

M.M. Dovgyi, PhD student.
(National Aviation University, Ukraine)

The Role of International Law in the Development of the Derivative Market for Virtual Assets

The report examines the impact of international law on the formation and regulation of the virtual asset derivatives market. It identifies the main principles and standards set by international law to ensure transparency, security and stability of this market. The challenges and prospects for the development of this market in the context of international cooperation and regulation are also analysed.

The Role of International Law in the Development of the Derivative

In today's world of rapid technological development and globalization, virtual assets, such as cryptocurrencies, tokens and other forms of digital assets, are becoming increasingly popular. This has led to the emergence of the derivatives market, where contracts or financial instruments are derived from the value of these virtual assets. International law plays a key role in the development and regulation of this new and dynamic market.

"The institution of payment and settlement systems has also been influenced by technological innovations, which, in turn, has led to the creation of a new means of payment - virtual assets, which has been actively implemented over the past 8 years. According to analytical data, about a million Ukrainians have experience in using digital currencies, which is one of the 41 highest rates in the world" [3, p.117].

The core of the global financial system is the global financial market. In other words. These are financial relations in which various financial assets are bought and sold regardless of national borders. These include derivatives and precious metals. Global financial markets offer participants more opportunities than national markets. Due to differences in regulatory standards, participants are able to avoid rules that apply to national markets, such as the Financial Instruments and Exchange Act.

"The international market of financial derivatives (secondary securities or derivative financial instruments, the main asset of which is already existing securities) is represented by forwards, futures, options, and swaps. This is the most dynamic segment of the financial market" [1, p. 61].

The Law of Ukraine "On Virtual Assets" establishes the general principles of state regulation of the circulation of virtual assets, including the principles of subsidiarity, efficiency, balance, predictability, transparency, consideration of public opinion, reciprocity or independent initiative. It is shown that this list of principles is not systematized and does not reflect all the principles of virtual asset allocation.

Different regulatory standards provide participants with the opportunity to avoid restrictions imposed on national markets, i.e. restrictions on financial instruments.

Lists of permitted financial instruments and funding amounts, unfavorable funding or placement conditions, and suboptimal taxation regimes.

Civil liability can only arise if the offense actually committed by a person is a legally recognized unlawful act. One of the important elements for establishing the fact of committing a particular offense is to determine the elements of the offense. This condition applies to the entire system of legal liability, including liability for violation of the procedure for the distribution of virtual assets. The absence of separate legislation regulating violations of the law in this area distracts attention from the presence of common and defining features that may be inherent in these offenses.

"Today, in the context of the development of communication technologies and financial globalization with the adoption of new versions of the Laws of Ukraine "On Commodity Exchanges" and "On Capital Markets and Organized Commodity Markets", we have a sufficiently developed legislation regulating the issue and circulation of securities and derivatives for effective international investment cooperation, which has created new opportunities for the development of derivatives, the basic asset of which is property rights to real estate" [2, p. 212].

One of the main functions of international law is to create a unified system of standards and norms that can be adopted by countries to regulate virtual asset derivatives markets. This helps to ensure the transparency, security, and stability of these markets, and contributes to the protection of investors.

International law is an important tool in shaping the legal environment for the virtual asset derivatives market. Since virtual assets and their derivatives are not limited by territorial boundaries, international law is of key importance in regulating this market.

First of all, international law may establish general principles and standards for the regulation of the virtual asset derivatives market. These principles may include disclosure requirements, currency control procedures, anti-money laundering, and financial terrorism prevention.

Second, international law may facilitate the conclusion of international agreements and conventions between countries to jointly regulate the virtual asset derivatives market. Such agreements may establish rules for registration, licensing, and supervision of market participants, as well as procedures for dispute and conflict resolution.

An important role of international law is to provide legal certainty in the area of virtual asset derivatives markets. This helps investors, regulators, and market participants understand their rights and obligations, and contributes to building confidence in these new financial instruments.

Despite the significant benefits, the impact of international law on the development of the virtual asset derivatives market also faces challenges. These include the need to adapt legal rules to rapidly changing technological conditions, as well as the risk of regulatory divergence between different jurisdictions. In addition, there is a need for international coordination to combat the use of virtual asset derivatives markets for illicit activities.

All of the above aspects demonstrate the importance of the role of international law in the development of the virtual asset derivatives market. The way to a stable and efficient virtual asset derivatives market is through international cooperation, the establishment of common standards and rules, and the development of international settlement mechanisms. Only through these measures can the trust of

market participants be ensured, its stability be ensured, and the further development of the global financial system be promoted.

As a result, the role of international law in the development of the virtual asset derivatives market is extremely important. International law defines the rules and standards that govern the interaction between different countries in the field of financial activities, including trading in derivatives and virtual assets. It creates a framework on the basis of which legal stability and trust of market participants are formed, which contributes to the legitimacy and transparency of operations. Thus, international law plays a key role in creating an enabling environment for the development of the virtual asset derivatives market, contributing to the growth of this segment of the financial market.

Conclusions:

International law plays a crucial role in the formation and development of the virtual asset derivatives market. Given the global nature of virtual assets and their derivatives, international cooperation and the unification of legal norms are essential to ensure the stability and security of this market. To effectively regulate the virtual asset derivatives market, it is necessary to develop common international standards and principles that will protect investors by establishing disclosure requirements and anti-money laundering and anti-terrorist financing procedures. International treaties and agreements facilitate cooperation between countries in regulating the virtual asset market. The rapid development of technology and globalisation create new challenges for international law, but also open up new opportunities for the development of this market. In general, international law is an important tool for creating a favourable environment for the development of the virtual asset derivatives market. This helps to increase confidence in this market, attract investment and develop the global financial system. However, in order to achieve this goal, it is necessary to continue to work on improving international legislation in line with new technological trends and challenges.

References

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