://www.investopedia.com/articles/investing/012914/foreign-investment-routes-fdi-and-fpi.asp#:~:text=A%20foreign%20direct%20investment%20\(FDI,assets%20issued%20in%20another%20country,](https://www.investopedia.com/articles/investing/012914/foreign-investment-routes-fdi-and-fpi.asp#:~:text=A%20foreign%20direct%20investment%20(FDI,assets%20issued%20in%20another%20country,) [access: 06.04.2025].

¹⁰ International Monetary Fund, *Balance...*, p. 105.

¹¹ F. Wehrlé, J. Pohl, *Investment...*, p. 10-22.

¹² International Centre for Settlement of Investment Disputes (ICSID), *ICSID Convention, Regulation and Rules*, Washington 2022, p. 4.

As the leading global institution for Investor–State Dispute Settlement (ISDC), it has handled more than 869 cases, serving as a dependable forum for investors pursuing legal recourse¹³.

Furthermore, approximately 3,000 Bilateral Investment Treaties (BITs) are complementing ICSID, providing investors with protections against confiscation, guaranteeing equitable treatment, and granting access to international arbitration. BITs have become building blocks of the legal framework for cross-border investment, as recognized by UNCTAD's Investment Policy Framework for Sustainable Development^{14 15}. Such treaties are interconnected as they contribute to a broader multilateral investment protection framework through overlapping principles, enhancing legal integrity across jurisdictions. Overall, BITs create a stable and transparent environment, which is crucial for attracting foreign direct investments¹⁶.

Furthermore, multilateral frameworks such as the General Agreement on Trade in Services (GATS), administered by the World Trade Organization (WTO), are particularly relevant to the financial sector. GATS contains rules on market access, equal treatment for foreign and domestic service providers, and the regulation of financial services, while allowing countries to take measures needed to protect the stability of their financial systems¹⁷. Moreover, the OECD Code of Liberalization of Capital Movements promotes the free movement of capital among member states, while permitting reservations in sensitive sectors such as finance, underscoring the balance between liberalization and sovereignty¹⁸.

Legal instruments regarding foreign investments in financial sector establish a multi-layered regime. Such administration shapes how foreign investors engage with domestic financial markets, and how states navigate their regulatory autonomy in a globalized investment environment. This balance becomes prominent,

¹³ T. Park, *Building International Investment Law – The First 50 Years of ICSID*, “Chinese Journal of International Law” 2022, nr 21(2), p. 397-399.

¹⁴ UN Trade and Development (UNCTAD), <https://investmentpolicy.unctad.org/international-investment-agreements> [access: 06.04.2025].

¹⁵ United Nations, *Investment Policy Framework for Sustainable Development*, New York 2015, p. 16.

¹⁶ S. Schill, *The Multilateralization of International Investment Law: Emergence of a Multilateral System of Investment Protection on Bilateral Grounds*, Trade, Law and Development 2010, nr. 2(1), p. 60-86.

¹⁷ General Agreement on Trade in Services (GATS), concluded on 15.04.1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1B, Article 13.

¹⁸ F. Lupo-Pasini, *The International Regulatory Regime on Capital Flows*, Social Science Research Network, Tokyo 2012, p. 19-20.

especially when legal systems are challenged to reconcile the goals of openness, financial stability, and protecting national security.

The evolution of international investment law has been deeply connected with the process of economic globalization by shaping the regulatory environment for foreign financing. As international capital flows intensified in the late 20th and early 21st centuries, states sought to attract and protect foreign direct investments through legally binding commitments. This gave rise to Bilateral Investment Treaties and free trade agreements (FTAs) with investment chapters, and access to Investor-State Dispute Settlement (ISDS) mechanisms. The UNCTAD World Investment Report (2023) highlights that such legal instruments have become central to managing globalization's economic integration, establishing predictability and legal security for investors in an increasingly challenging transitional environment¹⁹.

The regulation of foreign investment in the financial sector varies considerably across jurisdictions, reflecting differences in legal systems, political priorities, as well as economic strategies. Countries employ an array of strategies in order to regulate foreign investments, focusing on creating an appealing environment for investors. Central banks and financial supervisory authorities have also taken on a crucial role in shaping the regulatory environment for foreign investment in the financial sector. These institutions act as gatekeepers, ensuring that foreign capital entering domestic financial systems does not compromise monetary stability, systemic integrity or national security²⁰.

In the United States, foreign acquisitions of financial institutions are subject to scrutiny under the Bank Holding Company Act. Under this legislation, the Federal Reserve Board reviews foreign investments in banking entities, assessing financial durability and potential risks to the U.S. financial system. Complementing the legal framework is the review process conducted by the Committee of Foreign Investment in the United States (CFIUS), which assesses transactions for national security implications – especially in sectors deemed critical to financial

¹⁹ UN Trade and Development (UNCTAD), <https://unctad.org/publication/world-investment-report-2023> [access: 06.04.2025].

²⁰ Bank for International Settlements, *Foreign Direct Investment in the Financial Sector: Experiences in Asia, Central and Eastern Europe and Latin America*, "CGFS Papers" 2004, nr 25, p. 6-9.

landscape^{21 22}. In the European Union, the European Central Bank (ECB) exercises supervisory powers under the Single Supervisory Mechanism (SSM), evaluating acquisitions of qualifying holdings in banks by foreign investors in accordance with Directive 2013/36/EU (CRD IV) and Regulation (EU) No. 1024/2013²³. Moreover, through Regulation (EU) 2019/452, European Union has implemented a framework for screening foreign direct investments, approving Member States to block or condition transaction in the financial field whenever public security or policy interest are at stake²⁴. Concurrently, China maintains a dual system that encourages investment in strategic sectors while imposing restrictions via its Negative List and National Security Review system. It has signaled a move toward greater transparency, but state influence and discretionary enforcement remain central²⁵. Additionally, the People's Bank of China and the China Banking and Insurance Regulatory Commission (CBIRC) jointly supervise foreign bank operations, subjecting them to national security reviews under the Foreign Investment Law²⁶. In emerging markets, such as Brazil, India, and South Africa, regulatory regimes are evolving to balance openness with sovereignty. These countries generally use licensing requirements, caps on foreign ownership, and sectoral restrictions to manage risk while seeking to remain competitive in attracting capital²⁷. This layered regulatory architecture ensures that foreign participation enhances financial development without undermining the prudential, strategic, or institutional frameworks upon which financial systems depend.

²¹ Bank Holding Company Act of 1956, Pub. L. 84–511, 70 Stat. 133, codified at 12 U.S.C. § 1841 et seq., p. 13.

²² The Committee on Foreign Investment in the United States (CFIUS), <https://home.treasury.gov/policy-issues/international/the-committee-on-foreign-investment-in-the-united-states-cfius> [access: 06.04.2025].

²³ Regulation (EU) No. 1024/2013 of the European Parliament and of the Council of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013).

²⁴ Regulation (EU) 2019/452 of the European Parliament and of the Council of 19.03.2019 establishing a framework for the screening of foreign direct investments into the Union, (OJ L 791 of 21.03.2019).

²⁵ E. Radomska, *Chińskie prawo dotyczące inwestycji zagranicznych: w kierunku poprawy otoczenia prawno-instytucjonalnego dla inwestorów zagranicznych*, „Azja-Pacyfik” 2022, nr 25(1), p. 23-27.

²⁶ Y. Zhang, *China: banking sector adapts to new ways of working following regulatory overhaul*, “The International Bar Association” (14 February 2024).

²⁷ Q. Fan, J.G. Reis, M. Jarvis, A. Beath, K. Frauscher, *The Investment Climate in Brazil, India, and South Africa: A Comparison of Approaches for Sustaining Economic Growth in Emerging Economies*, WBI Learning Resources Series, World Bank, Washington 2008, p. 27-36.

The globalization of financial markets has greatly increased the intricacy of legal frameworks governing foreign investment in the financial sector. While globalization facilitates capital mobility and access to diversified financial services, it also exposes host countries to many legal, regulatory, and systemic vulnerabilities. At the center of these challenges lies the tension between the need to attract foreign capital and the obligation to safeguard financial stability and consumer protection. The fragmentation of legal regimes across jurisdictions creates uncertainty and raises compliance costs for investors operating across multiple regulatory environments²⁸. For example, China's Foreign Investment Law (2020) signaled a shift toward liberalization by eliminating the case-by-case approval model and promising equal treatment for foreign firms, the accompanying Negative List still restricts access to key financial subsectors such as securities, insurance, and asset management, subjecting them to stringent national security reviews²⁹. Conversely, in the European Union, foreign investments in finance are scrutinized under the EU FDI Screening Regulation (Regulation 2019/452), which allows Member States to access transactions that may affect public security or order, particularly in sectors such as banking, fintech, and payment infrastructure³⁰.

In some cases, such regulatory scrutiny has resulted in controversial legal challenges. A noteworthy example is the *Vattenfall v. Germany* case, where the Swedish energy company sued Germany under the Energy Charter Treat after environmental regulation delayed a coal-fired power plant project. Although, the case was ultimately settled, it begun debate over the limits of investor protection and the regulatory space states must retain to advance public policy goals, without rejiggering liability under international investment agreements³¹. Similarly, a turning point in EU investment law was the *Achmea v. Slovak Republic* case. During so, the Court of justice of the European Union (CJEU)

²⁸ UN Trade and Development (UNCTAD), <https://unctad.org/publication/world-investment-report-2023> [access: 06.04.2025].

²⁹ Foreign Investment Law of the People's Republic of China, adopted by the Standing Committee of the National People's Congress on 15.03.2019, entered into force on 01.01.2020.

³⁰ Regulation (EU) 2019/452 of the European Parliament and of the Council of 19.03.2019 establishing a framework for the screening of foreign direct investments into the Union (OJ L 79I, 21.3.2019).

³¹ *Vattenfall AB and others v. Federal Republic of Germany*, ICSID Case No. ARB/09/6, settlement and withdrawal registered 08.03.2011.

ruled that intra-EU ISDS mechanisms were incompatible with EU law, fundamentally challenging the legality of investor-state arbitration within the Union³².

Beyond investor-state disputed, the rise of FDI screening mechanisms poses new legal dilemmas. The OECD's 2023 Investment Policy Monitor reports that over 60 countries, including all G7 members, have either enacted or strengthened foreign investment review frameworks, often expanding their scope to include financial technology, data infrastructure, and even cloud computing. These frameworks are typically grounded in broad and vaguely defined notions of national security, allowing governments significant discretion, however often lacking transparency and accountability mechanisms³³. For instance, the Committee on Foreign Investment in the United States (CIFUS), has used its authority to block transactions involving foreign ownership of U.S. digital platforms. Such as the 2019 order requiring Chinese firm Kunlun Tech to divest its ownership of a Grindr app, citing risks to sensitive personal data³⁴.

Legal aspects of foreign investments are an intricate, evolving field. Some argue that overly stringent international investment laws can lead to economic isolation, deterring potential foreign investors and in consequence, hindering a country's economic growth³⁵. Such perspective advocates for some middle ground; a careful balance between regulation and openness to maintain competitiveness in the global market. Thus, the dynamic interaction between investment law and globalization reflects a broader legal challenge over how to balance economic openness with democratic governance and policy flexibility. As M. Sornarajah notes, the ever-evolving landscape of international investment law must reconcile the legitimate interests of investors with the equally legitimate regulatory prerogatives of states. Without this balance, the legal architecture risks becoming either too permissive – encouraging regulatory arbitrage and undermining national policy objectives – or too restrictive, deterring needed investment in critical financial infrastructure³⁶.

³² Judgment of the Court of Justice of the European Union of 06.03.2018, Case C-284/16, *Achmea BV v. Slovak Republic*.

³³ UN Trade and Development (UNCTAD), <https://unctad.org/publication/world-investment-report-2023> [access: 06.04.2025].

³⁴ G. Wells, K. O'Keeffe, *U.S. Orders Chinese Firm to Sell Dating App Grindr Over Blackmail Risk*, <https://www.wsj.com/articles/u-s-orders-chinese-company-to-sell-grindr-app-11553717942> [access: 12.04.2025].

³⁵ W. Bomfim, *Domestic Investment Laws and International Economic Law in the Liberal International Order*, "World Trade Review" 2023, nr 22(1), p. 1-17.

³⁶ M. Sornarajah, *The International Law on Foreign Investment*, 5th ed., Cambridge 2021, p. 608.

Foreign investment in the financial sector remains a powerful driver of economic integration, yet still a source of regulatory tension. The comparative legal analysis reveals that while many jurisdictions have embraced liberalization and enhanced investor protections through instruments such as Bilateral Investment Treaties, the ICSID Convention, and frameworks like GATS and the OECD Code of Liberalization, the resurgence of national security concerns has begun a shift toward more cautious, often protectionist, regulatory approaches. Legal systems across the globe, whether in the EU, the U.S., China, or emerging markets, have introduced layered screening mechanisms and sector-specific restrictions to safeguard systemic stability and public interest objectives. These developments underscore the growing importance of legal adaptability in a landscape shaped by evolving policy priorities. In whole, in the era of economic globalization, legal systems must strive for coherence between investment law, financial regulation, and public interest safeguards.

Last, but not least, when it comes to European Union sustainable finance rules, there is a big difference in how they handle investments within the European Union versus those coming from outside (third countries), and getting that straight is key to making sense of it all. Inside the European Union, things flow smoothly thanks to shared regulations like SFDR and CSRD. Banks trust each other across borders, so exceptions like public order clauses rarely appear. But for third-country cash, rules are stricter, often dialing back foreign laws if they clash with ESG goals or threaten stability, though they have to keep it balanced to avoid messing up the single market. In places like Poland and Czechia, European Union green bonds slide right in under ECB, while outside ones need heavy vetting because of risks like geopolitics. Bottom line, the European Union's greening up fast internally, but it uses tools like these clauses to protect itself from external flows without closing it all.

Critical observations

In conducting this research across multiple legal frameworks, we have identified several observations that, on the one hand, may support, but on the other hand may complicate central argument about balancing investment openness with regulatory control.

The Vagueness of National Security Standards

Our investigation reveals a persistent problem: while all major regulatory regimes invoke „national security” to justify FDI screening, the actual criteria remain remarkably unclear and discretionary. We document this phenomenon through OECD reports and case studies, yet we cannot definitively distinguish between legitimate systemic risk management and disguised protectionism. This ambiguity is concerning because it creates space for arbitrary enforcement and undermines the legal certainty we argue investment law should provide.

The Durability of the Investment Treaty System in Question

We have emphasized how ICSID and Bilateral Investment Treaties promote investor confidence and legal predictability. However, cases like *Achmea v. Slovak Republic*, where the European Court of Justice ruled intra-EU ISDS mechanisms incompatible with EU law, and suggest that the current system faces fundamental challenges even from developed democracies. This raises an uncomfortable question: is the investment protection framework we describe sustainable, or are we documenting the transition toward a fundamentally different model that prioritizes state regulatory autonomy? It is the question raised for the next research.

Empirical Gaps in Stability Arguments

While we assert that foreign ownership may threaten financial stability and monetary control, we found that our paper lacks substantial empirical evidence for this claim. If foreign ownership does not materially increase systemic risk, then the screening mechanisms we document may serve unstated protectionist objectives rather than prudential ones. Conversely, if it does create risks, this deserves explicit acknowledgment. Closing this empirical gap is essential for understanding whether current regulatory shifts reflect rational risk management or concealed protectionism.

Development Outcomes

As scholars ties to Central and Eastern Europe and emerging markets, we recognize a significant limitation: we are not able deeply examined whether the legal frameworks we describe actually advance financial inclusion, macroeconomic stability, or equitable development in recipient countries. This is more than just an academic gap, because it implicates whether liberalization truly serves development objectives or primarily benefits foreign financial groups.

Future research on the crossroads of economic or financial efficiency and legal frameworks set as statistically comparable data sets should address this normative dimension more directly.

The Limits of Legal Analysis Alone

Our doctrinal legal approach effectively documents the tension between liberalization and sovereignty, yet it does not fully capture the geopolitical dynamics reshaping investment regulation as it is focused and targeted to the selected aspects. United States and China strategic competition, European regulatory assertion, and emerging market efforts to preserve policy space reflect deeper power shifts that legal analysis alone cannot fully explain. Meaningful progress on investment governance requires deeper engagement with political economy alongside legal analysis.

In sum, while our research documents the evolving legal landscape, we recognize that the fundamental challenge as for example, achieving a sustainable balance between regulatory control, and democratic governance, remains unresolved. The task ahead requires not only better legal frameworks but also more transparent criteria, empirical rigor, and explicit attention to development outcomes.

Conclusion

The paper provides a comprehensive analysis of the evolving legal landscape governing foreign direct investment in the financial sector with the background of globalization. It highlights how globalization has intensified cross-border capital flows, creating both opportunities for economic growth and complex regulatory challenges at the same time. The study underscores the tension between promoting open investment regimes and preserving national regulatory sovereignty, especially in sensitive financial sectors.

Special attention should be given to other studies that are in line with the main topic of this paper, showing how important it is to solve those issues. Fedorowicz and Zalcewicz emphasize that the normative integration of ESG factors into EU financial market regulation has engendered novel, substantive obligations for both financial institutions and supervisory authorities, fundamentally altering traditional prudential and conduct paradigms by mandating the explicit internalization of sustainability risks. However, the nascent framework of „sustainable finance risk law” remains fragmentary and conceptually underdeveloped, necessitating enhanced coherence, calibrated implementation mechanisms, and

unambiguous supervisory methodologies to mitigate regulatory uncertainty and compliance burdens. Ultimately, the authors advocate for proportionate regulatory solutions that harmonize ESG imperatives with institutional risk profiles, thereby safeguarding financial stability and competitiveness while advancing sustainable development objectives³⁷.

Also, Mariański illuminates that the public order clause in private international law serves as a viable instrument for national financial supervisory authorities to safeguard market stability against foreign law threats, thereby bolstering sustainable finance objectives through exceptional derogation. Nonetheless, its invocation is circumscribed by the French doctrine of *effet atténué*, which mandates a restrained, proportionate application to avert arbitrary exclusions, particularly in cross-border contexts. In sum, while doctrinally substantiated via comparative and dogmatic analysis, the clause's efficacy hinges on judicious deployment to reconcile national imperatives with EU harmonization principles³⁸.

Worthy conclusions are also presented by Jurkowska-Zeidler. She points out that green banking constitutes an ascendant paradigm in the Polish and Czech financial markets, propelled predominantly by supranational EU regulatory instruments that elevate ESG awareness and integration within banking operations. Notwithstanding this momentum, the authors underscore the imperative for amplified systemic engagement by financial safety net institutions, notably central banks, to operationalize sustainable development imperatives amid multifaceted crises. This doctrinal-legal analysis, grounded in comparative review of national and EU frameworks, affirms green banking's alignment with broader Sustainable Development Goals while advocating enhanced supervisory architecture³⁹.

It is worth to emphasize selected key conclusions based on the research presented in this paper. Legal frameworks worldwide are increasingly adapting to balance openness with control, ensuring financial stability, investor protection, and national security. This is reflected in the growing use of screening mechanisms and sector-specific restrictions by countries such as the US, EU,

³⁷ M. Fedorowicz, *Challenges Posed to the EU Financial Market by the Implementation of the Concept of Sustainable Financing*, "Białostockie Studia Prawnicze" 2024, Vol. 29, iss. 1, <https://doi.org/10.15290/bsp.2024.29.01.03>.

³⁸ M. Mariański, *The Application of the Public Order Clause on the Financial Market as One of the Elements for Building Sustainable Finance in a Comparative Perspective*, "Białostockie Studia Prawnicze" 2024, Vol. 29, iss. 1, <https://doi.org/10.15290/bsp.2024.29.01.10>.

³⁹ A. Jurkowska-Zeidler, *Towards the Greening of Banking: A Comparison of the Polish and Czech Financial Markets*, "Białostockie Studia Prawnicze" 2024, Vol. 29, iss. 1, <https://doi.org/10.15290/bsp.2024.29.01.13>.

China, and emerging markets. Also, international treaties and institutions, like ICSID and Bilateral Investment Treaties, play a crucial role in providing legal certainty and dispute resolution, fostering investor confidence across jurisdictions. Despite advances in liberalization and transparency, geopolitical and security concerns have led to a resurgence of protective measures, complicating the regulatory environment and raising compliance costs for investors from financial perspective. Moreover, the paper emphasizes the urgent need for legal systems to be adaptive and coherent, integrating investment law with financial regulation and public interest safeguards to manage the dynamic challenges of globalization. Finally, it predicts continued growth in both the volume of foreign investments and scholarly attention to their legal aspects, signaling the increasing importance of developing unified, effective regulatory frameworks that support sustainable financial sector development worldwide. In sum, the study concludes that achieving a sustainable balance between openness and regulatory control is essential for maintaining legal coherence, financial stability, and trust in the globalized financial investment system which are urgent needs nowadays all over the world.

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