THE EVOLUTION OF LEGAL FOUNDATIONS FOR FINANCIAL SERVICES REGULATION IN THE EUROPEAN UNION: CHALLENGES AND PROSPECTS

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ABSTRACT

This article analyzes the development of the legal framework for regulating the financial services market in the European Union (EU), focusing on key challenges and prospects for improving the legal basis. The relevance of the topic is driven by rapid changes in the global economy and financial sector, necessitating the adaptation of legal mechanisms to contemporary challenges. Particular attention is given to the impacts of global financial crises, the introduction of digital technologies in financial services, and the growing role of European institutions in regulating financial markets.

The study aims to identify key trends in the development of legal regulation of financial services in the EU, analyze problematic issues, and provide recommendations for improving legislation. The methods of analysis, synthesis, comparative law, and a systematic approach are employed to comprehensively study legal acts, doctrinal sources, and practical aspects of the functioning of the European financial market.

The research shows that the evolution of legal regulation of financial services in the EU aims to ensure market stability, transparency, and efficiency. Identified key challenges include insufficient harmonization of national legislation, technological changes, and cybersecurity. The conclusions offer specific recommendations for integrating regulatory acts, enhancing the regulation of financial technologies, and improving supervisory mechanisms.

Keywords: Legal Regulation And Frameworks, Financial Services, European Union, Digital Technologies, Cybersecurity.

INTRODUCTION

The modern development of market relations in European countries is characterized by the active role of the state in economic regulation, especially in the field of financial services. This is driven by the need to balance the principles of a free market, which promotes economic progress, with ensuring the stability and security of market relations. The financial market, as a key element of the economy, is highly sensitive to external and internal crisis factors. In particular, the bankruptcy of an individual financial institution can lead to not only economic losses for owners and clients but also significant repercussions for the entire financial system. In extreme cases, this can result in the destabilization of national markets and even a systemic financial crisis with global consequences.

In this context, the European Union (EU) stands out as a unique supranational entity with a complex and multi-level system for regulating financial markets. Its foundations are laid in the EU's founding treaties and numerous secondary legislation acts. A distinctive

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feature of regulation in the EU is the delegation of certain sovereign powers by member states to the Union level, which enables the harmonization of legislation and the creation of a single internal market for financial services. This contributes to increasing the efficiency and transparency of financial institutions and strengthening consumer trust.

The formation of a single market for financial services in the EU is based on the principles of free movement of capital, non-discrimination, and ensuring a high level of consumer protection. One of the main objectives is to create conditions where economic agents can operate in any member state on equal terms, which fosters economic integration and competition. At the same time, the regulation includes mechanisms to minimize systemic risks and ensure financial stability, particularly through the supervision of banks, insurance companies, and other financial institutions.

An important aspect of the functioning of this system is the analysis of the EU's institutional structure, which includes key entities such as the European Central Bank, the European Banking Authority, the European Systemic Risk Board, and other bodies responsible for monitoring and regulating financial markets. Each of these institutions performs specific tasks aimed at ensuring the stability, reliability, and competitiveness of the European financial system.

Thus, the multi-level model of financial market regulation in the EU serves as a foundation for achieving harmony between economic freedom and the necessity of state control, which is a determining factor in ensuring the sustainable economic development of the Union. Further research in this area should focus on evaluating the effectiveness of regulatory mechanisms, their adaptation to modern challenges, and the prospects for further integration (European Parliament, 2013).

LITERATURE REVIEW

The legal aspects of financial services market regulation in the EU are a subject of intense academic interest, covering a wide range of issues. Studies by Raffaele Felicetti (Felicetti, 2024) focus on analyzing the regulatory framework, the harmonization of legal norms among EU member states, and assessing the impact of regulation on the functioning and development of the single financial services market.

The examination of the main sources of EU law in the works of Aquilina, Frost, and Schrimpf (Aquilina et al., 2024) shows that the key documents for financial market regulation are the *Treaty on the Functioning of the European Union (TFEU)* and the Treaty on European Union (TEU). Attention is given to Articles 26, 114, and 127 of the TFEU, which form the legal framework for the internal market for financial services and the harmonization of legislation among member states (Aquilina et al., 2024).

Researchers such as Shevchuk O. and Mentukh N (Shevchuk et al., 2016) often emphasize EU directives and regulations that contribute to the creation of uniform standards for the functioning of financial markets. For instance, the Markets in Financial Instruments Directive (MiFID II) and the Capital Requirements Regulation (CRR) outline key principles that help reduce discrepancies in the legal approaches of EU member states (Shevchuk et al., 2016).

An important aspect of research by Krogstrup and Sangill (Krogstrup et al., 2024) is the study of the activities of supranational regulatory bodies, such as the European Central Bank (ECB), the European Banking Authority (EBA), and the European Systemic Risk Board (ESRB). Their interaction and coordination help mitigate systemic risks and ensure financial market stability. One of the important directions is the analysis of consumer protection in financial services. In this context, significant attention is paid to directives

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aimed at ensuring transparency, accountability, and the accessibility of information for clients of financial institutions. The Consumer Credit Directive (CCD) is considered a key tool in this area.

Publications often address the impact of regulation on the integration of the financial services market. Initiatives such as the European Banking Union and the Capital Markets Union are analyzed as they promote the harmonious development of the single market and create conditions for its stable functioning.

Modern studies, such as those by (Parente, 2021), emphasize the importance of adapting legal norms to the challenges of the digital age. Particular attention is paid to the regulation of cryptocurrencies and digital financial platforms. The Markets in Crypto-Assets Regulation (MiCA) serves as an example of such regulatory innovations aimed at integrating digital assets into the EU's legal framework by (Parente,2021).

Academic research highlights both the achievements and shortcomings of the current legal regulation of the financial services market in the EU. Future studies should focus on assessing the effectiveness of existing mechanisms, developing more flexible regulatory tools, and addressing issues related to market transformation in the context of digitalization.

The purpose of the article is a critical review of new approaches to the legal regulation of the financial services market in the European Union and outlining problematic issues for the harmonious development of relationships among participants in financial legal relations.

METHODS AND MATERIALS

The philosophical and ideological foundation of the scientific research is materialist dialectics. Civil law regulation of the provision of financial services in Ukraine is examined in its development and interrelation with phenomena of objective reality in general and state-legal phenomena in particular. The research is based on the comprehensive application of general scientific and special research methods, in accordance with the tasks and objectives of the study, taking into account the defined subject and object of the research.

During the research, the following formal-logical methods and techniques were used: Analysis, comparison, induction, synthesis, reasoning by analogy, generalization, and abstraction. The justification of conclusions was carried out considering the basic formal-logical laws, namely: The law of identity, the law of the excluded middle, the law of contradiction, and the law of sufficient reason.

A systematic approach was used to study the mechanism of civil law regulation of the provision of financial services in Ukraine, to define the structure and types of contractual obligations related to financial services, and to clarify the features of providing financial payment services. The use of the comparative-legal method allowed for analyzing and comparing the provisions of Ukrainian legislation with that of the European Union regarding civil law regulation of financial services provision. The formal-legal method enabled the determination of the essence and properties of financial services, the principles of providing financial services in Ukraine, contractual obligations for providing financial services, and the conditions and peculiarities of providing financial services based on their place within the system of objects of civil rights.

In preparing proposals for improving civil law regulation of financial services provision in Ukraine, the method of legal modeling was applied.

RESULTS

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The regulation of social relations is primarily ensured through the establishment of legal norms, which include prescriptions, prohibitions, or grant certain subjects the authority to perform specific actions. The main goal of legal regulation of financial services within the EU is to create conditions that facilitate their unhindered operation within the Union. This involves ensuring the free movement of financial resources, goods, services, and labor, with the territory of the EU being regarded as a single economic entity (Yashchyshak, 2007).

The achievement of the abovementioned goal requires the specification of several important aspects. Among these are the establishment of unified standards for financial service providers, the implementation of common rules for their activities, and the development of requirements to ensure their financial stability and liquidity. To accomplish these objectives, the EU institutions are granted the authority to implement regulatory measures aimed at organizing the functioning of the Union's financial markets (Mentukh et al., 2016).

The principles of legal support for the financial services market in the EU are outlined in (Figure 1).

FIGURE 1
PRINCIPLES OF LEGAL SUPPORT FOR THE FINANCIAL SERVICES MARKET IN THE EU

It is worth noting that one of the key principles of regulation in the financial services sector is the protection of consumer rights. This is consumers often find themselves in a vulnerable position due to insufficient awareness of the specifics of financial products. They are not always able to fully assess the risks associated with choosing a particular service provider, its financial stability, reliability, and the terms of receiving services. Therefore, an important task is to create effective mechanisms to prevent violations of consumer rights and ensure their protection, which in the EU follows a unified approach that is consistent across all member states.

To achieve this goal, the *European System of Financial Supervisors (ESFS)* (European Parliament, 2010) was implemented, which includes the following components:

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The European Systemic Risk Board (ESRB). This structure was created to strengthen the supervisory mechanism in the EU, enhance the protection of citizens, and restore trust in the financial system. The Board focuses on maintaining financial stability and reducing the negative impact on the internal market and the real economy. The ESRB brings together various national-level supervisory bodies and operates as a unified network at the Union level.

European standards for the protection of consumer rights in financial services were introduced through the initiative of the European Commission at the end of 2010 (European Parliament, 2024), when specialized European supervisory bodies were created. Their main goal is to ensure the stability and effectiveness of the European Union's financial system, which contributes to the protection of the economic interests of member states, businesses, and citizens from potential risks and crises.

To achieve this goal, each of the supervisory bodies has clearly defined legislative functions and duties, focused on specific sectors. These bodies not only develop unified regulatory and supervisory standards but also ensure their practical implementation, creating conditions for the harmonized functioning of the financial market within the EU (Bacho, 2014).

European supervisory bodies are accountable to the European Parliament and the Council. In the case of addressing cross-sectoral issues, their cooperation is coordinated through the Joint Committee of Supervisory Authorities (Towards European Supervisory Convergence, 2016). The system of European financial regulators consists of three main regulatory bodies, each responsible for specific sectors (Figure 2):

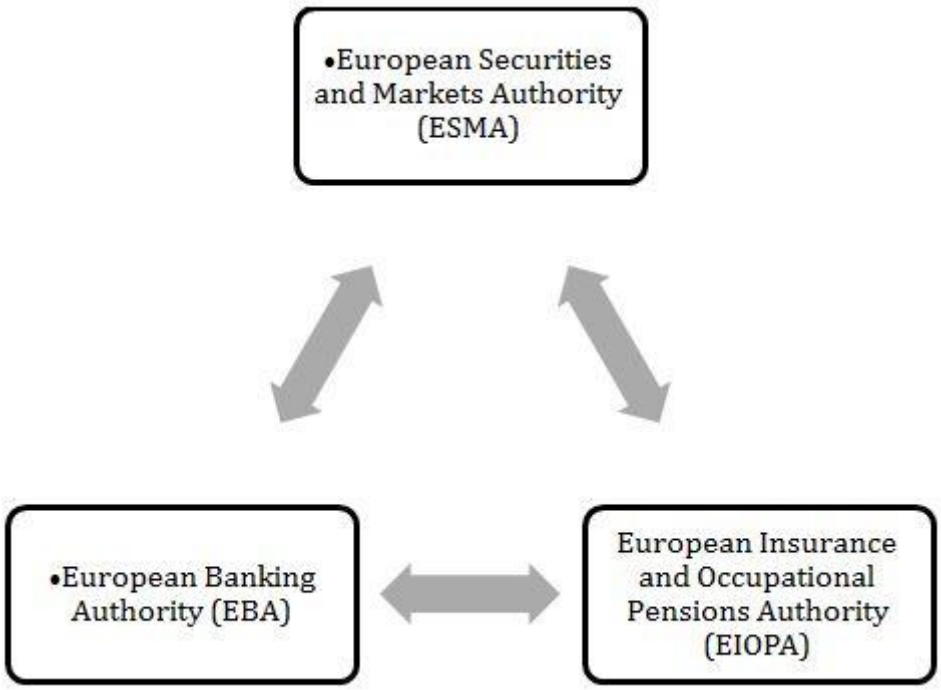

FIGURE 2
SYSTEM OF EUROPEAN FINANCIAL REGULATORS

The Joint Committee of EU Supervisory Authorities serves as a forum for strengthening cooperation between these three bodies. The committee's goal is to ensure effective coordination of their supervisory functions, as well as to maintain consistency in supervisory practices across financial markets, the banking sector, and insurance. Through

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this committee, the bodies regularly exchange information and coordinate their actions within their respective responsibilities (Towards European Supervisory Convergence, 2016).

National authorities responsible for supervision in EU member states, before the global financial crisis, implemented the model of the mega-regulator in many countries. This model involved the concentration of powers over the control of all segments of the financial market in a single body. However, this structure proved to be ineffective during the crisis, as it failed to provide adequate regulatory measures to maintain the stability of the financial market. This highlighted the need for developing new approaches to organizing the supervisory system in the financial sector (Shapran, 2013).

Scientific research emphasizes that the central EU bodies in the field of financial services direct their policy towards achieving the key objectives depicted in (Figure 3).

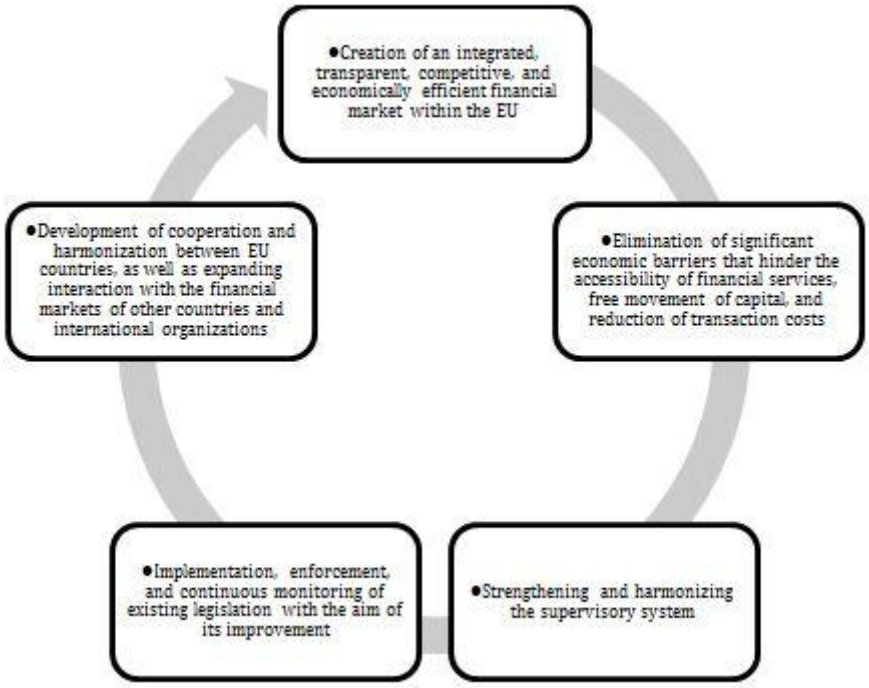

FIGURE 3
CENTRAL EU BODIES IN THE FIELD OF FINANCIAL SERVICES

The gradual implementation of integration measures in the EU ensured a unified approach to the legal regulation of financial markets in all member states, as well as a common policy in this field. Such unification also extends to mechanisms for protecting the rights of financial services consumers.

Managing financial market activities covers the following key aspects:

- Development of rules and procedures for providing financial services, as well as regular assessment of their effectiveness
- Monitoring and oversight to ensure compliance with established standards
- Detection of violations and application of appropriate sanctions

In European countries, several models of state regulation and supervision of financial institutions are used:

1. *Sectoral model:* Specialized bodies supervise specific sectors, such as banking, insurance, or securities markets (examples: Greece, Spain, France).*Centralized model:* All supervisory functions are concentrated in a single body (e.g., Germany, Finland, Poland).
2. *Divided model:* Powers are split between bodies responsible for market supervision and those overseeing prudential supervision (e.g., Netherlands).

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Self-regulation also plays an important role in the financial sector. It is seen as a complement to state regulation. For example, based on EU directives such as Directive 2005/29/EC on unfair commercial practices, Directive 2000/31/EC on electronic commerce, Directive 2006/114/EC on comparative advertising, and Directive 2015/849/EC on anti-money laundering, mechanisms for developing codes of ethics for entrepreneurs have been created. These mechanisms involve delegating some supervisory functions to self-regulatory organizations and resolving disputes between them and consumers (Yashchyshak, 2011).

According to Roeben (Nourallah et al., 2024), the growth of the electronic financial services market is the fastest in Spain, Italy, Germany, France, and the United Kingdom. At the same time, a very high level of development in this market has been achieved in Belgium, the Netherlands, Sweden, Denmark, and Norway (Röben, 2006).

According to Nourallah, Öhman, and Hamati (Nourallah et al., 2024), "the experience of French banks is a very good example of the intensive development of the electronic financial services market. These services are used by almost a quarter of all bank clients, with 24% being served by phone. However, the most extensive opportunities for all participants in the electronic financial services market arise from the combined use of telephone and the Internet" (Nourallah et al., 2024).

The market for direct banking services has achieved even more progressive development in the United Kingdom, where electronic financial services account for about 30% of the entire financial services market. In this country, nearly two-thirds of e-commerce is involved in the provision of financial services. New technologies, such as digitalization and other changes in the business sector, pose significant challenges for the industry. In this regard, in March 2023, Germany launched the "Alliance for the Future of Industry," initiated by the Federal Ministry for Economic Affairs and Energy of Germany, the Federation of German Industries, and the German Steelworkers' Union. The members of the Alliance develop, agree upon, and coordinate priority measures aimed at stimulating industrial development (Mentukh et al., 2023).

At the High-Level Industrial Conference dedicated to the prospects of industrial development until 2030, held at the Federal Ministry for Economic Affairs and Energy of Germany on February 18, 2016, the High-Level Group of the Alliance adopted a Joint Declaration. This declaration establishes guiding principles for industrial policy and recommendations for actions that the EU should take to create an innovative industrial base with a high level of investment. According to Arnal& Thomadakis (Arnal et al., 2024), a significant aspect of the Declaration for the electronic financial services sector is its statement that Europe is now moving towards a single digital market. Therefore, the Alliance will promote faster progress in maintaining key technologies and skills in Europe (e.g., in microelectronics, battery production, and research) (Arnal et al., 2024).

It is worth noting that the legal regulation of financial services markets in Germany continues to evolve. For example, until 2008, factoring was not regulated by specific norms. This changed with the inclusion of relevant provisions in the German Banking Act. Today, factoring is supervised by the German financial supervisory authority. Any company intending to provide factoring services in Germany, as noted by Lamandini, & Thomadakis (Lamandini et al., 2024), must apply to the German authority for a license, otherwise, it will commit a criminal offense, punishable by a fine or imprisonment for up to three years

It should be noted that "factoring practice often arises in the absence of specific legal regulation, and in such cases, general provisions are applied" (Thomadakis et al., 2024).

In the United States, the field of electronic commerce is rapidly growing. Approximately 15 million Americans work through the Internet. In North America, electronic financial services, particularly online banking services, are actively used for money transfers,

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obtaining loans, and more. The efficiency of banking operations is constantly increasing, while the time and effort required to open an account, access it, obtain information about its status, and make payments are significantly reduced (Deneha, et al., 2023).

Today, nearly fifty major American banks (including Bank One, First Union, Wells Fargo) provide services through the Interne. At the same time, banks such as 'Security First Netbook Bank' conduct payment operations exclusively through the Internet, without physical branches. They provide services using various web forms, through which payment, savings, credit, and other accounts are opened and closed, loans are provided and serviced, and money transfers are made. The significance of the financial sector for the entire country necessitates its state control.

Thus, "in the United States, the Federal Council for the Review of Financial Institutions (the Federal Council) was created to establish unified principles and standards for the federal review of various financial institutions and to develop recommendations for enhancing consistency in supervising such institutions. Its activities also extend to the electronic sphere". The Federal Council has developed a document – the Guide to Electronic Financial Services and Consumer Compliance (the Guide), which is important, although not an official document and does not exempt 108 financial institutions that follow the Guide from civil liability for violating statutory requirements (laws) (Bacho, 2014).

Financial institutions providing electronic financial services must take into account the provisions outlined in the Guide. They are responsible for ensuring that their electronic financial operations are carried out per applicable laws and regulations. Additionally, the Guide informs financial institutions that many general principles and requirements applicable to traditional financial services may also apply to electronic ones.

The Guide highlights recent changes in legislation related to the provision of electronic financial services. One of the main requirements of the Electronic Funds Transfer Act is the provision of clear and understandable written information to consumers. According to the Fair Credit Reporting Act, such information may only be provided electronically with the consumer's consent. Also, an Official Comment from the Federal Reserve System employees is important for regulating electronic transfers. According to this Comment, receipts, and prior written consent in paper form are not required for online money transfers, but authorization is needed before performing such financial transactions, such as using a special security code (Deneha, et al., 2023).

Such a brief summary of the key provisions of laws concerning electronic financial services is useful for both consumers and financial institutions. Therefore, the authors believe it would be beneficial to introduce similar legislative compilations by state authorities regulating the financial services market in Ukraine. In Canada, where the market for electronic financial services is also well-developed, financial institutions independently develop and adopt rules regarding the provision of such services. For example, the 'Toronto-Dominion Bank,' the second-largest financial holding in Canada, which provides banking, insurance, and investment services, has developed and posted on its official website the Terms of Use for Cards and Electronic Financial Services (the Terms).

This document applies when the client uses a card or receives any electronic financial service provided by the bank. The Terms include detailed requirements and rules concerning the provision of electronic financial services by the bank, including security and confidentiality, cases of loss or theft of the card or PIN, the responsibility of the client and the bank, limitations on the use of electronic financial services, foreign currency transactions, dispute resolution, and more. It especially emphasizes the prohibition of using electronic financial services for fraudulent or other illegal purposes. It is emphasized that the consumer is responsible for safeguarding the PIN, password, mobile phone, or other device through

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which they receive electronic financial services. Therefore, the Terms provide practical security recommendations, such as avoiding choosing a password based on one's birth date, name, phone number, etc."(Bach et al., 2007).

The development of such conditions is seen as a positive step, and it would be advisable to recommend that Ukrainian financial institutions develop similar general documents that include provisions regarding the provision of electronic financial services. It is also important to mention the legislative changes in Switzerland aimed at ensuring maximum technological neutrality, the application of innovations, and reducing barriers to entry in the financial services market. These changes were essential to maintain Switzerland's leading position in the financial sector.

The definition of "electronic money" is not legally established in Switzerland. Therefore, the definition provided in Directive 2009/110/EC of the European Parliament and Council regarding the establishment and operation of electronic money institutions and prudential supervision over them, which amends Directives 2005/60/EC and 2006/48/EC and repeals Directive 2000/46/EC, is applied. According to Article 2 of this directive, electronic money refers to monetary funds that are stored electronically (for example, on a chip card, mobile app, or using computer programs), including on magnetic media; represented by a claim against the issuer; issued upon receiving funds to carry out payment transactions; accepted by a physical or legal person other than the electronic money issuer (Shevchuk, 2022).

In the opinion of this paper’s authors, "electronic money should not be confused with Internet banking. When using Internet banking, the consumer accesses their bank account via the Internet or a mobile phone, rather than using electronic money. Another distinction is that Internet banking does not use a traditional or digital signature, but rather other authentication methods such as a password or phone number verification."

In Switzerland, "electronic money is not considered legal tender. As a result, it can be issued outside the state monopoly on banknotes and coins. This does not mean that the use of electronic money is illegal. However, payment recipients participating in the relevant payment systems must agree to accept electronic money or may choose to refuse it."

Electronic money is stored in a so-called digital wallet, essentially a consumer's account. Access to such a wallet can be obtained via a mobile app or website. The balance in the electronic wallet can be topped up through various means, including credit or debit cards, bank transfers, or cash deposits via terminals. Payment with electronic money is similar to using a credit or debit card. Once the payment is confirmed by the payer, the recipient immediately receives the funds in their electronic wallet. When the electronic money is transferred to the digital wallet, it can be converted into traditional payment means, for example, by transferring it to a bank account and then withdrawing cash or leaving it in the electronic wallet for further payments.

Regarding the legal regulation of the use of electronic money in Switzerland, "the most general regulatory framework in this area is the Financial Market Infrastructure Act, as payment systems are considered part of such infrastructure. Additionally, the activities of certain entities providing financial services are regulated by specific acts depending on the type of financial services they offer. In each case, it is necessary to assess whether a particular act applies to the activities of a specific market participant."

Even though electronic money is not considered legal tender in Switzerland, as noted Börzel and Zürn (Börzel et al., 2021), it is necessary to assess whether a particular operation involving such money, such as its issuance or storage in an electronic wallet, falls within the scope of the Banking Act. According to a decision by the Swiss Federal Court, the balances of electronic money owned by consumers in payment systems do not, at first glance, have the

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same nature and do not serve the functions of traditional bank deposits. This is because they are not intended for investment with a mandatory return to the consumer, but are used rather as a cashless payment tool for purchasing goods and/or services. The Court concluded that the determining factor for qualifying a cash balance as a deposit is whether the payment system operator is obligated to return the funds to the consumer or whether no such obligation exists (Börzel et al., 2021).

Indeed, the question of whether the balance of electronic money can be considered a deposit remains unresolved if the payment system operator is required to pay not to the depositor but to a third party. From a systematic analysis of Swiss legislation, it can be concluded that such operations may also fall within the scope of the Banking Act. Therefore, if, based on the criteria mentioned above, the balance of electronic money is deemed a deposit, the operator of the payment system will be subject to the requirements of the Banking Act. This is significant, primarily for consumers of financial services and the protection of their rights, as they would be safeguarded as bank depositors in case, for example, of the payment system operator's default. On the other hand, if a particular operation does not fall under the scope of the Banking Act, consumers would be practically unprotected.

This analysis highlights the importance of establishing clear legal frameworks that ensure consumer protection in the rapidly evolving landscape of electronic financial services. Without such legal clarity, consumers may face risks, and operators could potentially evade the obligations typically associated with traditional banking services.

DISCUSSION

With Ukraine's accession to the Agreement on Joining the EU, Ukraine began adopting regulations to ensure the adaptation of Ukrainian legislation to EU law. This also extended to the contractual regulation of private relations in various areas of state and societal life. In particular, this also concerned the protection of consumer rights, including financial services. Over the last 20 years, the European Parliament and the Council of Europe have adopted several regulations and directives, which have also influenced Ukraine's legislation in the field of consumer protection for financial services, and in turn, impacted the scope and form of contractual regulation of private relations in the financial sector.

In implementation of the tasks related to the harmonization of EU legislation with Ukrainian law, in late September 2019, Ukraine adopted the Law of Ukraine "On Amendments to Some Legislative Acts of Ukraine Regarding the Protection of Consumer Rights in Financial Services," which regulated the most important issues in relations between citizens and financial institutions and eliminated gaps and inconsistencies in the system of consumer protection in financial services.

This law regulates in detail the issues of contract form, and interpretative approaches to ensuring the rights of financial services consumers, expressed in:

1. Positive obligations – contracts must be concluded exclusively in writing, the service provider must provide a copy of the contract, the terms of the contract are interpreted in favor of the consumer, etc.;
2. Limitations – certain requirements are established by the Law of Ukraine "On Electronic Commerce";
3. Prohibitions with the establishment of legally negative consequences – violations or discrepancies in contract terms regarding the limitation of consumer rights lead to the nullity of the contract, for example, "... providing the consumer with a paper or electronic copy (certified/unverified) of the contract instead of the original paper version."

On one hand, this provides a basis for judicial protection of financial services consumers' rights, but on the other, it reveals the limitations of the implementation scope because the content of contracts remains unregulated. This is just one example of partial

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regulation addressing the formal side of the issue. In our opinion, while this approach is positive, it does not provide a complete solution to the protection issue, as it has a post-effect, meaning it helps establish the truth after the violation but does not prevent it. At the same time, it does not address the issue of formulating the substantive part or applying the principle of good faith (in national legislation) (Shevchuk et al., 2022) and preventing unfair practices (in EU law) (Martill et al., 2018).

The issue lies in a holistic and comprehensive approach, for example, regulating not just individual parts of civil law or commercial law (sectoral regulation) of contractual relations, but envisioning a comprehensive legal framework for entire institutions, such as Internet banking, artificial intelligence, and so on. A sectoral approach fails to provide coherence in regulation, creating gaps both in national law and in the implementation of EU legal norms.

An analysis of the relevant legislative acts and the regulatory acts of the National Bank of Ukraine (NBU) reveals that while Internet banking is widely used in Ukraine, the existing EU norms on this matter have not yet been fully implemented in Ukrainian law. It seems that the Ukrainian legislator and NBU are chronically lagging in implementing European Union law.

An analysis of the current legislation regarding amendments to the law on the regulation of Internet banking shows that, at present, Internet banking is not only unregulated but there is not even a legal concept for it in Ukrainian legislation, even though this form of financial services provision is common and widely used in Ukraine. The absence of regulation specifically creates problems in Internet banking. The Law on Electronic Transactions does not contain a separate article regulating Internet banking. This indicates that the relevant EU Directives and Regulations are not fully implemented into Ukrainian law—only fragmentarily—requiring further refinement by the relevant authorities.

LIMITATIONS OF THE RESEARCH AND PROSPECTS FOR FURTHER RESEARCH

Further scientific analysis is needed in the following areas: Studying how EU member states' legal frameworks can be harmonized to ensure coordinated regulation of financial services.

Analyzing how new technologies, such as blockchain and fintech, affect the legal frameworks governing financial services and the necessity for their adaptation.

Examining legal mechanisms aimed at protecting the financial sector from cyber threats and assessing the effectiveness of existing legal norms in this area.

Investigating the role of major regulatory bodies in the EU in creating a unified legal foundation for financial services and their influence on national legislations.

Analyzing how changes in legal regulation affect the accessibility of financial services for citizens and their role in supporting economic growth in the EU.

Studying EU cooperation with international organizations to align legal norms on a global scale.

Evaluating the effect of legal norms on implementing environmentally sustainable practices within financial institutions.

These directions will help to better understand the dynamics of financial services regulation within the EU and contribute to the creation of a more flexible legal framework that meets the challenges of the modern world.

CONCLUSION

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In conclusion, it is important to emphasize that the regulation of the financial services market in the EU is carried out at the level of supranational institutions, while supervisory functions are entrusted to both European and national bodies. The main goal of their activities is to ensure the stability of the EU financial market, minimize crisis risks, and protect the interests of all its participants, including consumers of financial services. The focus on all segments of the financial market, as well as the need for effective control and risk assessment, has provided the foundation for the creation of sectoral supervisory institutions and advisory structures. In interaction with national regulators, they form a unified European financial supervision system.

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