The Supervisory Structure Model of Iran's Capital Market

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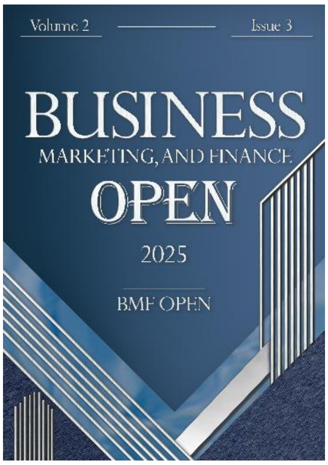

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Abstract: This study aims to develop an optimized supervisory model for Iran's capital market by examining existing regulatory structures, identifying key challenges, and proposing solutions that enhance market transparency, efficiency, and investor protection. The study employs a qualitative research design using a descriptive-analytical approach. Data were collected through expert interviews with 27 financial regulators, policymakers, and market analysts selected via purposive sampling. Additionally, a comprehensive review of legal documents, financial regulations, and global supervisory frameworks was conducted. Thematic analysis and qualitative content analysis were performed using NVivo software, while structural equation modeling (SEM) with Smart PLS was applied to assess relationships among supervisory variables and identify key determinants of regulatory effectiveness. The results indicate that the most influential factor in Iran's capital market supervision is the enhancement of financial and legal benefits, followed by cooperation potential, financial power, economic-social factors, and overall market impact. Regulatory inefficiencies stem primarily from fragmented oversight structures, inconsistent enforcement mechanisms, and inadequate investor protection measures. The study identifies strong information exchange, regulatory coordination, and governance reforms as critical elements for an effective supervisory framework. The empirical analysis highlights the need for a unified regulatory model that mitigates supervisory conflicts, fosters transparency, and strengthens compliance mechanisms through technological innovations in market monitoring. The findings emphasize the necessity of reforming Iran's capital market supervision by integrating regulatory functions, enhancing corporate governance, and adopting risk-based oversight mechanisms. Aligning Iran's regulatory framework with international best practices can improve market resilience, attract investment, and ensure long-term financial stability. Future regulatory improvements should focus on institutional coordination, technology-driven compliance monitoring, and investor protection policies to strengthen market integrity and efficiency.

Keywords: Capital market supervision, regulatory framework, financial transparency, investor protection, corporate governance, regulatory coordination, Iran's capital market.

1. Introduction

A well-functioning capital market relies on robust oversight mechanisms that regulate market participants, ensure compliance with financial reporting standards, and foster fair trading environments. Studies indicate that independent regulatory bodies significantly contribute to maintaining investor trust and minimizing systemic risks [1]. However, the extent to which supervisory authorities should intervene in market activities remains a subject of debate. Some scholars argue that excessive regulation stifles market innovation and growth, while others emphasize the need for stringent oversight to curb financial fraud and market manipulation [2, 3]. In this context, Iran's capital market supervision requires a balanced approach that ensures regulatory efficiency without impeding market dynamism.

The evolution of capital market regulations has been influenced by various economic, political, and technological factors. The European Union's transition from national governance to supranational regulatory structures, such as the Banking Union and Capital Markets Union, exemplifies the increasing interconnectedness of financial markets [4]. Similarly, the emergence of digital financial services has introduced new regulatory challenges, requiring authorities to adapt oversight mechanisms accordingly [5]. Iran's regulatory framework, while rooted in traditional financial supervision models, must also evolve to address the complexities of a modern financial system. One of the key areas of concern is the effectiveness of Iran's Securities and Exchange Organization (SEO), which oversees the stock market, financial institutions, and investment instruments. Recent studies suggest that improving regulatory transparency and enhancing investor protection can significantly strengthen market confidence and stability [6].

Regulatory oversight varies across jurisdictions, with some countries adopting a centralized model while others prefer a decentralized or hybrid approach. In the United States, the Securities and Exchange Commission (SEC) operates as a centralized regulatory authority overseeing public companies, brokerage firms, and stock exchanges. In contrast, the United Kingdom employs a twin-peaks regulatory framework, where prudential regulation and market conduct supervision are handled by separate entities [7]. Iran's supervisory structure incorporates elements of both centralized and decentralized models, but inefficiencies in regulatory coordination have led to gaps in market oversight. Comparative studies highlight the benefits of integrating regulatory functions under a unified framework, particularly in emerging markets where financial institutions are more susceptible to systemic risks [8, 9].

Investor protection remains a fundamental objective of capital market regulation. Weak enforcement mechanisms and insufficient legal protections for minority shareholders can lead to market distortions and discourage investment. Research indicates that jurisdictions with strong corporate governance frameworks experience higher levels of market participation and capital inflows [10]. In Iran, regulatory gaps have contributed to instances of corporate misconduct, highlighting the need for stricter compliance measures and enhanced transparency in financial reporting. Strengthening public oversight and imposing stricter penalties for financial violations can improve market discipline and investor confidence [11].

One of the primary challenges facing Iran's capital market is the need to align regulatory standards with global best practices. The financial liberalization policies pursued by many developing economies have led to increased cross-border capital flows, necessitating greater harmonization of regulatory frameworks [12]. Iran's capital market, however, operates in a unique economic and geopolitical environment, which influences its regulatory approach. Sanctions and restrictions on international financial transactions have limited foreign investment and constrained market development. Despite these challenges, adopting a transparent and efficient supervisory structure can enhance market resilience and attract domestic and international investors [13].

The role of technology in capital market supervision has gained prominence in recent years. The use of artificial intelligence (AI), big data analytics, and blockchain technology has revolutionized financial regulation by enabling real-time monitoring of market activities [14]. Advanced surveillance systems help detect fraudulent transactions, insider trading, and other forms of financial misconduct. Several countries have integrated regulatory technology (RegTech) into their supervisory frameworks to improve compliance efficiency and reduce operational costs [15]. Iran’s regulatory authorities can benefit from adopting similar technological solutions to enhance market surveillance and ensure compliance with financial regulations.

Another crucial aspect of capital market supervision is the relationship between regulatory bodies and financial institutions. A well-functioning regulatory framework fosters cooperation between supervisors and market participants while maintaining regulatory independence. Studies suggest that excessive regulatory intervention can lead to market inefficiencies and hinder financial innovation [16]. Conversely, weak supervision may result in market instability and financial crises. Striking the right balance between regulation and market freedom is essential for ensuring sustainable capital market growth [17].

Corporate governance also plays a vital role in the effectiveness of financial regulation. Transparent corporate practices, independent board structures, and shareholder rights protection contribute to a more efficient capital market [18]. In Iran, improving corporate governance standards can help mitigate risks associated with market manipulation and enhance investor trust. Empirical studies indicate that firms with strong governance mechanisms are more resilient to financial shocks and demonstrate higher levels of financial performance [19].

The regulatory landscape of capital markets is continuously evolving, driven by economic changes, financial crises, and technological advancements. The 2008 global financial crisis underscored the importance of effective supervision in preventing systemic risks and maintaining market stability [20]. Since then, regulatory bodies worldwide have adopted stricter oversight measures to prevent future financial meltdowns. Iran’s capital market can learn from these global experiences by implementing risk-based supervision models that focus on early warning indicators and preventive measures [21].

A key objective of this study is to evaluate the effectiveness of Iran’s existing supervisory framework and propose a model that addresses its deficiencies. By examining the strengths and weaknesses of current regulatory practices, this research aims to identify policy recommendations that enhance regulatory efficiency and market stability. The study adopts a qualitative approach, incorporating expert opinions, comparative analysis, and empirical data to develop a comprehensive supervisory model for Iran’s capital market.

2. Methodology

The study follows a qualitative research design with a descriptive-analytical approach. It aims to develop a comprehensive supervisory model for Iran's capital market by examining global regulatory structures and identifying challenges within the existing Iranian framework. The research relies on expert interviews and in-depth document analysis to propose an optimized supervisory structure that aligns with Iran’s financial environment and international best practices.

The study's participants include financial market regulators, policymakers, senior executives from stock exchanges, investment firms, and legal experts specializing in financial regulation. The sample is selected through purposive sampling, ensuring that individuals with deep expertise in market supervision contribute to the research.

The selection criteria focus on individuals with extensive experience in capital market oversight, corporate governance, and regulatory policymaking. The study reaches theoretical saturation with a total of 27 participants, including representatives from the Tehran Stock Exchange, Iran's Securities and Exchange Organization, and leading financial institutions.

The data collection process involves semi-structured interviews with selected experts, allowing for in-depth exploration of regulatory challenges and potential improvements in supervisory structures. Additionally, a thorough review of legal documents, market regulations, and international supervisory frameworks provides a comparative perspective. Primary data from interviews are complemented by secondary data from official reports, regulatory guidelines, and financial market policies. The interviews are conducted in multiple rounds to ensure the reliability and depth of responses, with follow-up discussions used to validate emerging themes.

The data analysis employs a qualitative content analysis approach using NVivo software. First, the interviews are transcribed, and the textual data is coded systematically to identify recurring themes and patterns. Thematic analysis is applied to categorize supervisory challenges, regulatory inefficiencies, and proposed structural reforms. To enhance the rigor of the study, triangulation is used by cross-verifying interview data with secondary sources. Additionally, a fuzzy TOPSIS method is utilized to prioritize regulatory models based on expert evaluations, ensuring that the proposed supervisory structure is both contextually relevant and aligned with best practices. The final model is assessed for feasibility and effectiveness using key performance indicators such as financial market stability, investor protection, and institutional transparency.

3. Findings and Results

After further examination and refinement of the indicators and criteria for prioritizing supervisory models by academic experts, a total of 26 final criteria and indicators were selected out of an initial set of 29 for the continuation of the study. The final criteria and indicators for prioritizing supervisory models in the capital market are presented in the following table.

Table 1. Initial Model Indicators

No.	Supervisory Model Indicator / Criterion
1	Existence of a strong flow of information exchange (access to required information) and its acceleration among financial market supervisory authorities
2	Enhancement of cooperation and coordination among supervisory authorities (regulatory overseers) in financial markets, financial institutions, and self-regulatory organizations
3	Maximum adherence to Shariah principles in supervision (regulatory legitimacy) by supervisory authorities
4	Independence (sufficient power and authority) of supervisory authorities while maintaining communication among them
5	Transparency in the functions of supervisory authorities within the financial system
6	Order and discipline in regulatory and supervisory programs of supervisory authorities
7	Functional flexibility of supervisory authorities while maintaining resilience against internal and external shocks
8	Consideration of financial market expansion and movement towards privatization
9	A comprehensive and precise outlook on financial markets
10	Identification and enhancement of optimal interactions among different segments of the financial system and close supervision of the complexities in these interactions
11	Identification of legal gaps concerning the complexities of mutual relationships among various financial institutions
12	Existence of strong macroprudential supervision functions
13	Absence of overlap, conflict, and supervisory gaps in the functions of supervisory authorities
14	Utilization of all available resources and expertise within and among supervisory authorities (accountability)
15	Necessary enforcement mechanisms to ensure the efficiency (effectiveness and productivity) of the regulatory and supervisory system in financial markets
16	Synchronization of policies related to financial markets and their components

17	Optimization of systematic risk management through comprehensive supervision of the entire financial system and acceleration of policy responses
18	Facilitation of standardization and harmonization of supervisory methods
19	Continuous efficiency in resolving short-term and long-term financial crises (prevention of regulatory failure)
20	Ability to create coherence and integration in financial markets
21	Absence of supervisory overlaps in the functions of supervisory authorities
22	Absence of regulatory conflicts among supervisory authorities
23	Facilitation of exchanges between supervisory authorities and their related organizations
24	Avoidance of overlap between supervisory and executive functions in certain regulatory organizations (competence and capability) and the establishment of intermediary or interdepartmental supervisory bodies for effective communication
25	Coordination of macroeconomic monetary policies across three financial sectors
26	Economies of scale due to the sharing of infrastructure, administrative systems, and support services

These criteria form the foundation for the prioritization and evaluation of different supervisory models for the capital market. The selected indicators reflect the necessity of ensuring transparency, regulatory coherence, and efficiency in financial market oversight, alongside fostering coordination among supervisory institutions while preventing regulatory gaps and conflicts. This framework serves as a guiding structure for improving Iran's capital market supervision system, balancing independence, accountability, and adaptability in response to evolving financial dynamics.

To implement the second phase of the study, a questionnaire was designed in which the criteria were compared pairwise. A rating scale from 1 to 9 was provided to the respondents, where a score of 1 indicated equal importance between the two criteria, and a score of 9 represented the relatively extreme importance of the first criterion over the second. The mean responses from the experts are presented in the following table, showing the definite numbers and fuzzy numbers across three dimensions.

Table 2. Summary of Fuzzy Stages

Performance Criterion	Dimension	First Fuzzy Number	Second Fuzzy Number	Third Fuzzy Number	Definite Number
Strong information exchange flow (access to required information) and its acceleration among financial market supervisory authorities (C1)	A1	0	0	0.19	1.29
	A2	0	0	0.19	1.29
	A3	0	0	0.19	1.29
	A4	0	0	0.19	1.29
	A5	0	0	0.19	1.29
Enhancement of cooperation and coordination among supervisory authorities (regulatory overseers) in financial markets, financial institutions, and self-regulatory organizations (C2)	A1	0.47	0.64	0.80	4.94
	A2	0.29	0.47	0.64	3.93
	A3	0.47	0.64	0.80	4.94
	A4	0.62	0.77	0.94	5.79
	A5	0.29	0.47	0.64	3.93
Maximum adherence to Shariah principles in supervision (regulatory legitimacy) by supervisory authorities (C3)	A1	0	0.17	0.33	2.15
	A2	0.17	0.33	0.52	3.16
	A3	0	0.17	0.33	2.15
	A4	0.17	0.33	0.52	3.16
	A5	0.33	0.52	0.68	4.17
Order and discipline in regulatory and supervisory programs of supervisory authorities (C4)	A1	0.73	0.90	1.00	6.53

	A2	0.59	0.74	0.92	5.62
	A3	0.73	0.90	1.00	6.53
	A4	0.59	0.74	0.92	5.62
	A5	0.42	0.59	0.74	4.61
Consideration of financial market expansion and movement towards privatization (C5)	A1	15.00	15.00	15.00	15.00
	A2	17.00	17.00	17.00	17.00
	A3	15.00	15.00	15.00	15.00
	A4	20.00	20.00	20.00	20.00
	A5	25.00	25.00	25.00	25.00
A comprehensive and precise outlook on financial markets (C6)	A1	0.73	0.90	1.00	6.53
	A2	0.73	0.90	1.00	6.53
	A3	0.73	0.90	1.00	6.53
	A4	0.73	0.90	1.00	6.53
	A5	0.58	0.73	0.90	5.52
Absence of overlap, conflict, and supervisory gaps in the functions of supervisory authorities (C7)	A1	0.58	0.73	0.90	5.52
	A2	0.58	0.73	0.90	5.52
	A3	0.58	0.73	0.90	5.52
	A4	0.41	0.59	0.74	4.59
	A5	0.58	0.73	0.90	5.52
Optimization of systematic risk management through comprehensive supervision of the entire financial system and acceleration of policy responses (C8)	A1	0.60	0.76	0.92	5.69
	A2	0.44	0.61	0.77	4.77
	A3	0.60	0.76	0.92	5.69
	A4	0.27	0.46	0.63	3.85
	A5	0.60	0.76	0.92	5.69
Continuous efficiency in resolving short-term and long-term financial crises (prevention of regulatory failure) (C9)	A1	0.28	0.48	0.63	3.90
	A2	0	0.28	0.48	2.89
	A3	0.28	0.48	0.63	3.90
	A4	0.48	0.63	0.79	4.90
	A5	0	0	0.30	1.95

The responses indicate variations in the importance of each supervisory criterion, with "enhancement of cooperation and coordination" and "strong information exchange flow" receiving relatively high scores, suggesting that financial regulators and experts prioritize inter-institutional coordination and access to financial data.

To further analyze the prioritization of supervisory models, the normalized weights of each criterion were calculated and are presented in the table below.

Table 3. Normalized Weights

No.	Criterion	Normalized Weight
1	Strong information exchange flow (access to required information) and its acceleration among financial market supervisory authorities	0.14
2	Enhancement of cooperation and coordination among supervisory authorities (regulatory overseers) in financial markets, financial institutions, and self-regulatory organizations	0.10
3	Maximum adherence to Shariah principles in supervision (regulatory legitimacy) by supervisory authorities	0.08
4	Order and discipline in regulatory and supervisory programs of supervisory authorities	0.08
5	Consideration of financial market expansion and movement towards privatization	0.11
6	A comprehensive and precise outlook on financial markets	0.12
7	Absence of overlap, conflict, and supervisory gaps in the functions of supervisory authorities	0.15
8	Optimization of systematic risk management through comprehensive supervision of the entire financial system and acceleration of policy responses	0.05

9	Continuous efficiency in resolving short-term and long-term financial crises (prevention of regulatory failure)	0.09

The weight analysis highlights the regulatory priorities, emphasizing transparency, coordination, and risk mitigation in financial market oversight.

Based on the analysis of extracted criteria and the five key indicators identified for establishing a suitable supervisory structure in the capital market with the participation of all stakeholders, the relationships among these factors, their categorization, and the extent of their influence have been examined through structural equation modeling using Smart PLS, as illustrated in Figure 4-38.

The factor loadings for the latent variables and their respective indicators are presented in the following table. The results indicate significant relationships, with all factor loadings above 0.4, confirming the reliability of the measurement model.

Table 4. Factor Loadings

Variables	Factor Loadings
Enhancement of Cooperation → Cooperation Potential	0.828
Information Exchange Flow → Financial Power, Credit, and Influence	1.000
Compliance with Shariah Law → Economic-Social Factors	0.760
Expansion of Financial Markets → Economic-Social Factors	0.983
Broad Perspective on Financial Markets → Financial and Legal Benefits	0.971
Economies of Scale → Impact and Responsiveness	0.769
Absence of Regulatory Conflicts → Cooperation Potential	0.984
Coordination of Monetary Policies → Financial and Legal Benefits	0.925
Regulatory Order → Impact and Responsiveness	0.849
Financial Institutions → Capital Market Regulatory Body	0.815
Issuers → Capital Market Regulatory Body	0.421
Individual and Institutional Investors → Capital Market Regulatory Body	0.649
Securities and Exchange Organization and its Subdivisions → Capital Market Regulatory Body	0.714

The factor loadings are calculated based on the correlation between the indicators and their respective constructs. Since all factor loadings in the modified model exceed 0.4, it confirms the acceptable reliability of the measurement model.

The direct effects of research variables on the capital market supervisory body using Beta (β) path coefficients are reported in the following table. The results show that the most influential variable is "financial and legal benefits" (β = 0.848), followed by "cooperation potential" (β = 0.481), "financial power, credit, and influence" (β = 0.252), "economic-social factors" (β = 0.207), and "impact and responsiveness" (β = 0.202). These coefficients are statistically significant, highlighting the dominant role of financial and legal benefits in shaping the capital market's regulatory framework.

Table 5. Path Coefficients

Variables	Path Coefficients (β)
Financial and Legal Benefits → Capital Market Regulatory Body	0.848
Cooperation Potential → Capital Market Regulatory Body	0.481
Financial Power, Credit, and Influence → Capital Market Regulatory Body	0.252
Economic-Social Factors → Capital Market Regulatory Body	0.207
Impact and Responsiveness → Capital Market Regulatory Body	0.202

The correlation analysis in the table below shows the interrelationships among research variables. Statistically significant correlations are observed, particularly between "impact and responsiveness" and "economic-social factors" (0.869), and between "financial and legal benefits" and "economic-social factors" (0.851). These findings suggest that regulatory effectiveness is closely linked to economic and social dimensions.

Table 6. Correlation Results

Variables	Impact and Responsiveness	Economic-Social Factors	Financial Power, Credit, and Influence	Financial and Legal Benefits	Cooperation Potential	Capital Market Regulatory Body
Impact and Responsiveness	1.000					
Economic-Social Factors	0.869	1.000				
Financial Power, Credit, and Influence	0.247	0.431	1.000			
Financial and Legal Benefits	0.727	0.851	0.329	1.000		
Cooperation Potential	0.229	0.060	0.055	0.315	1.000	
Capital Market Regulatory Body	0.281	0.258	0.139	0.290	0.169	1.000

The reliability and convergent validity of the research variables are examined using Cronbach's alpha, composite reliability (CR), and the average variance extracted (AVE). The table below shows that all variables meet the acceptable thresholds for reliability and validity, confirming the robustness of the measurement model.

Table 7. Reliability and Validity

Variables	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Impact and Responsiveness	0.479	0.792	0.656
Economic-Social Factors	0.770	0.869	0.771
Financial Power, Credit, and Influence	0.838	0.510	0.899
Financial and Legal Benefits	0.550	0.752	0.543
Cooperation Potential or Threat	0.829	0.506	0.877
Capital Market Regulatory Body	0.528	0.660	0.827

Given that the acceptable threshold for Cronbach's alpha is above 0.7 (Cronbach, 1951), for composite reliability above 0.7, and for AVE above 0.5 (Fornell, 1981), all research variables in this study meet the required standards. Therefore, the convergent validity and reliability of the research model are confirmed.

The discriminant validity of the research variables is assessed using the Fornell-Larcker criterion, as shown in the table below. The square roots of AVE values, located on the diagonal, are greater than the correlations between variables, confirming that each construct is more strongly related to its indicators than to other constructs.

Table 8. Fornell-Larker Results

Variables	Impact and Responsiveness	Economic-Social Factors	Financial Power, Credit, and Influence	Financial and Legal Benefits	Cooperation Potential	Capital Market Regulatory Body
Impact and Responsiveness	0.890					
Economic-Social Factors	0.869	0.878				
Financial Power, Credit, and Influence	0.247	0.431	1.000			

Financial and Legal Benefits	0.727	0.851	0.329	0.948		
Cooperation Potential	0.229	0.060	0.055	0.315	0.909	
Capital Market Regulatory Body	0.281	0.258	0.139	0.290	0.169	0.666

The variance inflation factor (VIF) statistics in the table below indicate no serious multicollinearity issues among variables, as all VIF values are below the threshold of 5.

Table 9. VIF Results

Component	Variance Inflation Factor (VIF)
Enhancement of Cooperation	2.048
Information Exchange Flow	1.000
Compliance with Shariah Law	1.644
Expansion of Financial Markets	1.644
Broad Perspective on Financial Markets	2.872
Economies of Scale	1.110
Absence of Regulatory Conflicts	2.048
Coordination of Monetary Policies	2.872
Regulatory Order	1.110
Financial Institutions	1.661
Issuers	1.253
Individual and Institutional Investors	1.713
Securities and Exchange Organization and its Subdivisions	1.257

Finally, the model fit indices presented in the table below confirm the overall validity of the research model. The standardized root mean square residual (SRMR) and normed fit index (NFI) values are below 0.8, which indicates an acceptable model fit.

Table 10. Model Fit Results

Model Fit Index	Saturated Model	Estimated Model
SRMR	0.147	0.147
S_ULS	1.978	1.978
D_G	1.589	1.589
Chi-Square	545.534	545.534
NFI	0.507	0.507

The values of SRMR and NFI being below 0.8 confirm the acceptability of the measurement model and the overall fit of the research model.

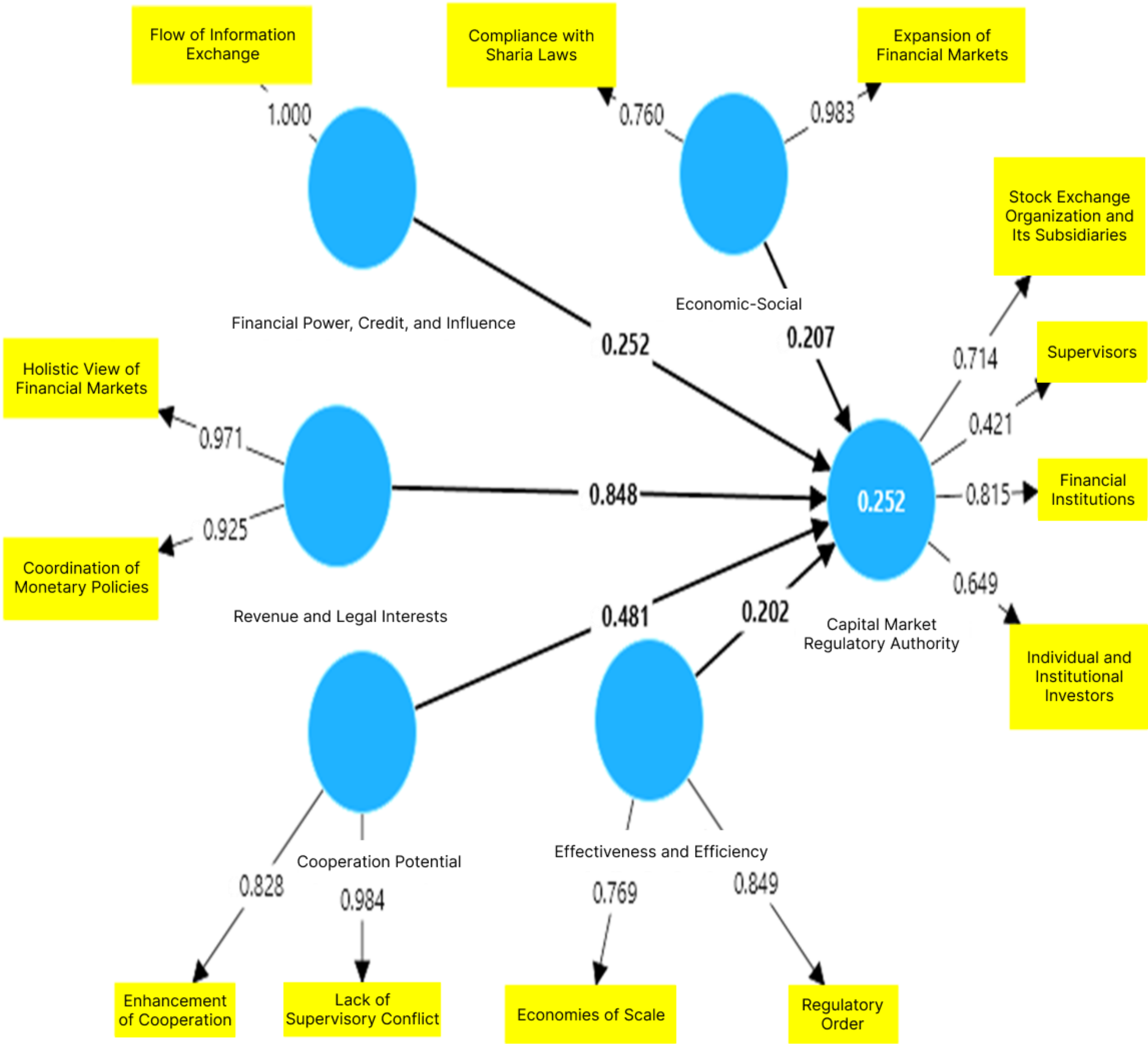

Figure 1. Final Model of The Study

4. Discussion and Conclusion

The findings of this study highlight the critical factors influencing the supervisory structure of Iran's capital market, emphasizing the necessity for an integrated regulatory model that ensures transparency, efficiency, and investor protection. The prioritization of regulatory indicators reveals that strong information exchange, regulatory cooperation, and absence of oversight conflicts are key determinants of an effective supervisory system. The statistical analysis demonstrates that financial and legal benefits exert the most significant influence on the regulatory body, followed by cooperation potential, financial power, economic-social factors, and overall market impact. These findings align with global regulatory practices and underscore the importance of an adaptive and well-coordinated supervisory structure.

One of the most significant results of this study is the confirmation that robust information exchange among supervisory authorities is fundamental to effective market oversight. The strong factor loading of this variable indicates that transparent and timely access to financial data enhances regulatory responsiveness and mitigates market risks. This finding is consistent with previous studies that emphasize the role of financial transparency in strengthening regulatory credibility and improving market stability [1, 18]. Research on capital market governance further suggests that information asymmetry can lead to inefficient capital allocation and increased exposure to financial misconduct [10]. Thus, regulatory bodies must prioritize seamless data-sharing mechanisms to ensure proactive supervision and timely intervention.

The study also finds that regulatory cooperation and coordination among supervisory institutions significantly impact the effectiveness of Iran's capital market oversight. Experts identified regulatory fragmentation as a major challenge, leading to inefficiencies in market monitoring and enforcement. The importance of coordination aligns with previous studies on financial regulation, which highlight that fragmented supervisory structures contribute to regulatory gaps and enforcement inconsistencies [7, 8]. The European Union's transition towards centralized financial oversight under the Capital Markets Union illustrates the benefits of consolidating supervisory functions to improve efficiency and investor confidence [4]. Similar regulatory models in emerging markets have demonstrated that coordinated supervision enhances market resilience and reduces systemic vulnerabilities [5].

Investor protection emerged as another critical dimension of effective capital market supervision. The findings indicate that regulatory mechanisms must be strengthened to safeguard minority shareholders and ensure corporate accountability. The positive correlation between financial power and regulatory efficiency suggests that well-capitalized firms with strong governance structures benefit from more effective oversight. These results align with global studies emphasizing the importance of corporate governance in mitigating financial misconduct and protecting investors [6, 11]. In particular, markets with stringent governance regulations tend to exhibit higher investor participation and lower instances of fraudulent financial reporting [9]. The experiences of countries such as the United States and the United Kingdom highlight that regulatory enforcement plays a crucial role in shaping investor confidence and market credibility [16].

A significant concern raised in this study is the presence of regulatory conflicts and overlapping supervisory mandates, which weaken enforcement mechanisms and create legal ambiguities. The results suggest that reducing supervisory redundancies and clarifying the roles of regulatory bodies can enhance the efficiency of Iran's capital market oversight. Similar findings have been reported in studies examining the impact of regulatory conflicts in developing economies, where unclear supervisory mandates hinder effective policy implementation [2, 3]. In Nigeria, for instance, inconsistencies between financial regulatory bodies have led to enforcement challenges and reduced investor confidence [15]. Addressing these structural deficiencies is essential for improving Iran's regulatory framework and aligning it with international best practices.

The study further reveals that economic and social factors influence regulatory effectiveness, particularly in the context of Iran's capital market. The interaction between regulatory policies and broader economic conditions underscores the need for a dynamic supervisory approach that adapts to market fluctuations. Prior research suggests that market stability depends not only on financial oversight but also on macroeconomic policies that support sustainable economic growth [19, 21]. Countries that integrate capital market supervision with broader economic policies tend to experience more stable financial environments and lower incidences of regulatory arbitrage [22]. In Iran, a more holistic regulatory approach that incorporates monetary and fiscal policy considerations can enhance market efficiency and resilience.

The role of systematic risk management in capital market supervision also emerged as a key finding in this study. The results indicate that effective supervision requires comprehensive risk assessment mechanisms that identify potential financial threats and facilitate timely policy responses. This aligns with studies advocating for risk-based supervision models that focus on early warning systems and preemptive regulatory actions [12, 14]. Global financial crises have demonstrated the dangers of reactive regulation, where regulatory intervention occurs only after market failures have already materialized [20]. Implementing a proactive regulatory model that incorporates stress testing and scenario analysis can help Iran's capital market mitigate financial risks and enhance overall market stability.

The empirical analysis also highlights the importance of corporate governance in strengthening market oversight. Companies with transparent governance structures and independent audit committees are more likely to comply with regulatory requirements and adhere to ethical business practices [1, 23]. The findings suggest that enhancing governance standards in Iran's capital market can improve investor trust and reduce market inefficiencies. Similar recommendations have been proposed in studies examining the relationship between governance quality and market performance in other emerging economies [17, 24]. Strengthening enforcement mechanisms for corporate governance violations can further contribute to regulatory effectiveness and financial market integrity.

The need for technological innovation in regulatory supervision was another key insight from the study. Advances in financial technology (FinTech) and regulatory technology (RegTech) offer opportunities to enhance market oversight through automated compliance monitoring and real-time data analysis [4, 18]. Countries that have integrated technology-driven supervision models have reported improved regulatory efficiency and reduced compliance costs [16]. Iran's regulatory authorities can benefit from adopting AI-driven monitoring systems to detect fraudulent activities, enhance reporting accuracy, and streamline regulatory enforcement.

Despite the comprehensive approach of this study, certain limitations must be acknowledged. The research primarily focuses on expert opinions and qualitative assessments, which may introduce subjective biases in evaluating regulatory effectiveness. While efforts were made to triangulate findings with empirical data, the reliance on expert perspectives may limit the generalizability of the results. Additionally, the study is constrained by the specific regulatory environment of Iran, which differs from other capital markets due to geopolitical factors and economic sanctions. The findings may not be fully applicable to other jurisdictions with different financial structures and legal frameworks. Furthermore, the study does not incorporate real-time market data or longitudinal analyses, which could provide deeper insights into regulatory trends over time.

Future research should expand the scope of analysis by incorporating quantitative methodologies, such as econometric modeling and statistical testing, to validate the impact of regulatory reforms on market performance. Comparative studies that examine supervisory frameworks across multiple emerging markets can provide a broader understanding of best practices in capital market regulation. Additionally, future studies should explore the integration of technology in regulatory supervision, focusing on how artificial intelligence and blockchain can enhance transparency and efficiency in financial oversight. Examining the role of regulatory culture and institutional governance in shaping capital market supervision could also provide valuable insights into the effectiveness of different regulatory models.

Regulatory authorities in Iran should prioritize the implementation of an integrated supervisory model that enhances cooperation among financial oversight institutions. Strengthening information-sharing mechanisms and regulatory coordination can improve market transparency and reduce enforcement inefficiencies. Authorities should also focus on investor protection by enforcing strict compliance measures and ensuring corporate accountability. Enhancing corporate governance standards and penalizing financial misconduct can contribute to a more stable and trustworthy capital market. Furthermore, adopting technology-driven supervision tools can enhance regulatory efficiency and detect financial irregularities in real time. Policymakers should consider aligning Iran's capital market regulations with global best practices to attract foreign investment and foster sustainable economic growth.

Authors' Contributions

Authors equally contributed to this article.

Ethical Considerations

All procedures performed in this study were under the ethical standards.

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Conflict of Interest

The authors report no conflict of interest.

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