

An International Comparison of Global Financial Centers: Major Competitive Strategies

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Abstract : This paper begins by defining what is meant by "globalization" in finance and by identifying the sources of value-added in the internationally-competitive financial services sector origination, trading and distribution of debt and equity capital market instruments and their derivatives, foreign exchange trading and securities brokerage, management of market risk and credit risk, loan syndication and structured bank financings, corporate finance and advisory services, and asset management. These activities are considered in terms of a "value-chain" one that ultimately gives rise to the real economic gains attributable to financial-center operations. The research presents available evidence as to where the relevant value-added activities usually take place. It then examines the "centrifugal" and "centripetal" forces that determine the concentration or dispersal of value-added activity in financial intermediation, both interregionally and internationally. Next, the research assesses the factors, which appear to underlie the locational pattern of international financial centers that has evolved. In preparing this paper, also it is examined the current position and the main opportunities and challenges facing world major financial services sector, and attempted to lay out a potential vision and strategies. It is conducted extensive research, including many internal research materials and publications. It is also engaged closely with the academia, industry practitioners and regulators, and consulted market experts from major world financial centers. More than 60 in-depth consultative sessions were conducted in the past two years which provided insightful suggestions and innovative ideas on how to further financial industry's position as an international financial centre. The paper concludes with the outlook for the future pattern of financial centers in the global competitive environment. The ideas and advice gathered are condensed into this paper that recommends to the strategic decision leaders a vision and a strategy for financial services sector to move forward amid a highly competitive environment.

Keywords : financial centers, competitiveness, financial services industry, economics

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