Anna Jurkowska-Zeidler
University of Gdańsk, Poland
anna.jurkowskazeidler@prawo.ug.edu.pl
ORCID: 0000-0002-4316-6073

Michal Janovec
Masaryk University in Brno, Czech Republic
michal.janovec@law.muni.cz
ORCID: 0000-0002-6565-4043

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Financial Market Stability: A Key Driver of Sustainable Finance

Introduction

Sustainable finance is one of the most recent trends in the theory and practice of financial market functioning and of great importance for financial and fiscal stability. Sustainable finance is broadly defined as various types of financial instruments, programs and actions that incorporate not only economic benefits, but also their social and environmental impact. Furthermore, sustainable finance is increasingly being interpreted as a merger of sustainable socio-economic development and a financial system that includes both public and private sector finance. The phenomena, processes and events with a crisis dimension, such as the global financial crisis, the migration crisis, the pandemic, the war in Ukraine, but also climate and environmental disasters, should be considered as a factor accelerating the development of the sustainable finance concept.

Overcoming the consequences of the 2007–2009 global financial crisis, the 2015 Paris Agreement on climate change and the UN Sustainable Development Goals (SDGs) set out in the UN 2030 Agenda new milestones for the financial sector, the role of which is changing because of the emergence of new worldwide risks and public needs. In the European Union the concept of a European Green Deal is a serious attempt to address the challenge of a distorted relationship: human-environment. The European Commission, with the support of the majority of EU countries, is determined to develop a new paradigm for development, transforming Europe into a climate and environmentally neutral space.[1]

It is becoming increasingly common in the context of economic development to point not only to the maximisation of economic effect and economic profits, but to the

[1] The European Green Deal (European climate law) introduced in 2019 (COM/2019/640 final) aims to transform the EU into a fair and prosperous society, living in a modern, resource-efficient and competitive economy that achieves zero net greenhouse gas emissions by 2050, and where economic growth will be independent of the use of natural resources. J. Ciechanowicz-McLean, *Instrumenty prawne ochrony klimatu przed i w Europejskim Zielonym Ładzie*, GSP 2021, no. 3, p. 16.

need to achieve social benefits and efficiency in the use of natural resources, while being attentive to environmental protection.[2] Internationally, the importance of climate change and the need for more determined and systemic action to protect the environment is now becoming more prominent. This is taking place against the background of a general need to reduce development inequalities in global, continental, national and local terms. The most significant in this regard is attributed to finance in the broadest sense, i.e. the direct participants in the market and institutions of the financial system. This is because the financial system, which consists of the market sector and the public finance sector, is one of the most effective drivers of social and economic change.

The financial market and public finance play crucial roles in addressing social and economic challenges and building the innovative, zero-carbon economy of the future. In this view, finance is becoming an instrument for achieving the goals set out by the United Nations in "Transforming our world: the 2030 Agenda for Sustainable Development."[3] Sustainable finance adopts ESG factors when making investment decisions in the financial sector. ESG factors include environmental (E), social (S) and governance (G) factors. This approach forces greater attention to the social impacts of the financial market and the public finance sector. The ability of the financial and public finance sector to respond adequately to new challenges becomes crucial. In this approach, sustainable finance cannot be separated from environmental factors or social and economic requirements. Given the importance of modern financial markets in people's lives, it is necessary, when studying their functioning, to view these markets in a broader, precisely axiological dimension and to set it in a wider context, i.e. that of the common good, sometimes identified with the public interest.[4]

Financial markets are currently undergoing a process of transformation determined by the huge impact of the threat of climate change.[5] Financial institutions are increasingly considering the impact of climate risk on their business and are taking a number of adaptation measures to reduce the impact of this risk. The Sustainable Development Goals (SDGs) are a strong driver of climate action, and their assumptions are present in the decisions of financial and non-financial sector actors, influencing the allocation and flow of financial capital.

The risk of climate change must be treated as a fundamental challenge to the economic and financial system.[6] Climate change impacts macroeconomic scores, financial markets and institutions mainly through two channels: physical risk and transition

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[2] A. Alińska, S. Frydrych, E. Klein, *Finanse w koncepcji zrównoważonego rozwoju*, "Kwartalnik Kolegium Ekonomiczno-Społecznego. Studia i Prace" 2018, no. 1, p. 41.

[3] *Transforming our World: The 2030 Agenda for Sustainable Development*, United Nations, https://sdgs.un.org/2030agenda [accessed: 2023.07.23].

[4] T. Nieborak, *Rynek finansowy jako dobro wspólne*, RPEiS 2017, vol. 79, no. 3, pp. 161–174.

[5] M. Zioło, *Rynki finansowe wobec zmian klimatu. Dylematy i wyzwania a cele zrównoważonego rozwoju*, "Studia BAS" 2023, vol. 74, no. 2, p. 62.

[6] *Financial Markets and Climate Transition: Opportunities, Challenges and Policy Implications*, OECD, Paris 2021, https://www.oecd.org/finance/Financial-Markets-and-Climate-Transition-Opportunities-challenges-and-policy-implications.htm [accessed: 2023.07.24].

risk.[7] Physical risks of climate change can seriously damage economies, for example through the high costs of repairing infrastructure and dealing with uninsured losses. Physical risk arises from the possible loss of physical assets as a result of damage caused by the effects of climate change, such as extreme weather events or rising sea levels. There are also transitional risks associated with potentially disordered mitigation strategies. Transition risk refers to the risk of loss of value of physical or financial assets because of a disorderly transition to a low-carbon economy. Both physical and transitional risks can adversely increase systemic risk.[8] The potential consequences of climate change have implications for the financial stability mandate of central banks. Thus, climate change creates new challenges for central banks, regulators, and supervisors. Their potential consequences have an impact on the financial stability mandate of central banks.

1. Financial market stability: constitutive elements and the impact on the stability of the economic system

The concept of financial market stability can be interpreted in many ways. However, the goal is still the same – a stable financial market environment with reduced risks of financial or even economic crises. Financial market stability is also one of the essential elements of general financial stability alongside public finance stability and monetary stability. As such, financial stability significantly supports the stability of the entire economic system.

Financial market stability can be measured in some way by economic outcomes, even the less positive ones that point to economic instability. However, this is only an economic view. There is also the legal perspective which, while it may not immediately guarantee financial market stability, can certainly support it by creating an appropriate legal environment. It is in the interest of the European Union, and by extension, each Member State, to ensure that the economic system functions appropriately to promote economic prosperity. To this end, the economic system must be kept stable, not in the sense of 'stagnation', but in the stability of a certain level of economic prosperity, preferably in economic growth. In this case, the state's interest is a public interest, and its action consists of public financial activity aimed at ensuring financial stability, which rests on three fundamental pillars. First, there is the stability of public finances, monetary stability and financial market stability, including consumer protection and the equal treatment of all market players.

7 The Network for Greening the Financial System (NGFS) Publications, *First Progress Report*, October 2018, p. 5, https://www.ngfs.net/sites/default/files/medias/documents/818366-ngfs-first-progress-report-20181011.pdf [accessed: 2023.07.23].

8 About the links between the effects of climate change or global warming and the stability of financial markets see P. Bolton, M. Despres, L.A. Pereira Da Silva, F. Samama, R. Svartzman, *The Green Swan: Central Banking and Financial Stability in the Age of Climate Change*, Bank for International Settlements, January 2020, pp. 11–22, https://www.bis.org/publ/othp31.pdf [accessed: 2023.07.24].

It can then be concluded that an economic system can only be stable and perform its functions if it has a stable financial market. However, it should be noted that financial market stability cannot be achieved in absolute terms. The market will never be 100% stable; there are and will always be external threats and risks that no regulator can prevent, whether in the form of military conflicts, natural disasters, pandemics, political instability, etc.[9] Then, of course, many internal risks are associated, for example, with new or hazardous financial products and services (e.g. foreign currency-linked loans), mainly addressed by regulation or supervision so that the risks of instability are minimized. However, they cannot be eliminated in advance. Still, they can be at least partially mitigated by specific preventive mechanisms, which are reflected in financial institutions capital requirements.

The pillars and preconditions for financial market stability can be found:[10]

- when individual financial institutions enter the market to provide services (e.g. licensing procedures);
- when providing services in the financial market concerning its clients (e.g. client relationship, regulatory reporting concerning the supervisory authority, etc.);
- when elected authorities intervene early in a financial crisis (resolution mechanism);
- in the methods and organization of financial market closures (failure of financial institutions);
- in protecting deposits and investments through financial market guarantee schemes.

The whole architecture of EU financial stability is currently a product of and a response to the financial and economic crisis of 2008. During this financial crisis, some banks were granted public bailouts because they were deemed too big to fail. This would have endangered the financial market as a whole, as there could have been a domino effect of secondary failures of other institutions, not only financial institutions; hence, insolvency law was not applied in these situations. The amount of state aid was unprecedented.[11] This financial crisis highlighted many of the shortcomings of effective resolution of internationally operating financial institutions. This brought with it the need for a regulatory solution with interventions in financial supervision at the international level so that international financial institutions could be wound down or restructured without public money.

Jurkowska-Zeidler[12] argues that financial market safety is subject to normative protection under the financial safety net, and it was the creation of such a safety net that was one of the objectives of the new regulation and supervisory architecture imme-

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9 M. Janovec, *The Financial Market and its Stability*, Prague 2023, p. 148.

10 *Ibid.*, p. 24.

11 *State aid: Commission's new on-line state aid benchmarking tool shows less aid to banks*, European Commission, Brussels 20 December 2013, http://europa.eu/rapid/press-release_IP-13-1301_en.htm [accessed: 2023.07.20].

12 A. Jurkowska-Zeidler, *The Architecture of the European Financial Market: Legal Foundations*, Gdańsk–Warsaw 2016, pp. 39–45.

diately after the financial crisis of 2008. This is essentially the current state of financial stability or financial market stability.

2. Areas of regulation and supervision contributing to market stability and self-regulation to support sustainable finance

The areas of regulation and supervision that contribute to market stability will now be presented, as well as those works of self-regulation to promote sustainable finance.

Restrictions on market entry

In this case, we can discuss a preventive systemic measure regulating and reducing the entities that can enter and operate on the market. On the one hand, this is about setting the market itself; on the other, it is about setting universal criteria and conditions, the same for everyone and known in advance. Only certain operators who meet the requirements can provide their services on the market, which supports systemic market protection.

Information requirements

Information requirements are linked to the protection of retail clients and consumers in particular, as the de facto existence of information asymmetries is ubiquitous in the financial market. Information asymmetry is a manifestation of different information and, at the same time, other possibilities of access to information for the financial services provider and the client, especially retail or consumer private, non-public information and the management of access to it are the most problematic in market abuse (market manipulation and insider trading). In this case, the objectives of regulation aimed at combating market manipulation and insider abuse are expressed succinctly in the MAR recitals.[13]

Ongoing business conditions (limitations on risk activities, capital requirements, risk management)

A set of risky activities are directly prohibited for financial institutions. These may include investments in high-risk investment instruments, acquisition of shares in companies where the bank would become an unlimited shareholder, etc. Capital requirements are one of the fundamental pillars of the stability of financial institutions themselves to make them more resilient to economic shocks. Capital requirements,

[13] *Cf.* in particular Recitals 1–5 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (OJ L 173, 12.6.2014, p. 1).

best expressed in capital adequacy, are an area where global regulation is very intense, both through the Basel III standards[14] and their expression in the CRR[15] and CRD IV.[16]

Deposit protection

An essential part of the financial safety net that has two primary purposes. One is compensatory, and the other is to build and maintain confidence in the financial market.

Moral hazard

Moral hazard expresses the tendency to engage in risky behaviour or actions when the person is aware that they will not be sanctioned for this risky behaviour. This can be manifested by risky behaviour of managers of financial institutions that are too big to be allowed to go into insolvency by the state or the regulator, who would instead provide public financial assistance. However, moral hazard can also be taken by an investor who risks their deposit with an institution that offers suspiciously favourable terms, knowing that there is a deposit insurance scheme that will return the deposit to the investor in the event of the institution's failure. The person taking the moral hazard is not acting prudently because they knows they will not be harmed. This damage is then financially borne by other financial market participants, mainly clients.

Self-regulation to support sustainable finance

Codes of ethics of voluntary associations and associations, or codes of conduct, complement statutory regulation and simultaneously create additional oversight by these interest organizations. The main benefit for members of financial institution trade associations is to increase their credibility with clients.

The financial market also promotes a form of greener financial market through self-regulation. Through self-regulation, financial institutions, especially banks, respond to modern trends supporting greener banking. Self-regulatory tendencies based on various ethical or other codes thus help to provide sustainable financial services. In the Czech Republic, for example, the Czech Banking Association has issued a Memorandum for Sustainable Finance,[17] to which 16 banks have signed up and through which they commit themselves, among other things, to greener banking.

A particular social and, at the same time, undoubtedly customer demand for greener banking increases and strengthens trust in banks. Green banking is linked to

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14 This is a comprehensive set of reform measures aimed at improving existing regulation, supervisory rules and risk management of banking business. It was issued by the Basel Committee on Banking Supervision in 2009. Banks fully implemented it by 31 March 2018.

15 Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

16 Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC Text with EEA relevance (OJ L 176, 27.6.2013, p. 338).

17 *Sustainable Finance Memorandum*, Czech Banking Association, 2021, https://cbaonline.cz/upload/1537-memorandum-cba-pro-udrzitelne-finance-fin-en.pdf [accessed: 2023.07.21].

modern approaches to banking to make banks more environmentally friendly (fewer branches, paperless offices, reducing the carbon footprint of banks, etc.), i.e. greener. This is followed by favouring ecologically friendly businesses concerning the client's environment and financial support for green projects themselves.

3. Financial Safety Net and sustainable finance

An essential foundation for preserving and improving the financing of sustainable development, especially in developing countries, is a stable financial system, as a regional or global financial crisis could jeopardize the new development agenda. The choice of sources and instruments of sustainable finance has a determining effect on the stability of the financial system. Indeed, it should be recognized that funding to achieve specific sustainable development goals can create new systemic risks.

The need to attract significant financial resources to finance the Sustainable Development Goals, as well as to overcome the effects of climate change, requires a rethinking of the role of institutions in the financial sector, especially in the context of their social responsibility. This is important because, in the case of sustainable finance, financial markets play a dual role as providers of financing for the investment gap linked to the achievement of the Sustainable Development Goals and as socially responsible institutions that facilitate and support the achievement of the Sustainable Development Goals. The role and importance of individual financial markets (and the financial institutions operating within them) in the implementation of the SDGs is uneven in the context of each SDG. Financial institutions prefer action on SDG5 (gender equality) and SDG13 (climate).[18] The lack of systematic activities promoting the development of corporate social responsibility in the financial sector will prevent the use of its potential to finance national tasks to achieve the Sustainable Development Goals.

The trend towards sustainable finance is evident in a number of EU regulatory initiatives that aim to align the rules of the financial markets.[19] The new role of financial sector actors involves the imposition of new obligations on these actors (e.g. sustainability-related disclosures in the financial services sector, as referred to in Regulation 2019/2088/EU[20] [Sustainable Finance Disclosure Regulation] and Regulation 2020/852/EU [Taxonomy Regulation])[21] as well as the creation of a new regulatory

[18] I. Makarenko, Y. Yelnikova, A. Lasukova, A.R. Barhaq, *Corporate Social Responsibility of Financial Sector Institutions in the Light of Sustainable Development Goals Financing*: *The Role of Banks and Stock Exchanges*, "Public and Municipal Finance" 2018, vol. 7, no. 3, pp. 1–14.

[19] https://www.cnb.cz/en/supervision-financial-market/legislation/sustainable-finance/laws-and-regulations/ [accessed: 2023.07.21].

[20] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1).

[21] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

framework for non-mandatory activities, of which eco-labelling of retail financial products is an example. At the same time, the regulation of sustainable finance influences sectoral legislation (banking, insurance, capital market) and includes new regulations, which now regulate in particular transparency related to the sustainability of financial products and the sustainability impact of the investment activities of financial market players.

Central banks play an important role in the environmental transition because (1) they manage the risks to the financial system and the economy that arise from climate change, (2) they are decisive when it comes to directing funds towards sustainable investments to finance the green transition and (3) they can share their expertise, spread awareness of sustainable finance and encourage changes in behaviour. The action taken by central banks to address these issues is generally referred to as 'green central banking'.[22]

Climate change and the transition to a greener economy affect the primary mandate of central banks to maintain price stability because of its impact on the economy and on the risk profile and value of assets on the balance sheet of the banking system.[23] The European Central Bank in July 2021 presented its Climate Action Plan, in which it announced steps to address climate change in its operations. In July 2022 the ECB presented in its Climate Agenda 2022 the implications of the Climate Action Plan for its monetary policy operations.[24] However, the European Central Bank recognizes in this Climate Agenda that governments and legislators are primarily responsible for tackling climate change and who have the most appropriate tools to address the issue.

These measures are far-reaching and mark a paradigm shift in central banking, which can also be seen globally in the activity of other central banks.[25] However there is a need for a common understanding within the financial safety net – at national, regional and, especially global levels – of how climate change affects our economies and financial systems. And what impact do they have on economic growth, inflation or the labour and production markets? Such a common platform for sharing experiences and good practices is the Network for Greening the Financial System (NGFS) established in December 2017.[26] In a guide for supervisors, the NGFS makes a series of

[22] S. Spinaci, M. Höflmayr, L. Hofmann, *Green central banking*, EPRS. European Parliamentary Research Service, September 2022, p. 1, https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733614/EPRS_BRI(2022)733614_EN.pdf [accessed: 2023.07.21].

[23] About implications of climate change for the conduct of monetary policy in the euro area see *Climate change and monetary policy in the euro area*, EBC Occasional Paper Series, EBC Strategy Review 2021, No. 271, pp. 1–189.

[24] *ECB climate agenda 2022*, 4 July 2022, https://www.ecb.europa.eu/press/pr/date/2022/html/ecb.pr220704_annex%7Ecb39c2dcbb.en.pdf?e1cc4f3420e8e9f906855410f40e73b5 [accessed: 2023.07.21].

[25] *A Sustainable and Responsible Investment Guide for Central Banks' Portfolio Management*, NGFS Publications 10/17/2019, pp. 23–31, https://www.ngfs.net/sites/default/files/medias/documents/ngfs-a-sustainable-and-responsible-investment-guide.pdf [accessed: 2023.07.21].

[26] The general aim of the NGFS is to exchange experiences, share best practices, contribute to the development of environment and climate risk management in the financial sector, conduct or commission analytical work on green finance and to mobilize mainstream finance to support the transi-

recommendations on how to incorporate climate risk into prudential supervision.[27] In particular, the NGFS recommends assessing the vulnerability of supervised actors to climate risk through scenario analysis, also known as 'stress testing'.[28] As guidance for central banks and supervisors, the NGFS has published a set of six climate scenarios – from 'orderly transition' to 'hot house world'. The assumptions and pathways detailed in the scenarios will inform central banks' climate risk assessments. In addition, the guide advises supervisors to communicate their expectations for managing climate-related financial risks.[29] As part of holistic approach to addressing climate-related financial risks to the global banking system, the Basel Committee on Banking Supervision also published in 2022 principles for the effective management and supervision of climate-related financial risks.[30]

Importantly, the credibility of new sustainability-related financial instruments is not assessed in a systematic or methodical way, and therefore they may be exposed to sudden impairments that are not identified by existing supervisory mechanisms. Inconsistent definitions in the area of sustainability and the general lack of a uniform perception of it further increase the risks for investors and issuers, and these risks need to be addressed through financial stability safeguards.[31]

Conclusions

The general conclusion is that whether we are dealing with financial, public finance, epidemiological or environmental crises, the stability of the financial market is at the centre of the interest of regulatory and supervisory institutions, as it is important for

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tion toward a sustainable economy. As of June 13, the NGFS consists of 127 members and 20 observers. Unfortunately, there are no Polish or Czech central banks or supervisors among the members.

27 *The NGFT Guide for Supervisors integrating climate-related and environmental risks into prudental supervision*, May 2020, https://www.ngfs.net/sites/default/files/medias/documents/ngfs_guide_for_supervisors.pdf [accessed: 2023.07.21].

28 The results of the European Central Bank (ECB) climate risk stress test published in 2022 showed that banks do not yet sufficiently incorporate climate risk into their stress-testing frameworks or internal models. The stress test shows that credit and market losses in the short-term disorderly transition and the two physical risk scenarios amount to around €70 billion on aggregate for the 41 banks in this study. ECB 2022 climate risk stress test, July 2022, https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.climate_stress_test_report.20220708~2e3cc0999f.en.pdf [accessed: 2023.07.21].

29 The European Central Bank's activities in this area are: *ECB report on good practices for climate stress testing*, ECB Banking Supervision 2022, https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.202212_ECBreport_on_good_practices_for_CST~539227e0c1.en.pdf [accessed: 2023.07.21] and *Good practices for climate-related and environmental risk management – Observations from the 2022 thematic review*, ECB Banking Supervision 2022, https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.thematicreviewcercompendiumgoodpractices112022~b474fb8ed0.en.pdf?8330f3208649c4b24d2a6f4204447f9f [accessed: 2023.07.21].

30 https://www.bis.org/bcbs/publ/d532.htm [accessed: 2023.07.21].

31 K. Zielińska-Lont, *Sustainable Finance Initiatives and their Impact on Financial Stability*, "Financial Law Review" 2020, vol. 40, no. 4, p. 118, http://cejsh.icm.edu.pl/cejsh/element/bwmeta1.element.ojs-issn-2299-6834-year-2020-issue-20_4_-article-5432/c/5432-4760.pdf [accessed: 2023.07.21].

economic growth and the economic health of the state in general. The global financial crisis of 2008 had a fundamental impact on changing the approach to financial market regulation and supervision; it established a new legal framework for the functioning of financial institutions and financial market regulators and supervisors. This was crucial for the institutional architecture of the financial safety net, both at national, European, and international levels. The jurisprudence of the Court of Justice of the EU confirms that financial market stability and security have become the most important objectives of financial market law regulation, which fundamentally affects the nature and importance of the norms created in this area of the legal system.

The European Union is currently at a turning point in the development of its legal and financial system, which is determined by political decisions that reflect changes within a post-modern consumer society. New legislative solutions should refer more to the idea of the common good and stimulate the attitudes of the addressees of legal norms in such a way that they consider the broader public interest, contributing to the objectives of sustainable development. It is necessary to systemically integrate these objectives into the activities of financial safety net institutions in the directions of sustainable financing: support of sustainable development policies; advanced financial inclusion through product innovation; protection of consumers of financial services. Risks to financial stability must always be considered when financing investments to achieve the new Sustainable Development Goals. During the global financial crisis of 2008, there was also a close correlation between the financing structure and the impact of the crisis in the real sector. The lack of systematic measures to promote social responsibility in the financial market does not allow its potential to be used to finance national tasks to achieve the SDG.

Climate and environmental change are a source of financial risk which creates new challenges for central banks, regulators and supervisors. Climate risk is a clear and ongoing threat to the global economy and has extensive implications for the conduct of monetary policy. Through green central banking, central banks can react to the challenges of climate change. It is within the mandate of central banks and supervisors to assure the financial system's resilience to these risks. Climate change will affect the global economy and thus the financial system that supports it. Financial markets are an important channel for the transfer and spread of so-called green attitudes and behaviour, although this should not omit adverse phenomena such as greenwashing. Central banks and supervisors, as well as financial institutions, are beginning to better understand these risks and the need for a better approach. Supervisors are taking a proactive role in assessing prudential risks and setting supervisory expectations to improve financial risk management at supervised markets. A growing number of financial institutions have also undertaken their own analyses related to climate and the environment. Without the participation and involvement of financial markets, effective implementation of the SDGs is not possible. Growing customer demand for greener banking is having a particular social impact, and this undoubtedly has the effect of strengthening trust in banks as contributors to sustainable development goals.

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Summary

Anna Jurkowska-Zeidler, Michal Janovec

Financial Market Stability: A Key Driver of Sustainable Finance

In this article the authors argue that financial market stability plays a key role in achieving the Sustainable Development Goals (The United Nations Agenda 2030) that include not only economic growth but also the elimination of inequality. Indeed, financial markets share responsibility for building a sustainable economy that balances economic interest with social responsibility. The authors present a thesis that the financial market plays a key role in solving economic and social problems and building the innovative, low-carbon economy of the future. Climate and environmental change are a source of financial risk which creates new challenges for the financial safety net: central banks, regulators, and supervisors. The choice of funding sources and instruments has a decisive impact on the stability of the financial system and financing to achieve specific SDG can lead to new systemic risks. The authors find it reasonable to conclude that whether we are dealing with financial, public finance, epidemiological or environmental crises, the stability of the financial market is at the heart of the concerns of regulatory and supervisory institutions as it is vital for economic growth and economic standing in general. The research uses theoretical and dogmatic-legal methods based on the analysis of the content and

availability of source information, i.e. theoretical and legal publications as well as legal regulations crucial from the point of view of the subject.

Keywords: financial market, financial stability, financial regulation, sustainable finance.

Streszczenie

Anna Jurkowska-Zeidler, Michal Janovec

Stabilność rynku finansowego – kluczowy czynnik zrównoważonych finansów

W niniejszym artykule autorzy argumentują, że stabilność rynku finansowego odgrywa kluczową rolę w osiąganiu Celów Zrównoważonego Rozwoju (Agenda ONZ 2030), które obejmują nie tylko wzrost gospodarczy, ale także eliminację nierówności. Rynki finansowe są bowiem współodpowiedzialne za budowanie zrównoważonej gospodarki, która równoważy interes ekonomiczny z odpowiedzialnością społeczną. Autorzy stawiają tezę, że rynek finansowy odgrywa kluczową rolę w rozwiązywaniu problemów gospodarczych i społecznych oraz budowaniu innowacyjnej, niskoemisyjnej gospodarki przyszłości. Zmiany klimatyczne i środowiskowe są źródłem ryzyka finansowego, co stwarza nowe wyzwania dla sieci bezpieczeństwa finansowego: banków centralnych, organów regulacyjnych i nadzorczych. Wybór źródeł i instrumentów finansowania ma decydujący wpływ na stabilność systemu finansowego, a finansowanie w celu osiągnięcia określonych celów zrównoważonego rozwoju może prowadzić do nowych ryzyk systemowych. Autorzy stwierdzają, że niezależnie od tego, czy mamy do czynienia z kryzysem finansowym, finansów publicznych, epidemiologicznym czy środowiskowym, stabilność rynku finansowego znajduje się w centrum zainteresowania instytucji regulacyjnych i nadzorczych, ponieważ ma kluczowe znaczenie dla wzrostu gospodarczego i ogólnej kondycji ekonomicznej. W badaniach wykorzystano metodę teoretyczno-dogmatyczno-prawną, opartą na analizie treści i dostępności informacji źródłowych, tj. publikacji teoretycznoprawnych oraz regulacji prawnych kluczowych z punktu widzenia podjętego tematu.

Słowa kluczowe: rynek finansowy, stabilność finansowa, regulacje finansowe, zrównoważone finanse.