

# GLOBAL FINANCIAL CENTRES 7



## Foreword

Stuart Fraser

Chairman, Policy and Resources Committee, City of London

This is the seventh biannual *Global Financial Centres* report, commissioned and published by the City of London from Z/Yen Group Ltd since March 2007. It has again taken the pulse and assessed the changing perspectives of market practitioners and regulators on what attracts them to locate in different international financial centres across the world. This report also adopts a new approach to profiling different types of centres along new dimensions of competitiveness that reflect how well-connected they are in the global financial architecture, and how diversified their financial services are.

The reports provide a valuable basis for new work to be commissioned by the City of London to look more deeply at the factors driving the connectedness of established and emerging global financial centres.

Our job is to establish evidence for policies that will lead the City forward and we will be building on the valuable insights that this area of research has given us so far to look much more closely in future at the details of the competitive and cooperative factors.

What exactly affects the success of established and rapidly emerging major financial centres is a key question for London and the wider UK-based financial services industry and we are especially interested in how the leading centres will respond to the new challenges - for example the growing importance of Asia and the changes in international supervision designed to minimise the effect of future crises. Whilst this will therefore be the last GFC report that we publish, we will be shortly announcing a new research programme that takes the

issues forward by examining them in greater depth.

It is important to note that responses for the current GFC report relate to the period to end 2009, a time of great volatility for the global economy as it began to emerge from deep recession. It is not surprising therefore to see the improvement in respondents' optimism compared with the views of respondents six months and particularly one year before. Their optimism is still muted by the prospect of the challenges to be faced over the next few years in reaction to the financial crisis and any reading of relative rankings needs to take account of a very large uncertainty factor.

That said, the top-ranking centres have shown a much greater degree of stability in their perceived competitiveness to practitioners and are responding more robustly to the economic recovery. Respondents have assessed the two leading global centres of London and New York as level on ratings for the first time – a fact which bears out our view that these two are the 'twin sister-cities of world finance'. The evidence of the survey points to the continued high ratings for these two leading global centres and reflects the multi-faceted nature of their competitive advantage. They both have rich institutional and communication linkages across the world. Respondents continue to believe that these two leading centres benefit from good levels of mutual co-operation - and as Chairman of Policy I see this in our good working relationships with New York.

There are particular challenges for us to address this year and they are illuminated by this latest report. For the first time in four years, London has had more

questions raised by respondents in relation to the quality of its business environment, its access to skilled people and its infrastructure, than have been raised for New York. We cannot be complacent about this. Evidence from other commissioned research is that the comparative tax and regulation 'offer' of London as the leading global financial centre in Europe needs to be carefully considered by policymakers in the UK and in the EU. Proposed measures to address fiscal deficits and to put in place new frameworks for regulation and supervision of financial services need to be transparent and commensurate with the objectives sought. There are important questions for us to explore with policymakers to ensure that a progressive reduction in fiscal deficits retains the confidence in the UK economy as a competitive location for an international financial services sector that last year contributed £60 billion in taxes, 12% of the total UK tax take.

Retaining a fair, consistent and predictable tax policy and supervisory environment is critical to retaining London's role as a global centre for a large range of financial services and this also requires our retaining open markets for the UK and our encouraging them globally. It is significant in this connection that Hong Kong and Singapore retain their ratings as the leading financial centres in Asia in the current report, but that there is continuing uncertainty about second-tier Asian centres.

The research underpinning the GFC reports has provided a unique record of practitioner perspectives through the global boom and the finance-led economic crisis. Z/Yen have monitored the perspectives of practitioners across the globe as the effects of unsustainable global capital-imbalances and the pursuit of risk taking by many, if not all, global integrated investment banks led to a reliance on sophisticated products designed to distribute risk that turned out in the end to have mediated systemic financial collapse.

We have seen concerted central bank interventions and government stimulus programmes of unprecedented scale. Their success in preventing a plunge into economic depression is a testament to the importance of international institutions and of intergovernmental cooperation. There is an equal challenge for the recovery phase. To resist those protectionist sentiments that would make the problem of global recovery much worse, we need to see an established improvement in the economies of Europe and the US to meet the stronger recovery in Asia. We need to secure trust in the operation of financial institutions, and establish the appropriate taxation, regulation and supervision to both encourage recovery and to protect against future crises.

**Stuart Fraser**  
**London**  
**March 2010**

# Background

The City of London's Global Financial Centres Index (GFCI) was first produced by the Z/Yen Group in March 2007, to examine the major financial centres globally in terms of competitiveness, using a set of ratings and rankings. The GFCI has subsequently been updated every six months and the increase in the number of respondents and additional data in successive editions has enabled us to highlight the changing priorities and concerns of finance professionals across a period of great economic instability.

This report - Global Financial Centres 7 (GFC 7) - builds on the approach adopted in GFCI 6, with its increased emphasis on the inter-connectedness of centres, to allow a more in-depth examination of the underpinnings of competitiveness. Whilst the ratings element is retained, there is a new approach to profiling major centres in terms of their linkages within the global financial architecture and the extent and quality of the services that they offer. This combined approach is reflected in the change of name to 'Global Financial Centres'.

# Introduction

The GFC approach provides profiles, ratings and rankings for 75 financial centres, drawing on two separate sources of data – instrumental factors (external indices) and responses to an online survey.

■ **Instrumental factors:** Previous research indicates that there are many factors that combine to make a financial centre competitive. These can be grouped into five over-arching 'areas of competitiveness' – People, Business Environment, Infrastructure, Market Access and General Competitiveness. Evidence of a centre's performance in these areas is drawn from a range of external measures. For example, evidence about a fair and just business environment is drawn from a corruption perception index and an opacity index. Sixty-four factors have been used in GFC 7, of which 24 have been updated since GFCI 6.

■ **Financial centre assessments:** These are provided by responses to an ongoing online questionnaire completed by international financial services professionals. Respondents are asked to

rate those centres with which they are familiar and to answer a number of questions relating to their perceptions of competitiveness. Since GFCI 6, a total of 507 new respondents have filled in the questionnaire, providing 7,161 new assessments from financial services respondents globally across the period July 2009 to December 2009. Overall, 32,170 financial centre assessments from 1,690 financial services professionals were used to compute GFC 7, with older assessments discounted according to age.

Full details of the methodology behind GFC 7 can be found at [www.cityoflondon.gov.uk/gfci](http://www.cityoflondon.gov.uk/gfci). The ratings and rankings are, as previously, calculated using a 'factor assessment model', which combines the instrumental factors and questionnaire assessments. The full list of the 75 financial centres rated and profiled in GFC 7 is shown on page 28.

The ratings and rankings approach has been used to track financial services competitiveness over time, both in terms of individual centres' performance, and

the wider issues of concern to professionals in the field. In the light of the recent economic turmoil globally, the extensive data collected over the last three years allows for a deeper analysis of the aspects that make centres competitive in different markets, from global leaders to local specialists.

The data now held includes over 51,000 assessments from more than 3,000 respondents. The dataset used to model GFC 7 includes over 8.5 million data-points.

This allows us to create financial centre *profiles*. Generating a taxonomy is often likely to be a difficult and contentious endeavour. There are many alternative methods and many possible ways of defining different profiles of financial centres. The key requirement here was to base the profiling on hard data from the research rather than introduce our own subjective opinions.

Starting with clustering and correlation analysis of the different factors we have identified three key measures (axes) that determine a financial centre's profile along different dimensions of competitiveness:

■ **'Connectivity'** – this represents how well known a centre is around the world and how connected it is to other financial centres. The measure draws on the questionnaire data, whereby respondents are asked to assess only those centres with which they are personally familiar. A centre's connectivity is assessed using a combination of 'inbound' assessment locations (the number of locations from which a particular centre receives assessments) and 'outbound' assessment locations (the number of other centres which respondents from a particular centre assess). A 2/3 weighting was given to inbound assessments. If the weighted ratings for a centre were provided by over 75% of other centres, the centre was

deemed to be 'Global'. If the ratings were over 50%, this centre was deemed to be 'Transnational'.

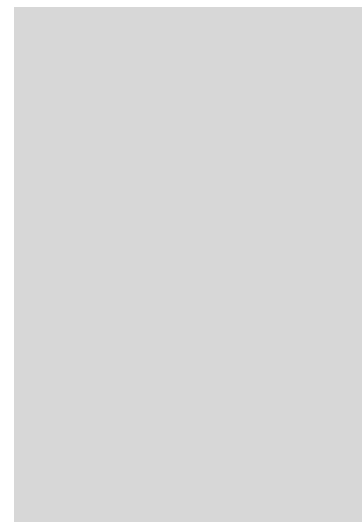
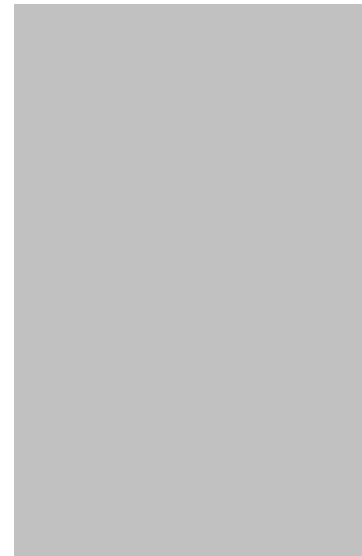
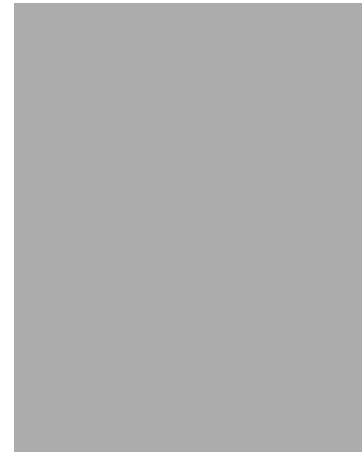
■ **'Diversity'**– the breadth of industry sectors that flourish in a financial centre. We consider this 'richness' of the business environment to be similar to biodiversity and use a combination of biodiversity indices (calculated on the 64 instrumental factors for each centre) to measure this. A high score on this measure means that a centre is well diversified; conversely a low score reflects a less rich financial services diversity.

■ **'Speciality'**– the quality and depth of certain industry sectors in a centre, such as asset management, investment banking and insurance. A centre's performance on this dimension is calculated from the difference between the GFCI rating and the industry sector ratings. If a centre is well above its overall GFCI rating in the industry sectors, it is profiled as a specialist.

Here, 'Diversity' (Breadth) and 'Speciality' (Depth) are combined on one axis to create a two dimensional table of financial centre profiles. The 75 centres are each assigned to a profile on the basis of a set of rules for the three measures: how well connected a centre is, how broad its services are, and how specialised it is. The rating for each centre and the range for each profile category are given in brackets for reference.

This profile 'map' shows the eight 'Global Leaders' (in the top left of the table) which have both broad and deep financial services activities and are connected with many other financial centres. This list includes London, New York, Hong Kong and Singapore, centres that have been identified as the leading global financial centres in previous editions of the GFCI. Paris and San Francisco are 'Global Diversified' centres as they are equally well connected but do not exhibit the same depth in different

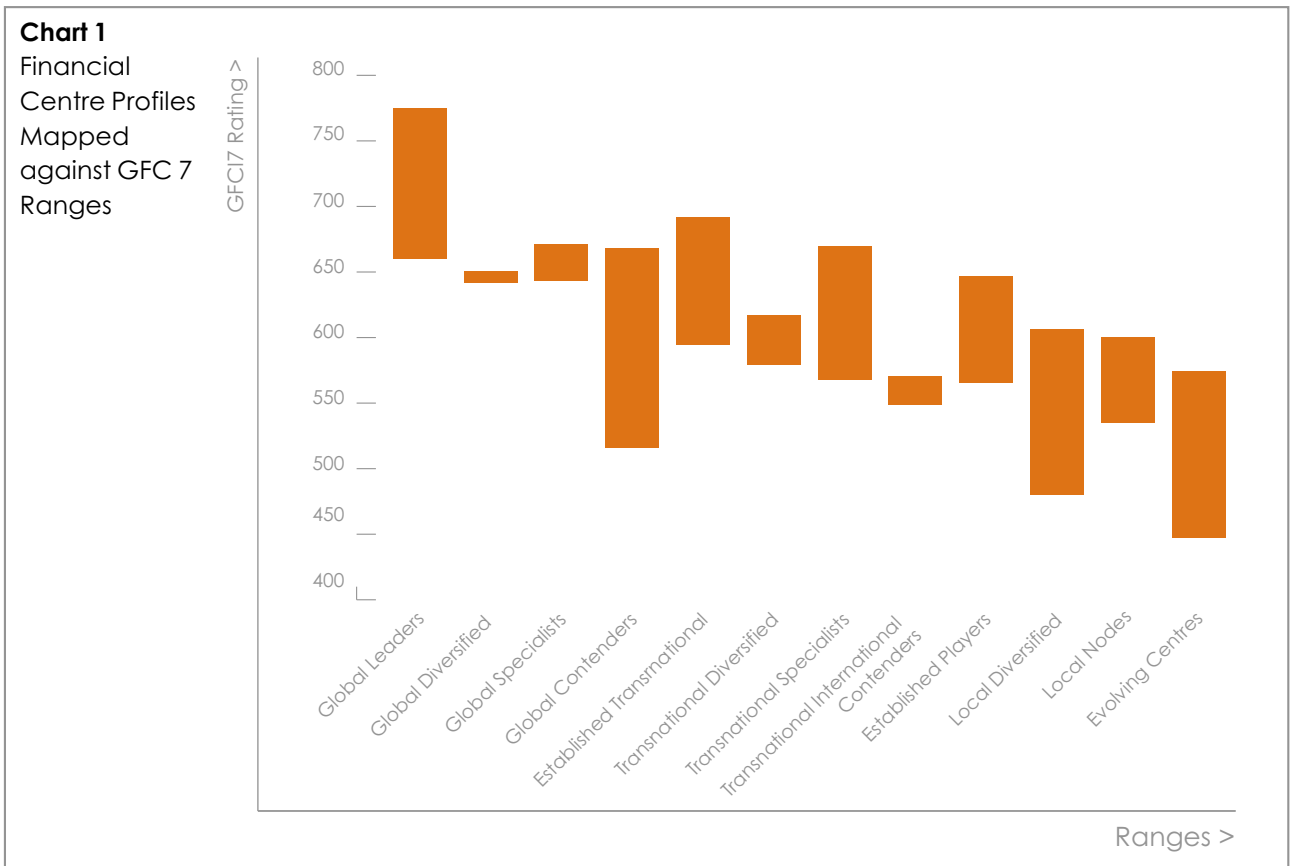
**Table 1**  
Financial Centre  
Profiles



	Broad & Deep	Relatively Broad	Relatively Deep	Emerging
Global	<p><b>Global Leaders</b> GFC 7 Range: 775 - 660</p> <p><b>Chicago</b> (678) <b>Frankfurt</b> (660) <b>Hong Kong</b> (739) <b>London</b> (775) <b>New York</b> (775) <b>Singapore</b> (733) <b>Toronto</b> (667) <b>Zurich</b> (677)</p>	<p><b>Global Diversified</b> GFC 7 Range: 651 - 642</p> <p><b>Paris</b> (642) <b>San Francisco</b> (651)</p>	<p><b>Global Specialists</b> GFC 7 Range: 671 - 643</p> <p><b>Geneva</b> (671) <b>Luxembourg</b> (643)</p>	<p><b>Global Contenders</b> GFC 7 Range: 668 - 516</p> <p><b>Beijing</b> (651) <b>Dubai</b> (618) <b>Moscow</b> (516) <b>Shanghai</b> (668)</p>
Transnational	<p><b>Established Transnational</b> GFC 7 Range: 692 - 595</p> <p><b>Boston</b> (652) <b>Edinburgh</b> (615) <b>Melbourne</b> (617) <b>Stockholm</b> (595) <b>Sydney</b> (670) <b>Tokyo</b> (692) <b>Vancouver</b> (623)</p>	<p><b>Transnational Diversified</b> GFC 7 Range: 617 - 579</p> <p><b>Amsterdam</b> (604) <b>Copenhagen</b> (587) <b>Dublin</b> (612) <b>Madrid</b> (581) <b>Milan</b> (579) <b>Montreal</b> (617) <b>Munich</b> (610) <b>Seoul</b> (615) <b>Vienna</b> (583)</p>	<p><b>Transnational Specialists</b> GFC 7 Range: 670 - 568</p> <p><b>Bahrain</b> (587) <b>British Virgin Islands</b> (596) <b>Cayman Islands</b> (615) <b>Gibraltar</b> (568) <b>Guernsey</b> (632) <b>Hamilton</b> (612) <b>Isle of Man</b> (618) <b>Jersey</b> (643) <b>Shenzhen</b> (670) <b>Taipei</b> (638)</p>	<p><b>Transnational Contenders</b> GFC 7 Range: 571 - 549</p> <p><b>Bangkok</b> (549) <b>Kuala Lumpur</b> (571) <b>Mumbai</b> (562)</p>
Local	<p><b>Established Players</b> GFC 7 Range: 647 - 566</p> <p><b>Johannesburg</b> (566) <b>Washington D.C.</b> (647)</p>	<p><b>Local Diversified</b> GFC 7 Range: 606 - 480</p> <p><b>Athens</b> (480) <b>Brussels</b> (591) <b>Helsinki</b> (573) <b>Lisbon</b> (529) <b>Mexico City</b> (563) <b>Osaka</b> (606) <b>Oslo</b> (581) <b>Sao Paulo</b> (590) <b>Warsaw</b> (520)</p>	<p><b>Local Nodes</b> GFC 7 Range: 600 - 535</p> <p><b>Bahamas</b> (557) <b>Buenos Aires</b> (535) <b>Jakarta</b> (535) <b>Malta</b> (565) <b>Manila</b> (527) <b>Mauritius</b> (552) <b>Monaco</b> (578) <b>Qatar</b> (600) <b>Rio de Janeiro</b> (566) <b>Wellington</b> (582)</p>	<p><b>Evolving Centres</b> GFC 7 Range: 574 - 447</p> <p><b>Budapest</b> (481) <b>Glasgow</b> (570) <b>Istanbul</b> (470) <b>Prague</b> (543) <b>Reykjavik</b> (447) <b>Riyadh</b> (507) <b>Rome</b> (574) <b>St. Petersburg</b> (501) <b>Tallinn</b> (488)</p>

activities to be considered 'Global Leaders'. Similarly, Geneva and Luxembourg are 'Global Specialists' (specialising primarily in Asset Management) but do not have sufficiently broad ranges of financial services activities to be 'Global Leaders'. The four 'Global Contenders' of Beijing, Dubai, Moscow and Shanghai are profiled as global because there is widespread awareness of their activities, but their financial services are not currently sufficiently broad and deep to be considered leaders. Chart 1 shows the profiles mapped against the GFC 7 ranges.

The profiles shown in Table 1 are used in our geographical analyses later in this report.





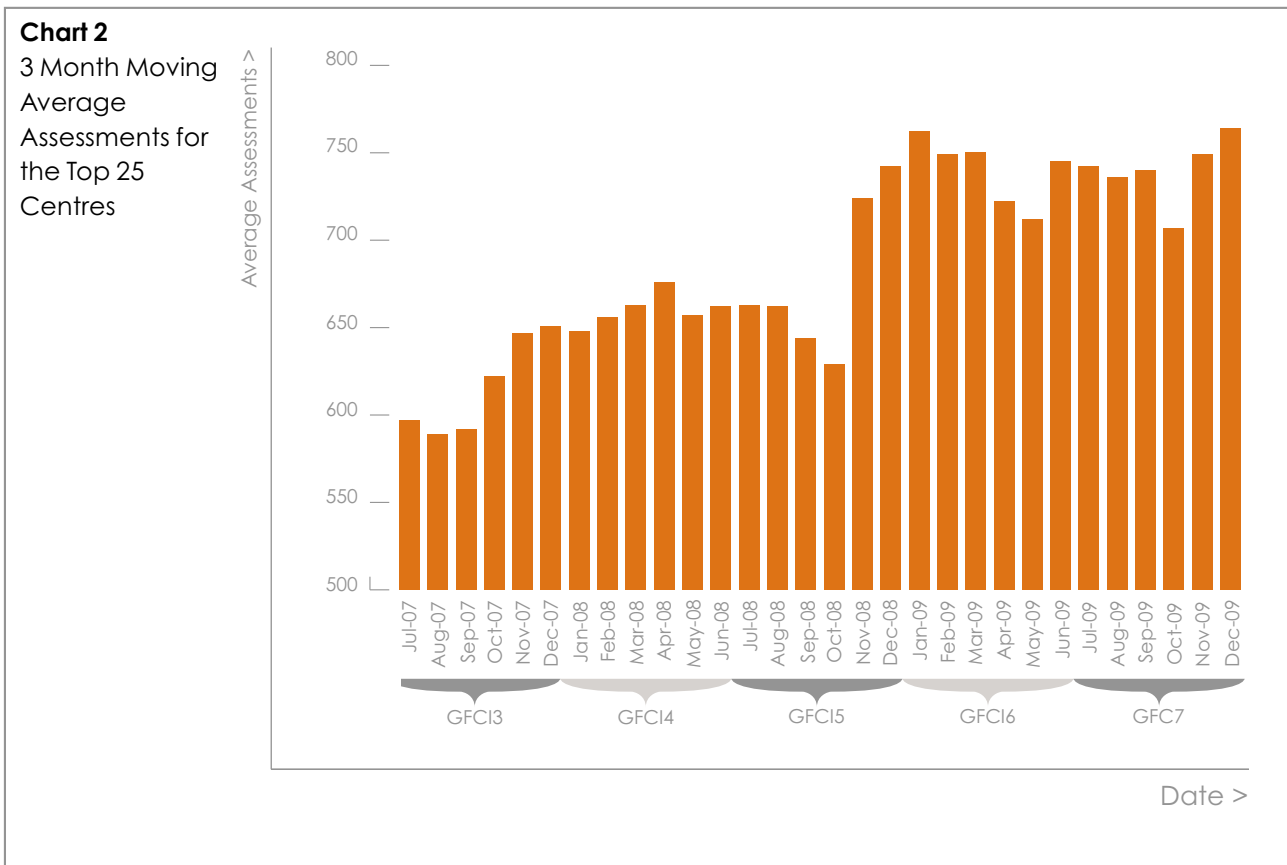
## The Main Headlines of GFC 7

The full set of GFC 7 ratings and rankings are shown in Table 11. We believe that the financial centre profiles are a very important addition to the GFC 7 report. However, the changes in individual centre ratings remain important and allow us to identify certain headline changes:

- Greater confidence amongst financial services professionals, shown by a rise in assessments;
- London and New York are now level in the ratings for the first time. Respondents continue to believe that these centres exhibit good levels of co-operation;
- London has dropped 15 points in the ratings, from 790 to 775 points - the second largest drop in scores. New York has overtaken London in three of the sub-indices: Business Environment, People and Infrastructure;
- Hong Kong and Singapore still lead in Asia but there is continuing uncertainty about secondary Asian centres.

GFC 7 shows that of the 75 centres rated, 71 centres have received higher ratings and only four have seen decreases in their ratings. GFCI 5 demonstrated that the financial crisis had created uncertainty and a significant reduction in confidence, with an unprecedented fall in the ratings for every centre. There was also a 'flight to safety' with the ratings of the top centres falling less than those of the bottom centres. GFCI 6 saw a rise in many ratings potentially demonstrating the start of a return in confidence. This seventh report confirms that respondents to the online survey are more confident about the future of financial services than they have been for over a year.

Chart 2 demonstrates this particularly well – the three month average assessments of the top centres are now at the highest levels since GFCI started:



GFC 7 shows a general rise in ratings but this rise is variable, with the change in ratings varying from minus 25 points (Shenzhen) to plus 64 (Warsaw), with an average movement of plus 23 points. The largest rises in ratings were achieved mainly by the centres at the lower end of the index with Warsaw, Moscow, Lisbon and Budapest all seeing rises in excess of 50 points, to regain lost ground, with drops in score of 53, 58, 30 and 80 points respectively over the last two editions of GFCI.

For the first time in the GFCI, London and New York are equal first, both with 775 points on a scale of 1 to 1,000, as a result of London's score falling 15 points. The gap between the two centres has consistently been narrow, ranging from 5 to 19 points over the previous six editions of GFCI, and Chart 3 demonstrates their recent convergence.

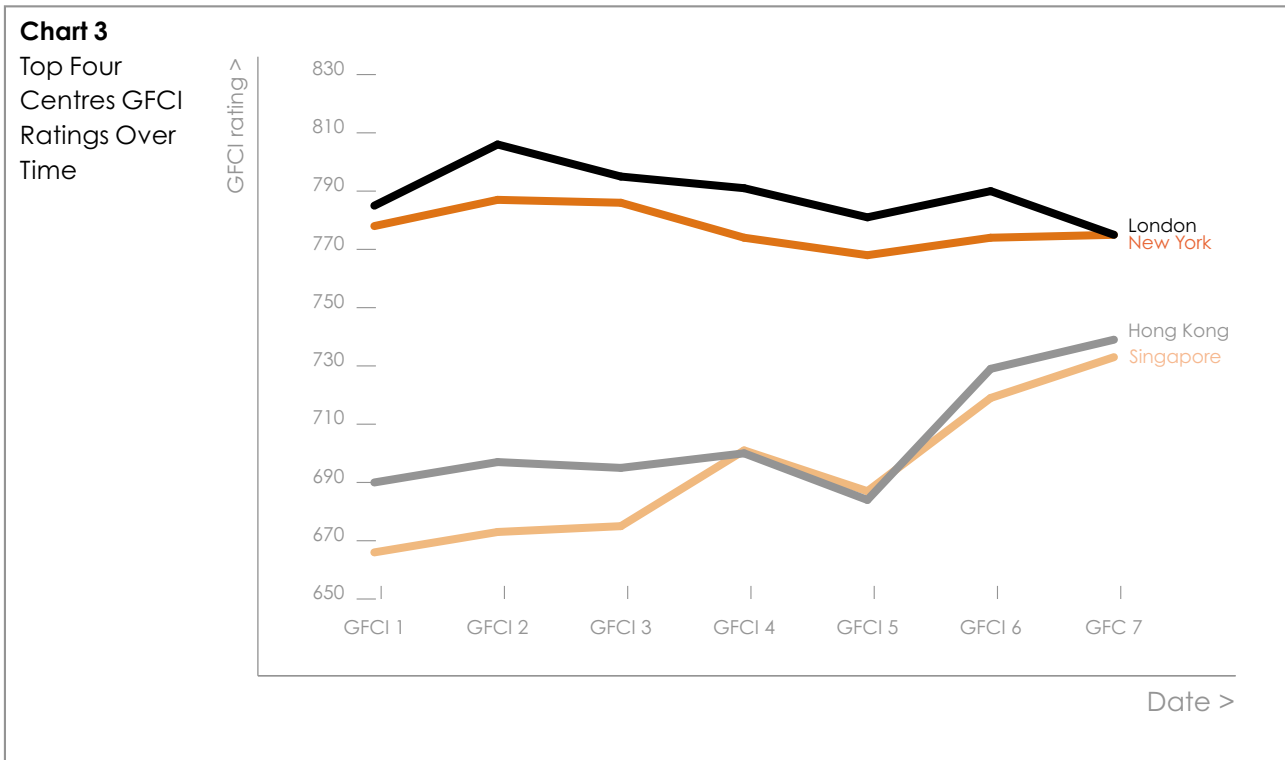


Chart 3 shows that London and New York still lead the field although the gap between them and the third placed centre has been steadily cut from 81 points a year ago and 45 points six months ago to just 36 points now. The main concerns voiced about London's competitiveness are the fear of a regulatory backlash that limits the freedom of financial institutions and the levels of corporate and personal taxation that may drive high earners abroad. New regulatory arrangements are also a concern in New York, and the loss of skilled personnel to the industry is a

concern of respondents in all the leading centres.

We have long argued that the relationship between London and New York is mutually supportive and a gain for one does not mean a loss for the other. Whilst many industry professionals still see a great deal of competition, policymakers appear to recognise that working together on certain elements of regulatory reform is likely to enhance the competitiveness of both centres. Finance professionals, however, believe that common regulation

between North America and Europe will be extremely difficult to negotiate.

The GFCI questionnaire asks respondents which financial centres they believe are suffering most as a result of the current financial crisis. New York and London head the list, receiving substantially more mentions than any other centre:

<b>Table 2</b>		
The Five Centres Believed to be Suffering Most from the Crisis	<b>Financial Centre</b>	<b>Number of Mentions since GFCI 6</b>
	New York	110
	London	89
	Dubai	51
	Reykjavik	37
	Cayman Islands	29

This finding backs up the GFCI ratings. Respondents generally feel that the two long-established global centres have been impacted on the most by the economic crisis. This is reflected in GFC 7; London has fallen by 15 points in the ratings and although New York has seen a rating increase of 1 point, this is against an average increase of 23 points. Hong Kong received fewer than 20% of the

mentions of New York while Singapore received fewer than 10 mentions overall.

Related to this, the GFCI questionnaire also asks what the most significant risks to competitiveness posed by the financial crisis are. The most commonly identified risks are shown in Table 3:

<b>Table 3</b>		
The Five Centres Believed to be Suffering Most from the Crisis	<b>Risk</b>	<b>Number of Mentions since GFCI 6</b>
	Regulatory 'Kneejerk' / Backlash	42
	Credit Risk for Financial Institutions	29
	Recession / Inflation	21
	Increased Taxation	19
	Unemployment / Loss of Skills & Experience	15

The fear of regulatory overload leads the field here and is backed up by responses to a further question in the GFCI questionnaire about the most important factors of competitiveness. The number of times that each area is mentioned is summarised in Table 4:

Main Areas of Competitiveness	Area of Competitiveness	Number of mentions by respondents	Main concerns raised
	Business Environment	67	Regulation, taxation and ease of doing business
	People	44	Quality and availability of staff, labour market flexibility
	Infrastructure	22	Business infrastructure
	General Competitiveness	21	General economic factors, fear of recession
	Market Access	15	Dilution of clustering of professionals and institutions

Clearly the Business Environment is viewed as a key area - it is actually mentioned in responses more often than the next two areas, People and Infrastructure, combined. This is a reflection of the regulatory reaction to the financial crisis but also reflects concerns over taxation. One of the themes that emerges from the responses is the need for predictability and stability of regulation.

One effect of London's relative decline in competitiveness is that other leading European financial centres are catching up with London. Frankfurt was 141 points behind London six months ago and is now 115 behind while Zurich was 114 points behind and is now just 98 below London. Similarly, London's lead over Paris and Geneva is less significant than it was six months ago in GFCI 6.

Another story to emerge from GFC 7 is the continuing development of the Asian financial centres. Overall the rise in scores of the Asian centres has continued, although it is not as dramatic as the

developments seen in GFCI 6. Hong Kong continues to thrive and has risen by 10 points since GFCI 6, maintaining its position in 3rd place just ahead of Singapore. Hong Kong and Singapore continue to be firmly established as the leading Asian centres. Tokyo, which, with the exception of GFCI 5, has always appeared in the top ten, has risen two places to 5th, and is the 3rd highest ranked Asian centre. There is some variability, however, about other Asian centres. GFCI 6 saw Shenzhen appear in the top 5 but GFC 7 sees it falling to 9th place and showing the largest drop in points in the survey. Shanghai has fallen one place to 11th although gaining 13 points, whilst Beijing and Seoul make considerable progress up the ranking to 15th and 28th respectively, both showing substantial gains in points. It is important therefore to pay attention to both the short term performance of these centres and their performance over the longer term.

## European Financial Centres

European financial centres have had mixed fortunes since GFCI 6. Table 5 shows the top 15 European financial centres, all of which have increased their ratings since GFCI 6 with the exception of London (-15) and Dublin (-1):

Centre	GFC 7 Rating	GFC 7 Rank	Change in Rating since GFCI 6	Change in Rank since GFCI 6
London	775	1	-15	0
Zurich	677	7	1	-1
Geneva	671	8	11	1
Frankfurt	660	13	11	-1
Luxembourg	643	19	6	-3
Paris	642	20	12	-1
Edinburgh	615	29	10	-2
Dublin	612	31	-1	-9
Munich	610	33	22	-3
Amsterdam	604	35	18	-4
Stockholm	595	38	26	-2
Brussels	591	39	23	-2
Copenhagen	587	=41	27	0
Vienna	583	43	28	3
Madrid	581	=45	21	-5

Zurich has slipped one place in the rankings and Geneva has gained one place; both remain in the top ten. Both centres remain strong in asset management and private banking and receive strong support from respondents in the offshore centres and from London.

All the major European centres display a good degree of consistency across the industry sub-indices and the area of competitiveness sub-indices. London is the leading financial centre in Europe but Frankfurt, Zurich and Paris also perform well in all areas – Zurich for example averages 8th place across all sector sub-indices with Frankfurt not far behind (further details of the sub-indices are shown on page 30).

From a profiling perspective, London, Zurich and Frankfurt are seen as 'Global Leaders'. They are well known globally, and have a rich environment of different

types of financial services institutions. Geneva and Luxembourg, whilst being well connected, are seen to be high quality specialists in the field of Asset Management, rather than offering a fully diversified service, and are hence profiled as 'Global Specialists'. Paris is a Global Centre and has very strong international connections. It does not, however, exhibit sufficient depth in financial services to be considered a Global Leader; we profile it as a Global Diversified Centre. Moscow is a 'Global Contender', exhibiting strong international connections and many respondents (especially from Asia) have knowledge of the centre. Moscow does not yet have sufficient depth or breadth as a financial centre to be considered a specialist or diversified centre:

**Chart 4**

Profile of European Centres

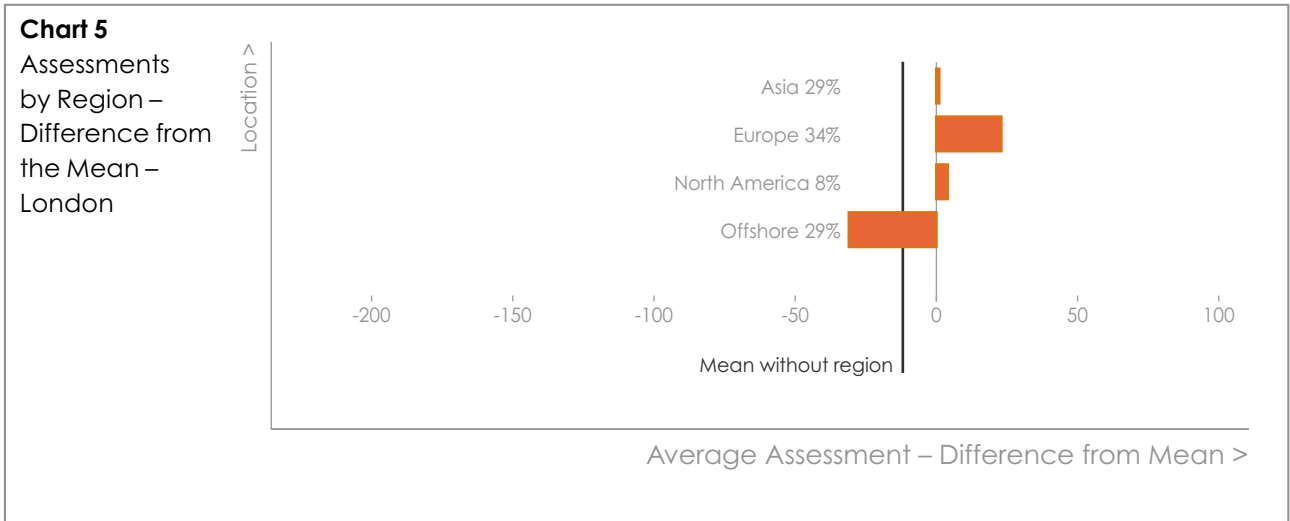
	Broad & Deep	Relatively Broad	Relatively Deep	Emerging
Global	<b>Global Leaders</b> Frankfurt London Zurich	<b>Global Diversified</b> Paris	<b>Global Specialists</b> Geneva Luxembourg	<b>Global Contenders</b> Moscow
Transnational	<b>Established Transnational</b> Edinburgh Stockholm	<b>Transnational Diversified</b> Amsterdam Copenhagen Dublin Madrid Milan Munich Seoul Vienna	<b>Transnational Specialists</b> –	<b>Transnational Contenders</b> –
Local	<b>Established Players</b> –	<b>Local Diversified</b> Athens Brussels Helsinki Lisbon Warsaw	<b>Local Nodes</b> Monaco	<b>Evolving Centres</b> Budapest Glasgow Istanbul Prague Reykjavik Rome St. Petersburg Tallinn

The remaining centres in the European top 15 are classed as either Established or Diversified Transnational centres. The one exception to this being Brussels which is categorised as a 'Local Diversified' financial centre due to its lower connectivity rating that the other leaders such as Zurich, Geneva, Frankfurt and Paris, although it is close to the boundary between Local and Transnational.

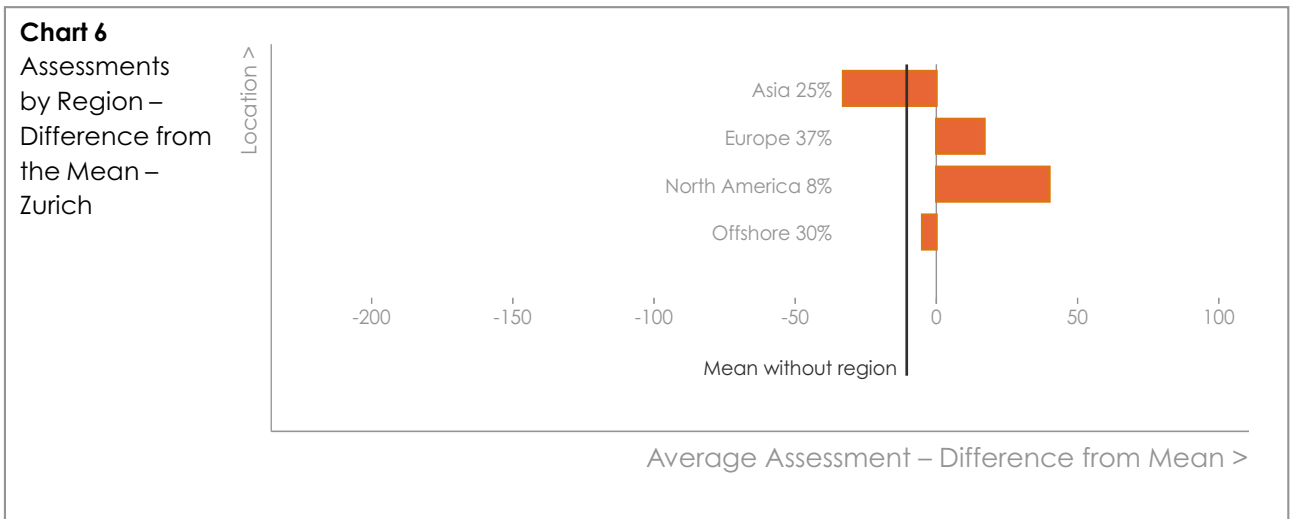
Examining the assessments given to each major centre is a useful means of assessing the relative strength and weakness of their reputations in different regions. It is important to note that

assessments given to a centre by people based there are excluded from the GFC 7 model to eliminate 'home preference'.

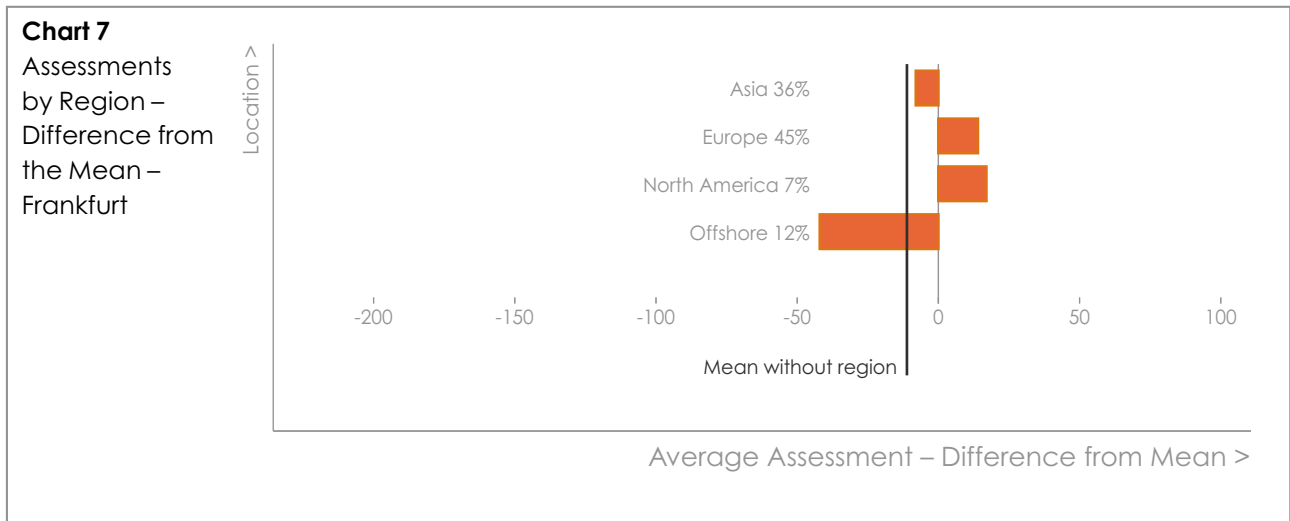
In the following charts, the difference between overall mean assessments by region is shown. The additional vertical line shows the mean if all assessments from the whole of the home region are removed.



London's overall average assessment was 807. The chart on London indicates that London is well regarded in Europe but less well rated than average by the offshore centres; North American and Asian respondents are fairly close to the mean.



Zurich's overall average assessment was 704. Zurich's assessments show a more pronounced pattern than London with the Asian based respondents, who have a more negative perception of Zurich. European and North American respondents are positive against the mean.



Frankfurt's overall average assessment was 679. In a similar pattern to London, Frankfurt is given lower assessments by people based in offshore locations than elsewhere.



## North American Financial Centres

The North American Centres have all performed reasonably well in GFC 7 and all have increased their ratings from GFCI 6. As reported, New York has been impacted on the most by the financial crisis and has only risen by one point, while the Canadian centres have seen a greater increase in scores than the US centres:

**Table 6**  
Top North American Centres in GFC 7

Centre	GFC 7 Rating	GFC 7 Rank	Change in Rating since GFCI 6	Change in Rank since GFCI 6
New York	775	1	1	1
Chicago	678	6	17	2
Toronto	667	12	20	1
Boston	652	14	18	3
San Francisco	651	16	17	2
Washington D.C.	647	17	17	3
Vancouver	623	23	34	6
Montreal	617	26	31	6

Chicago retains its position in the GFC 7 top ten and remains the 2nd North American financial centre, after New York. Chicago is not just strong in derivatives trading, for which it is probably best known, but is a real 'all-rounder': it is strong in all areas, and in the top ten in all industry and area of competitiveness sub-indices. Chicago is rated highly by respondents based in New York but, surprisingly, very few other respondents in North America assessed Chicago.

Toronto has risen 20 points in the GFC 7 ratings. It is the 3rd North American financial centre and the clear leader in Canada. Toronto performs well in the People sub-index, where it is in 6th place, and in the Asset Management and Professional Services sub-indices, where it is 9th place in both categories. Calgary was recently added as a new financial centre to our online survey – it did not receive sufficient ratings to be included here.

New York, Chicago and Toronto all fit the profile of Global Leaders – they are well diversified, well connected and have strength across the sectors. San Francisco is profiled here as a Global Diversified Centre – it is well connected and serves a diversified industry but does not as yet show sufficient depth in enough sectors to be classified as a Global Leader.

**Chart 8**

Profile of North American Centres

	Broad & Deep	Relatively Broad	Relatively Deep	Emerging
Global	<b>Global Leaders</b> Chicago New York Toronto	<b>Global Diversified</b> San Francisco	<b>Global Specialists</b> –	<b>Global Contenders</b> –
Transnational	<b>Established Transnational</b> Boston Vancouver	<b>Transnational Diversified</b> Montreal	<b>Transnational Specialists</b> –	<b>Transnational Contenders</b> –
Local	<b>Established Players</b> Washington D.C.	<b>Local Diversified</b> –	<b>Local Nodes</b> –	<b>Evolving Centres</b> –

Boston and Vancouver have both a broad and deep presence in financial services but are less well-connected with other centres around the world – they are 'Established Transnational' centres. Montreal is not yet deeply enough involved in some industry sectors to be an 'Established Transnational' centre. Washington is, perhaps surprisingly, an 'Established Player'; on the measures of connectivity used for profiling, Washington is seen to be more of a local player than an international one, receiving support from some parts of North America (and Asia) but

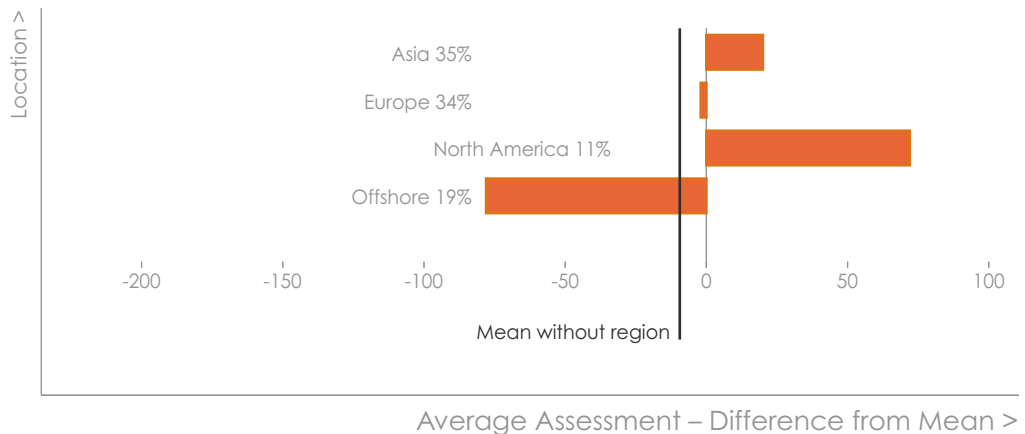
not from London, Europe or New York.

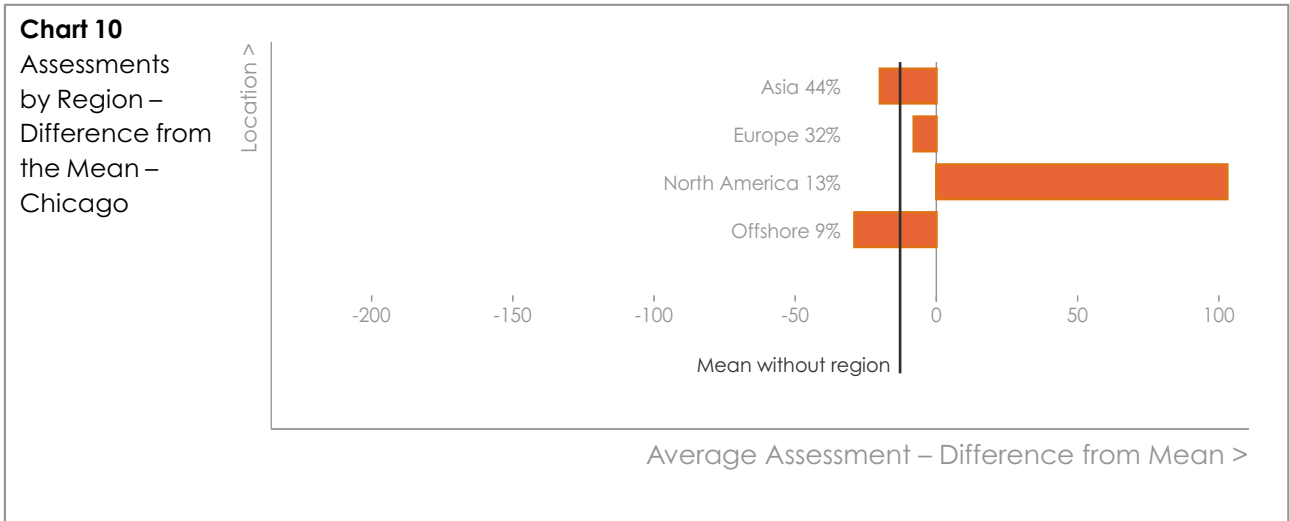
The difference between regional assessments is again examined here for some of the major centres, to see in which regions centres are most favourably regarded.

The overall average assessment for New York is 804. New York benefits from strong North American support but the offshore centres assess the city less positively. Europeans are close to the overall mean.

**Chart 9**

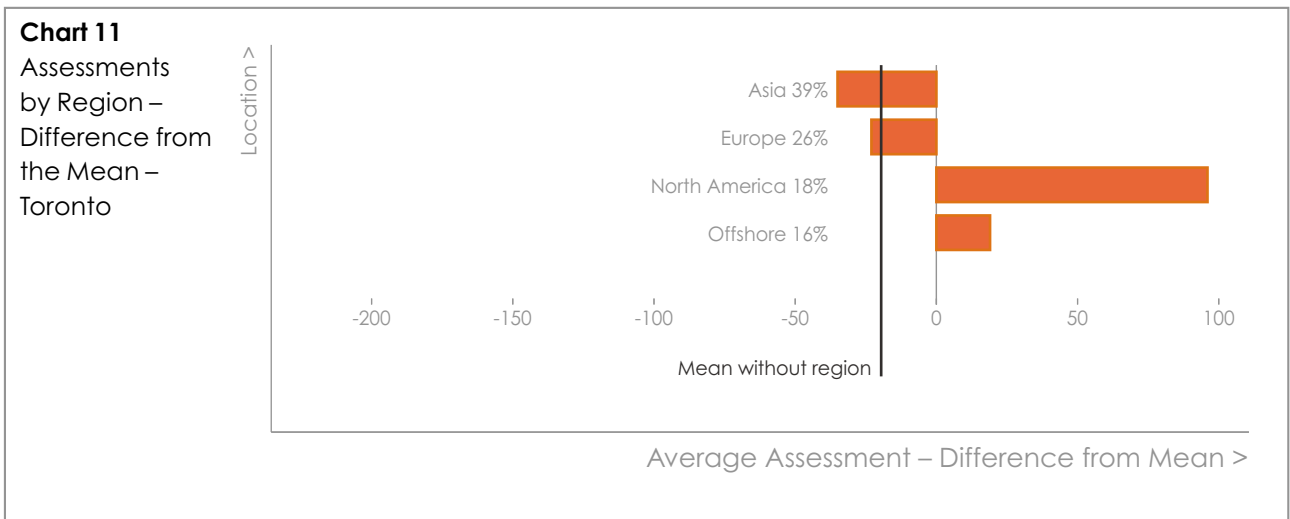
Assessments by Region – Difference from the Mean – New York





Chicago has an overall average assessment of 698. Chicago shows a similar pattern to New York with regard to the Offshore and North American assessments, the former being lower than average, and the latter higher. Chicago is rated highly by respondents based in New York but surprisingly very few other

North American respondents assessed Chicago. A high level of response from Asian respondents is notable although the assessments given were lower than average.



Toronto is the only North American centre to receive a higher than average score from the offshore centres; it is also well regarded by respondents based in London, although less so by the rest of Europe.

## Asian Financial Centres

With the exception of Shenzhen, all Asian centres have shown an improvement in the GFC 7 ratings, which for many comes on top of a substantial increase in scores in GFCI 6.

**Table 7**  
Asian Centres in GFC 7

Centre	GFC 7 Rating	GFC 7 Rank	Change in Rating since GFCI 6	Change in Rank since GFCI 6
Hong Kong	739	3	10	0
Singapore	733	4	14	0
Tokyo	692	5	18	2
Shenzhen	670	=9	-25	-4
Shanghai	668	11	13	-1
Beijing	651	=15	38	8
Taipei	638	21	29	4
Dubai	618	=24	1	-3
Seoul	615	=28	39	7
Osaka	606	34	41	4
Qatar	600	36	42	8
Bahrain	587	=41	29	2
Kuala Lumpur	571	51	14	-6
Mumbai	562	58	20	-5
Riyadh	507	69	50	-1

Both Hong Kong and Singapore have continued to show a stable and strong performance. They are in 3rd and 4th places in all industry sector and competitiveness sub-indices, with the one exception of Singapore's 5th place in the Insurance sub-index. Tokyo, which, with the exception of GFCI 5, has always appeared in the top ten, has risen two places to 5th, and is the third highest ranked Asian centre. It is a leading financial centre that performs well in most areas, placing it in the top 10 in all

sub-indices. Shanghai currently sits in 11th place and Beijing has risen by 38 points since GFCI 6 to 15th place. Shanghai does particularly well in the Banking, Asset Management and Insurance sub-indices. Beijing does well in the Insurance sub-index where it is in 7th place. Seoul, with an increase of 39 points has risen seven places in the rankings to 28th. Other notable improvements are recorded by Taipei and Osaka.

**Chart 12**  
Profile of Asian Centres

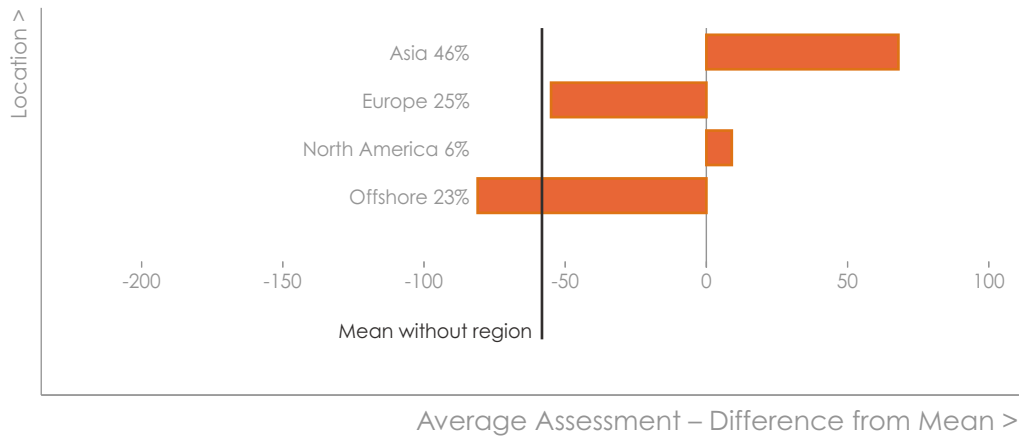
	Broad & Deep	Relatively Broad	Relatively Deep	Emerging
Global	Global Leaders Hong Kong Singapore	Global Diversified –	Global Specialists –	Global Contenders Beijing Dubai Shanghai
Transnational	Established Transnational Tokyo	Transnational Diversified Seoul	Transnational Specialists Bahrain Shenzhen Taipei	Transnational Contenders Bangkok Kuala Lumpur Mumbai
Local	Established Players –	Local Diversified Osaka	Local Nodes Jakarta Manila Qatar	Evolving Centres Riyadh

Hong Kong and Singapore have clear profiles as Global Leaders. Beijing, Dubai and Shanghai are Global Contenders at present, in that they are all well-connected but do not currently have sufficient breadth or depth in their financial services sectors to be Global Leaders. Shanghai is currently the strongest performer of the three. Tokyo profiles here as an Established Transnational centre, in that it has breadth and depth of financial services but does not currently demonstrate the required global connectivity. Seoul is also a well diversified financial centre but currently lacks the depth of coverage in most sectors to be considered a leader. Shenzhen, despite its 9th place in GFC 7, only has a 58% connectivity rating and is thus profiled as a 'Transnational' centre rather than a 'Global' one.

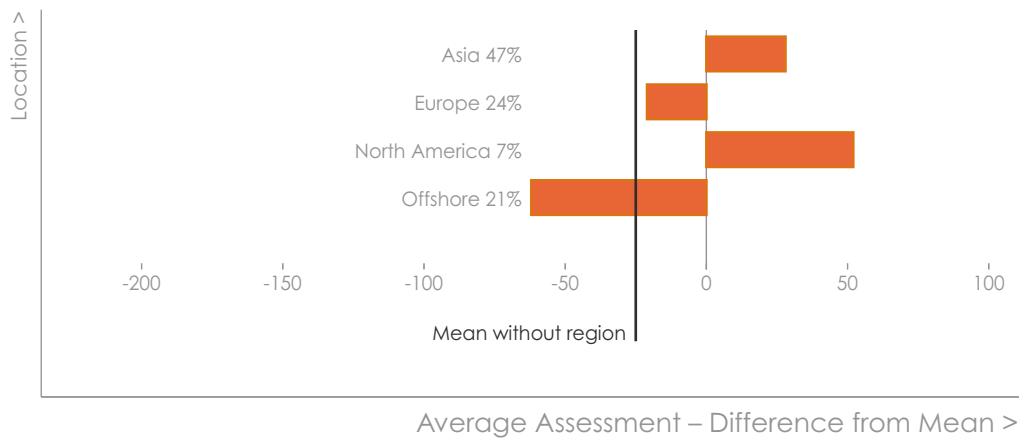
Asian centres are particularly well supported by Asian respondents in both the number of assessments and the average assessment given. Outside of Asia, the North American responses are more positive than average. The number of assessments given to Asian centres by American and European based respondents is also low, suggesting that Asian centres are far less well known, and, probably as a consequence, less highly regarded than from within Asia. Respondents from the offshore centres also rate them less positively than average. This pattern can be seen in the following charts.

It is useful to examine the pattern of assessments by region given to some of the major Asian centres, to see where they are well-regarded. In general, the

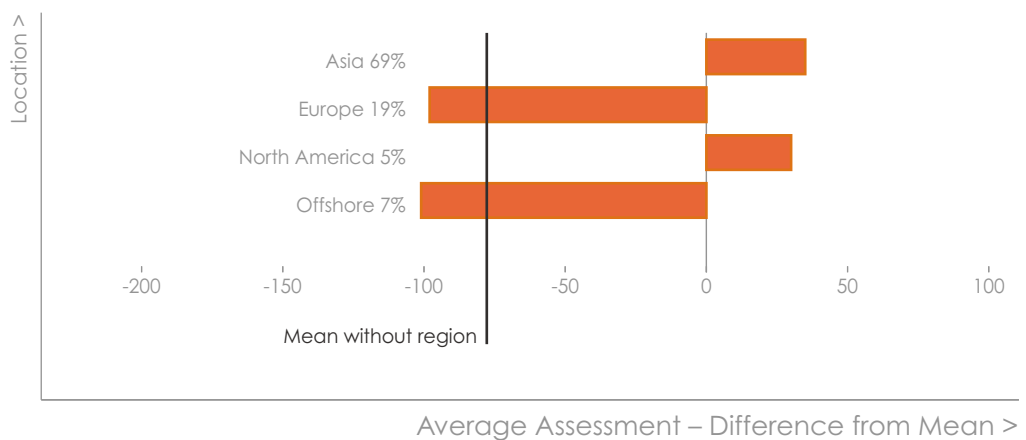
**Chart 13**  
Assessments  
by Region –  
Difference from  
the Mean –  
Hong Kong

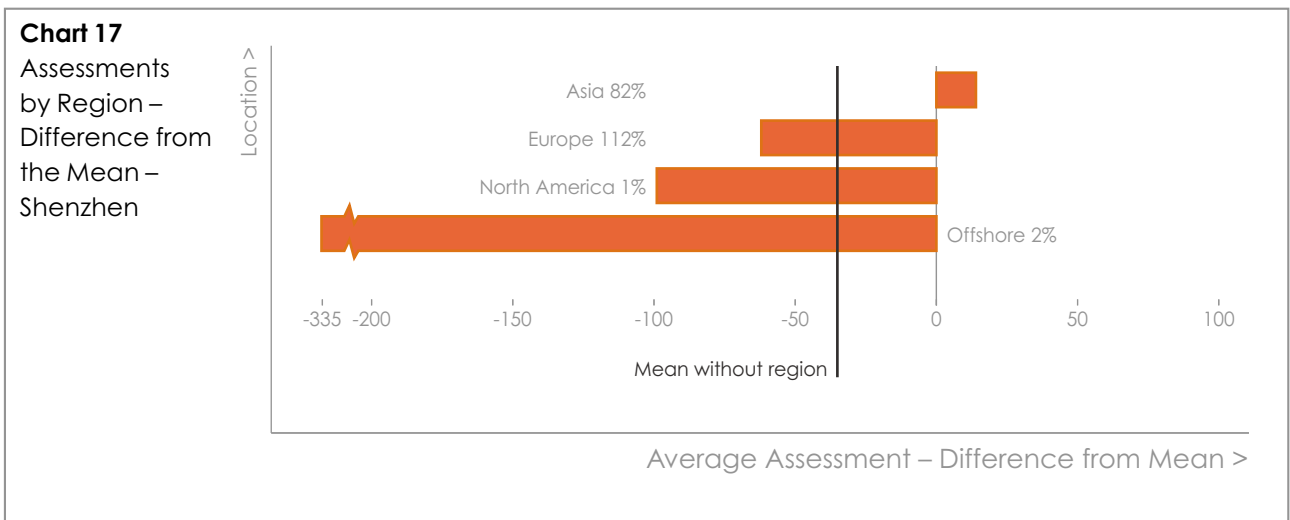
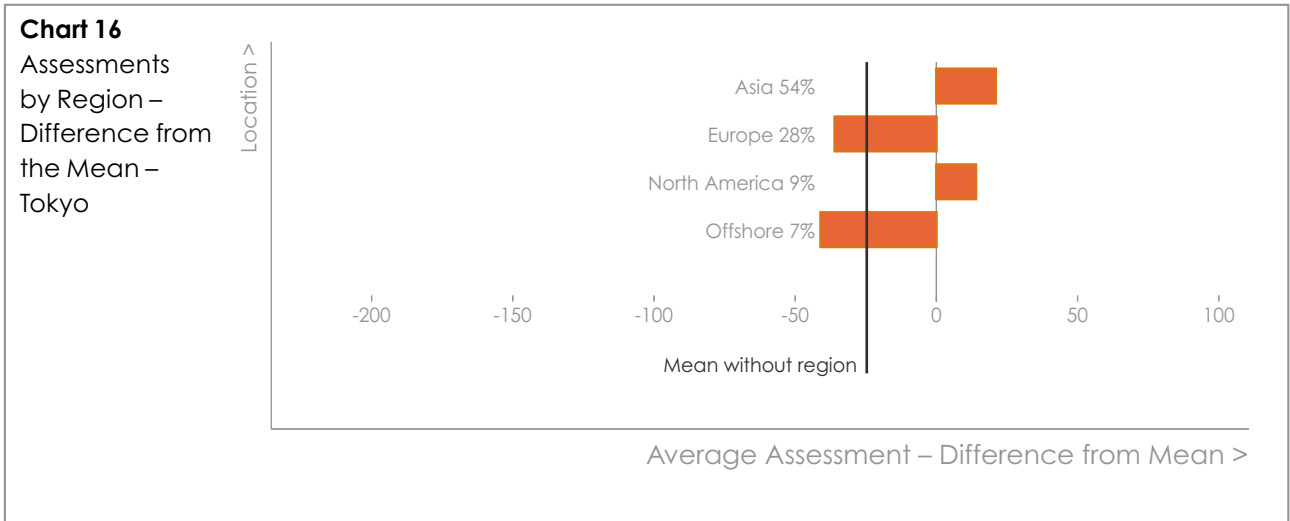


**Chart 14**  
Assessments  
by Region –  
Difference from  
the Mean –  
Singapore



**Chart 15**  
Assessments  
by Region –  
Difference from  
the Mean –  
Shanghai





The GFCI questionnaire asks which centres are likely to become more significant in the next few years. As with GFCI 6, Asia features very strongly and is where respondents expect to observe the most significant improvements in performance, with Seoul entering the top five here:

**Table 8**  
The Five Centres Believed to be Suffering Most from the Crisis

Financial Centre	Number of Mentions since GFCI 6
Shanghai	111
Shenzhen	51
Seoul	35
Beijing	35
Singapore	31

**Table 9**  
Centres Where New Offices will be Opened

Financial Centre	Number of Mentions since GFCI 6
Shanghai	35
Hong Kong	29
Shenzhen	18
Beijing	15
Singapore	14

GFCI respondents have been predicting the rise to prominence of Shanghai for the past two years. Shanghai and Shenzhen are centres that we will continue to monitor closely.

In past editions of the GFCI, Dubai has been repeatedly mentioned as a centre both likely to become more significant and where new offices will be opened. Here, however, Dubai features in neither category perhaps as a result of its recent, widely reported, financial difficulties.



## Offshore Financial Centres

The offshore centres have come under a fair degree of scrutiny during the financial crisis. Many offshore centres are regarded as 'tax havens' and there has been significant pressure applied to these centres by many national regulators as well as international bodies such as the OECD. A key demand of the regulators

has been to increase the transparency of the internationally agreed tax standards. The scores of the offshore centres have generally risen in GFC 7, but not by as much as those of many other centres, while their rankings have, with the exception of the Isle of Man, declined:

**Table 10**  
Top Offshore Centres in GFC 7

Centre	GFC 7 Rating	GFC 7 Rank	Change in Rating since GFCI 6	Change in Rank since GFCI 6
Jersey	643	=18	3	-4
Guernsey	632	22	-6	-7
Isle of Man	618	=24	9	0
Cayman Islands	615	=28	7	-2
Hamilton	612	=31	15	-3
British Virgin Islands	596	37	12	-3
Gibraltar	568	53	25	-2
Bahamas	557	59	6	-11
Mauritius	552	60	16	-2

Jersey increases its small lead over Guernsey, the two centres having scored within 4 points of each other since GFCI. Jersey is ahead of Guernsey in nine of the ten sub-indices; Guernsey is rated just ahead of Jersey in the Professional Services sub-index. There continues to be significant pressure applied to so-called 'tax havens' and the OECD is regularly updating its lists of financial centres that are complying with their requests.

As shown in GFCI 6, there continues to be a strong correlation between GFCI ratings and the OECD status: the offshore centres which are on the OECD 'White List', such as the Channel Islands, have higher GFCI ratings, whereas centres such as the Bahamas and Gibraltar (on the OECD 'Grey List') are well below the White Listed centres.

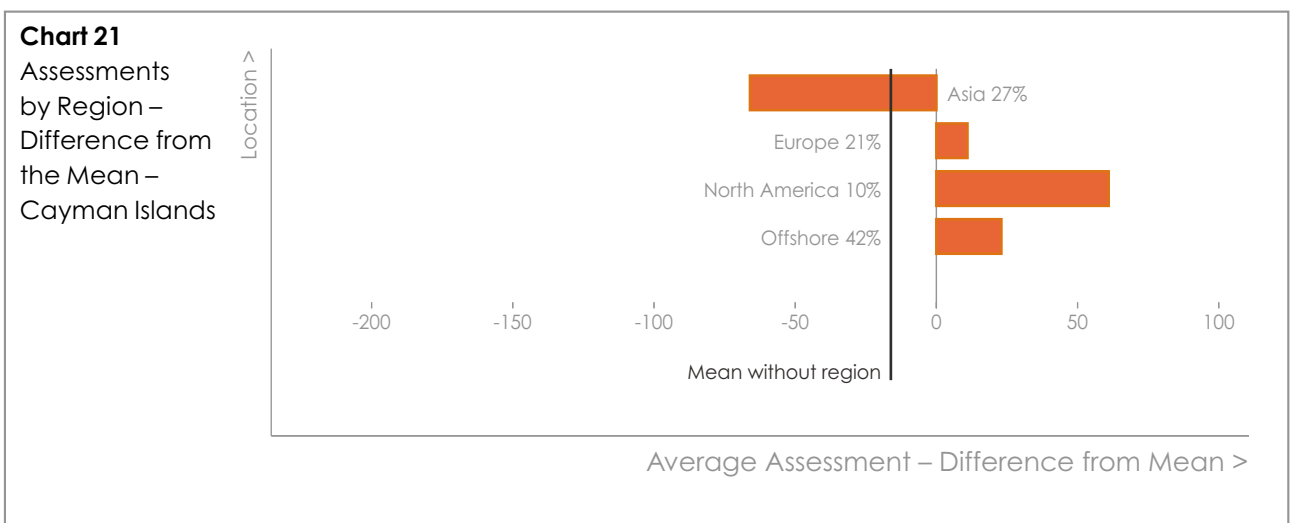
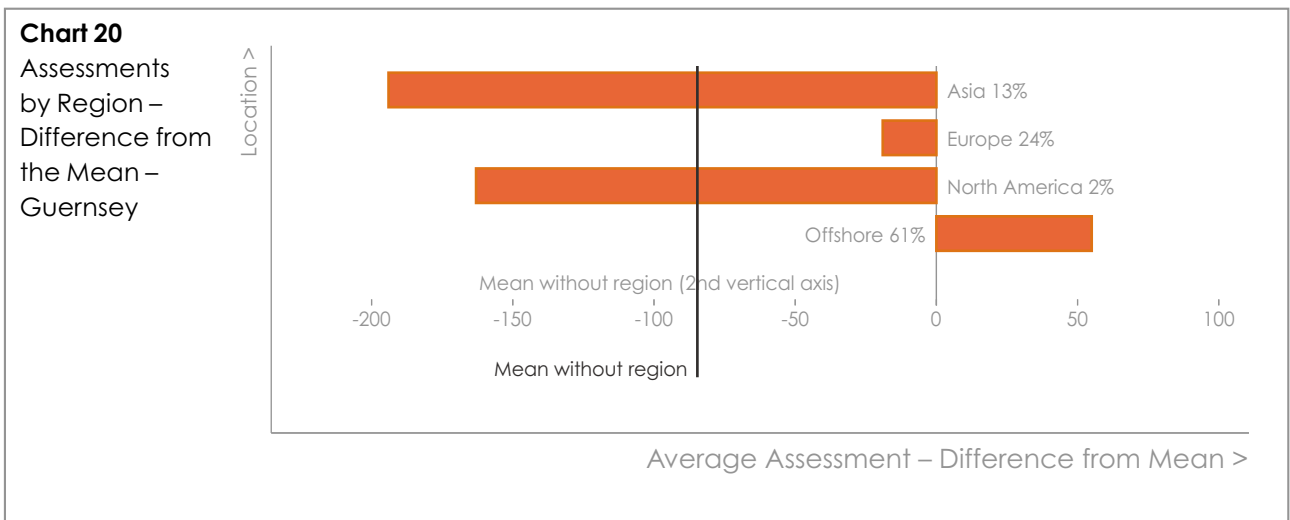
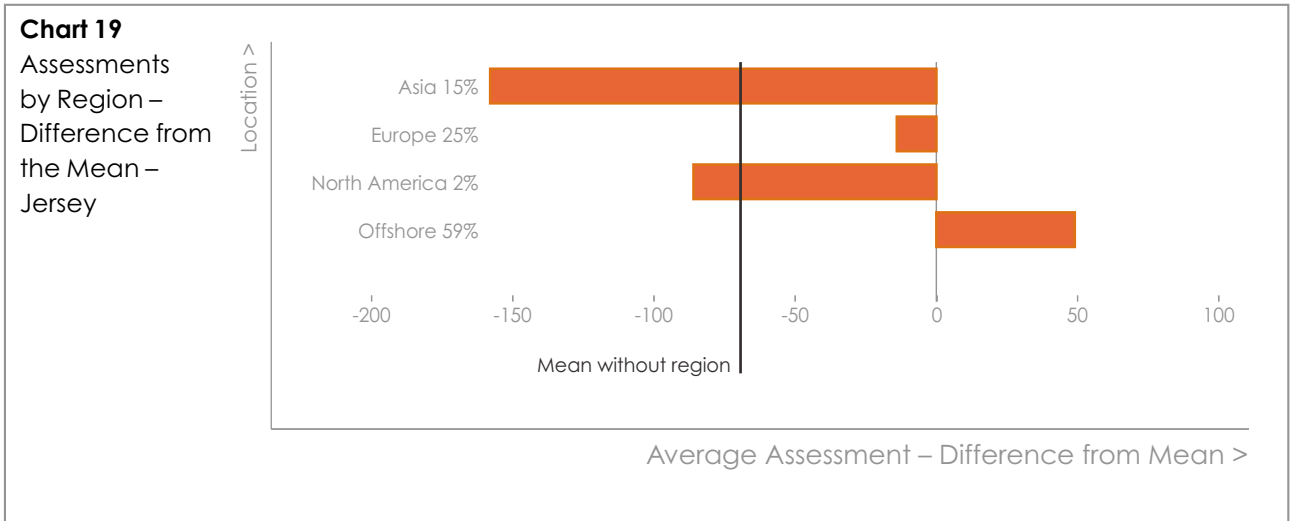
**Chart 18**

Profile of Offshore Centres

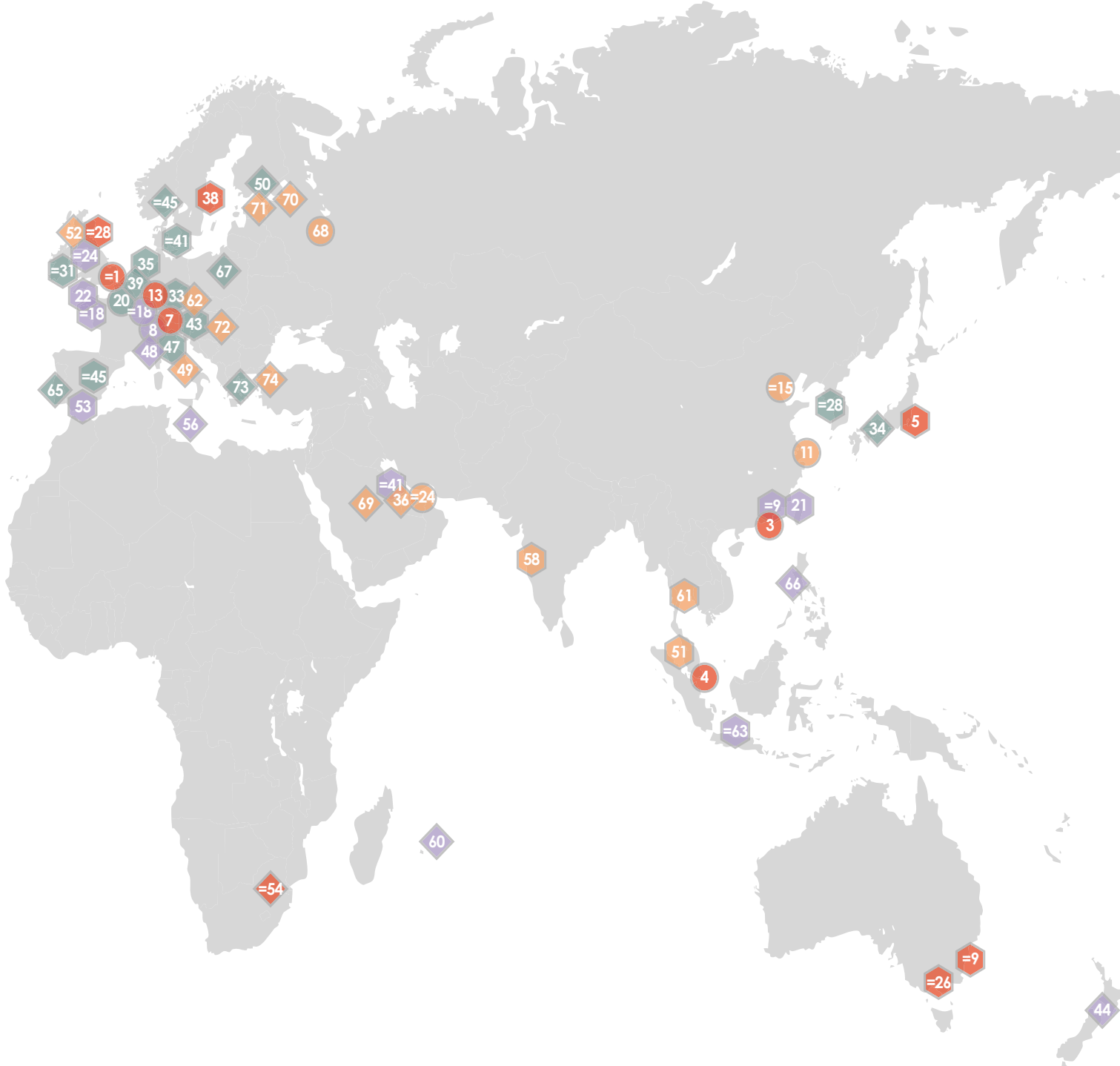
	Broad & Deep	Relatively Broad	Relatively Deep	Emerging
Global	Global Leaders –	Global Diversified –	Global Specialists –	Global Contenders –
Transnational	Established Transnational –	Transnational Diversified –	Transnational Specialists British Virgin Islands Cayman Islands Gibraltar Guernsey Hamilton Isle of Man Jersey	Transnational Contenders –
Local	Established Players –	Local Diversified –	Local Nodes Bahamas Malta Mauritius	Evolving Centres –

As might be expected, the offshore centres are profiled as either International Specialists or Local Specialists if their international connectedness is lower. They are profiled as specialists because of the quality and depth of their asset management sector. For most of the offshore centres, a significant proportion of their assessments are coming from other offshore centres. Jersey and Guernsey are near the border between Global and Transnational and wider global awareness would move them up to the profile of Global Specialists. Both these centres are working to change perceptions and to 'rise above' the status of offshore specialist centres by being seen as more diversified, although the following charts of average assessment by region suggest that they still have some way to go with changing global perceptions.

All the top offshore centres achieve higher than average assessments from other offshore centres and generally lower responses from elsewhere, particularly with regard to the respondents from Asia. Asian responses were particularly low for Jersey and Guernsey; for Jersey the average Asian response was 157 points lower than the mean (515 against 672) and for Guernsey 193 points (470 against 663):



The GFC World





**Table 11**  
GFC 7 Ratings<sup>1</sup>

	GFC 7 Rank	GFC 7 Rating	GFCI 6 Rank	GFCI 6 Rating	Change in Rank	Change in Rating
London	=1	775	1	790	► 0	-15
New York	=1	775	2	774	▲ 1	1
Hong Kong	3	739	3	729	► 0	10
Singapore	4	733	4	719	► 0	14
Tokyo	5	692	7	674	▲ 2	18
Chicago	6	678	8	661	▲ 2	17
Zurich	7	677	6	676	▼ -1	1
Geneva	8	671	9	660	▲ 1	11
Shenzhen	=9	670	5	695	▼ -4	-25
Sydney	=9	670	11	651	▲ 2	19
Shanghai	11	668	10	655	▼ -1	13
Toronto	12	667	13	647	▲ 1	20
Frankfurt	13	660	12	649	▼ -1	11
Boston	14	652	17	634	▲ 3	18
Beijing	=15	651	23	613	▲ 8	38
San Francisco	=15	651	18	634	▲ 3	17
Washington D.C.	17	647	20	630	▲ 3	17
Jersey	=18	643	14	640	▼ -4	3
Luxembourg	=18	643	16	637	▼ -2	6
Paris	20	642	19	630	▼ -1	12
Taipei	21	638	25	609	▲ 4	29
Guernsey	22	632	15	638	▼ -7	-6
Vancouver	23	623	29	589	▲ 6	34
Isle of Man	=24	618	24	609	► 0	9
Dubai	=24	618	21	617	▼ -3	1
Montreal	=26	617	32	586	▲ 6	31
Melbourne	=26	617	33	584	▲ 7	33
Seoul	=28	615	35	576	▲ 7	39
Edinburgh	=28	615	27	605	▼ -1	10
Cayman Islands	=28	615	26	608	▼ -2	7
Dublin	=31	612	22	613	▼ -9	-1
Hamilton	=31	612	28	597	▼ -3	15
Munich	33	610	30	588	▼ -3	22
Osaka	34	606	38	565	▲ 4	41
Amsterdam	35	604	31	586	▼ -4	18
Qatar	36	600	44	558	▲ 8	42
British Virgin Islands	37	596	34	584	▼ -3	12
Stockholm	38	595	36	569	▼ -2	26
Brussels	39	591	37	568	▼ -2	23
Sao Paulo	40	590	42	560	▲ 2	30
Copenhagen	=41	587	41	560	► 0	27
Bahrain	=41	587	43	558	▲ 2	29
Vienna	43	583	46	555	▲ 3	28
Wellington	44	582	54	541	▲ 10	41
Madrid	=45	581	40	560	▼ -5	21

	GFC 7 Rank	GFC 7 Rating	GFCI 6 Rank	GFCI 6 Rating	Change in Rank	Change in Rating
Oslo	=45	581	56	538	▲ 11	43
Milan	47	579	47	554	► 0	25
Monaco	48	578	39	563	▼ -9	15
Rome	49	574	57	537	▲ 8	37
Helsinki	50	573	59	533	▲ 9	40
Kuala Lumpur	51	571	45	557	▼ -6	14
Glasgow	52	570	49	550	▼ -3	20
Gibraltar	53	568	51	543	▼ -2	25
Johannesburg	=54	566	50	550	▼ -4	16
Rio de Janeiro	=54	566	61	532	▲ 7	34
Malta	56	565	52	543	▼ -4	22
Mexico City	57	563	55	541	▼ -2	22
Mumbai	58	562	53	542	▼ -5	20
Bahamas	59	557	48	551	▼ -11	6
Mauritius	60	552	58	536	▼ -2	16
Bangkok	61	549	60	532	▼ -1	17
Prague	62	543	65	492	▲ 3	51
Jakarta	=63	535	62	511	▼ -1	24
Buenos Aires	=63	535	63	507	► 0	28
Lisbon	65	529	66	477	▲ 1	52
Manila	66	527	64	494	▼ -2	33
Warsaw	67	520	69	456	▲ 2	64
Moscow	68	516	67	462	▼ -1	54
Riyadh	69	507	68	457	▼ -1	50
St. Petersburg	70	501	70	453	► 0	48
Tallinn	71	488	71	445	► 0	43
Budapest	72	481	74	425	▲ 2	56
Athens	73	480	73	433	► 0	47
Istanbul	74	470	72	442	▼ -2	28
Reykjavik	75	447	75	415	► 0	32

<sup>1</sup> **Note:** Scores have been rounded to the nearest whole number. Where centres have tied, this is given as an equal ranking and they are listed in order according to their underlying scores,

## Industry Sectors

The GFC 7 dataset can be used to produce separate industry sector sub-indices for the Banking, Asset Management, Insurance, Professional Services and Government & Regulatory sectors. These indices are created by building the GFC 7 statistical model using only the questionnaire responses from respondents working in the relevant industry sectors. For the first time, Hong Kong appears at the top of one of the sub-indices, rating highest amongst professionals in the Insurance sector. Conversely, London's position at number three in the same index is the first time

London has been outside of the top two places in any sub-index. London remains at the top in the Asset Management and Professional Services sub-indices, whilst New York retains the lead for the Banking sub-index, and has re-taken first place in the Government & Regulatory field, seen previously in GFCI 4.

Table 12 shows the top 10 ranked financial centres in the industry sector sub-indices. The figures in brackets show how each centre has moved in these sub-indices since GFCI 6:

**Table 12**  
Industry Sector Sub-indices (Changes from GFCI 6 in brackets)

Rank	Asset Management	Banking	Government & Regulatory	Insurance	Professional Services
1	London ► (-)	New York ► (-)	New York ▲ (+1)	Hong Kong ▲ (+2)	London ► (-)
2	New York ► (-)	London ► (-)	London ► (-1)	New York ► (-)	New York ► (-)
3	Hong Kong ► (-)	Hong Kong ► (-)	Singapore ► (-)	London ▼ (-2)	Singapore ► (-)
4	Singapore ► (-)	Singapore ► (-)	Hong Kong ► (-)	Shenzhen ▲ (+1)	Hong Kong ► (-)
5	Tokyo ► (-)	Tokyo ▲ (+1)	Tokyo ► (-)	Singapore ▼ (-1)	Zurich ▲ (+2)
6	Chicago ▲ (+2)	Zurich ▲ (+2)	Chicago ▲ (+2)	Shanghai ► (-)	Geneva ▲ (+2)
7	Shanghai ▲ (+10)	Shenzhen ▼ (-2)	Frankfurt ▼ (-1)	Beijing ▲ (+2)	Jersey ▼ (-1)
8	San Francisco ▲ (+4)	Shanghai ▼ (-1)	Toronto ▼ (-1)	Tokyo ► (-)	Chicago ▲ (+1)
9	Toronto ▲ (+5)	Chicago ► (-)	Geneva ▲ (+3)	Chicago ▲ (+1)	Toronto ▲ (+1)
10	Zurich ▼ (-4)	Beijing ▲ (+3)	Zurich ▲ (+1)	Taipei ▲ (+3)	Tokyo ▲ (+2)

The top five positions in each of the sub-indices are generally occupied by the five top GFC 7 centres. Shenzhen's 4th position in the ratings from the Insurance sector respondents and Zurich's 5th in the Professional Services sub-index are the only exceptions. The Asian centres have tended to perform well in the Insurance sub-index both in GFCI 6 and here, with seven of the top ten spots filled by Asian centres.

Asian centres have also performed well in the Banking sub-index, filling six of the top ten places, with Beijing entering the top ten for the first time.

Toronto performs strongly in these

sub-indices, entering the top ten in the Asset Management sub-index for the first time, and appearing in the top ten for three categories in total, while placing 12th in the overall GFC 7. Shanghai and San Francisco have also made significant improvements in the Asset Management sub-index, rising 10 and 4 places respectively.

The Professional Services area remains largely unchanged from GFCI 6. The Swiss centres of Zurich and Geneva move into 5th and 6th positions respectively, with Guernsey (5th in GFCI 6) moving out of the top ten. Zurich and Geneva have also climbed into the top ten of the Government & Regulatory sub-index, replacing Paris and Sydney.



## The Five Key Areas of Competitiveness

The instrumental factors used in the GFC 7 model are grouped into five key areas of competitiveness (People, Business Environment, Market Access, Infrastructure and General Competitiveness). The GFC 7 factor assessment model is run with one set of instrumental factors at a time and the

results are compared to identify which factors have the greatest influence on which centres. Table 13 shows the top ten ranked centres in each sub-index (the figures in brackets show how the centre has moved in the sub-index rankings compared with GFCI 6):

**Table 13**

Sub-Indices by Areas of Competitiveness (Changes from GFCI 6 in brackets)

Rank	People	Business Environment	Market Access	Infrastructure	General Competitiveness
1	New York ▲ (+1)	New York ▲ (+1)	London ► (-)	New York ▲ (+1)	London ► (-)
2	London ▼ (-1)	London ▼ (-1)	New York ► (-)	London ▼ (-1)	New York ► (-)
3	Singapore ▲ (+1)	Hong Kong ► (-)	Hong Kong ► (-)	Hong Kong ► (-)	Hong Kong ► (-)
4	Hong Kong ▼ (-1)	Singapore ► (-)	Singapore ► (-)	Singapore ► (-)	Singapore ► (-)
5	Tokyo ► (-)	Chicago ► (-)	Tokyo ▲ (+2)	Chicago ▲ (+2)	Tokyo ▲ (+2)
6	Toronto ▲ (+3)	Tokyo ▲ (+3)	Zurich ► (-)	Tokyo ▼ (-1)	Zurich ► (-)
7	Chicago ▲ (+3)	Zurich ▼ (-1)	Shanghai ▲ (+19)	Zurich ▼ (-1)	Chicago ▼ (-2)
8	Sydney ▼ (-2)	Sydney ► (-)	Chicago ▼ (-3)	Sydney ▲ (+3)	Shanghai ▲ (+12)
9	Zurich ▼ (-2)	Geneva ▼ (-2)	Geneva ▲ (+1)	Toronto ▲ (+3)	Geneva ▼ (-1)
10	Shanghai ▲ (+7)	Toronto ▲ (+5)	Frankfurt ▼ (-2)	Shanghai ▲ (+23)	Shenzhen ▲ (+9)

London, which has led the field across these aspects for previous editions of GFCI, has here been overtaken by New York in three areas of competitiveness: People, Business Environment, and Infrastructure. Hong Kong and Singapore remain in 3rd and 4th place throughout although Singapore moves ahead of Hong Kong into 3rd place in the People sub-index.

Most of the sub-indices are fairly closely correlated to the main GFC 7 ranks. Shanghai, 11th in the overall rankings, has here climbed into the top 10 in all but one of the areas (Business Environment) and has made substantial gains since GFCI 6. Toronto, 12th overall, makes three appearances in the top ten here.

Shenzhen, 9th overall, reveals significant differences in performance across the areas of competitiveness. Shenzhen has gained nine places to enter the top ten in

the General Competitiveness category, but does not feature in the top ten for the other sub-indices, ranking 12th in the People sub-index, 13th in Business Environment, 17th in Market Access and 20th in Infrastructure, all of which are substantial improvements on GFCI 6; this suggests that its ratings are volatile and susceptible to changes in instrumental factors.

## Reputation

The reputation of a financial centre is another indicator of potential success. In the GFCI model, one way to look at this is to examine the difference between the average assessment given to a centre and its overall rating (the average assessment adjusted to reflect the instrumental factors). If a centre has a

higher average assessment than the GFC 7 rating this indicates that respondents' perceptions of a centre are more favourable than the quantitative data-based measures alone would suggest. Table 14 shows the 20 centres with the highest difference between average assessment and GFCI rating:

City	Average Weighted* Assessment	GFC 7 Rating	Difference
Shenzhen	733	670	63
Shanghai	723	668	55
Hong Kong	786	739	47
Isle of Man	661	618	43
New York	812	775	37
Singapore	769	733	36
Beijing	684	651	33
London	807	775	32
Jersey	674	643	31
Seoul	645	615	30
Guernsey	660	632	28
Zurich	700	677	23
Tokyo	714	692	22
Chicago	698	678	20
Sydney	690	670	20
Toronto	686	667	19
Frankfurt	675	660	15
San Francisco	665	651	14
Geneva	683	671	12
Boston	664	652	12

\* weighted by how recently they were given to be directly comparable with the GFCI

It is notable that six of the top ten centres by this measure are Asian. This would help explain the strong performance of Asia in GFC 7. However, it should be stressed that in the case of Beijing, Shanghai and Shenzhen, a large number of favourable assessments came from other Asian centres rather than from a 'worldwide' financial services community. Three of the top 11 centres by this measure are offshore centres – although similarly, a sizeable proportion of their assessments come from other offshore centres.

# Summary & Conclusions

This edition of GFC has adopted a new approach to investigating the competitiveness of different centres, combining the well-established ratings system with a new set of profiles that look at how well connected different centres are, and the breadth and depth of the financial services that they provide. This has enabled a more sophisticated discussion of the underpinnings of competitiveness for different types of centres, particularly important in a global financial environment that continues to be extremely volatile.

Overall, of the 75 centres rated in GFC 7, 71 centres have received higher scores and only four have decreased since the last report. GFCI 6 demonstrated that whilst the financial crisis had created uncertainty and a significant reduction in confidence, the assessments had begun to recover. GFC 7 demonstrates a more robust return of confidence.

For the first time in the GFCI, London and New York are equal first, both with 775 points on a scale of 1 to 1,000. In GFCI 6, London was 16 points ahead but experienced a fall of 15 points in the current ratings. This shift is also reflected by changes in position in the sub-indices, with New York leading the field amongst the Banking and Government & Regulatory respondents, and London dropping to third in the ratings from the Insurance respondents. New York has also overtaken London in three of the sub-indices of areas of competitiveness: People, Business Environment and Infrastructure.

London and New York still lead the ratings, although the gap between them and the third placed centre, Hong Kong, continues to diminish, from 81 points a year ago and 45 points six months ago to just 36 points now. With Singapore, in fourth place by a mere six points, these four centres continue to show stable long term competitiveness as world-leading in the rankings.

The profiles approach used in this report offers another way to classify centres, with centres being assigned to a profile on the basis of their connectivity, and depth and breadth of financial services based there. Here, eight centres are considered to be global leaders: London, New York, Hong Kong and Singapore, as in the ratings, and also Chicago, Zurich, Toronto and Frankfurt. This approach also allows a more sophisticated look at both leading and emerging centres than possible from the ratings alone. Tokyo, for example, (fifth overall) showing a strong performance in terms of its services but with the potential to benefit from improving its connections globally, and emerging centres such as Shanghai, Beijing, Dubai and Moscow showing that they have the connectivity to succeed but lack the necessary specific sectoral strengths to fulfill their potential as yet.

A notable story in GFCI 6 was the rise of the Asian centres, with all of them showing a marked increase in scores. This strong performance has continued in GFC 7, with all centres apart from Shenzhen showing a further increase in scores. Particularly notable are the rise of Tokyo into fifth place and the substantial points increases for Beijing and Seoul. Whilst Shenzhen has fallen by 25 points, it remains in the top ten, in 9th place, although lacking the connectivity that puts Beijing and Shanghai in the 'global' set of profiles.

The GFCI questionnaire asks respondents which financial centres they believe are suffering most as a result of the current financial crisis: the responses indicate that New York, London and Dubai are perceived to have been impacted on the most, with 110, 89 and 51 mentions respectively.

The main concerns voiced about New York were with regard to the potential for new regulatory arrangements to be damaging to competitiveness. London's greatest

challenges were likewise perceived to be the fear of a regulatory backlash and the levels of corporate and personal taxation that may drive high earners abroad. The loss of skilled personnel to the industry is a concern of respondents in all the leading centres and the most commonly identified risks posed by the financial crisis in general are a regulatory 'kneejerk' reaction, followed by credit risk and then a more general recession.

Clearly the Business Environment is viewed as the key area of competitiveness - it is mentioned in responses more often than People and Infrastructure combined. This is a reflection of the regulatory reaction to the financial crisis but also reflects concerns over taxation. One of the themes that emerges from the respondents is the need for predictability and stability of regulation.

The GFCI has previously highlighted the need for centres to be connected and co-operative; this is more important than ever in times of great uncertainty and financial instability. The new profiles approach adopted in this edition reflects the importance of this, and allows for new dimensions of competitiveness to be considered as part of the global financial infrastructure.

## Respondent's Details

<b>Table 15</b>			
Respondents by Industry Sector		<b>Number and % of Responses</b>	
<b>Sector</b>			
Banking		502	29.7%
Asset Management		292	17.3%
Insurance		311	18.4%
Professional Services		186	11.0%
Regulatory & Government		85	5.0%
Other		314	18.6%
<b>TOTAL</b>		<b>1,690</b>	<b>100.0%</b>

<b>Table 16</b>			
Respondents by Size of Organisation		<b>Number and % of Responses</b>	
<b>Number of Employees Worldwide</b>			
Fewer than 100		436	25.8%
100 to 500		229	13.6%
500 to 1,000		127	7.5%
1,000 to 2,000		96	5.7%
2,000 to 5,000		166	9.8%
More than 5,000		534	31.6%
Unspecified		102	6.0%
<b>TOTAL</b>		<b>1,690</b>	<b>100.0%</b>

<b>Table 17</b>					
Respondents by Location		<b>Total Number and % of Responses</b>		<b>Number and % of New Responses</b>	
<b>Location</b>					
Europe		521	31%	78	15%
North America		133	8%	24	5%
Asia		578	34%	226	45%
Offshore		449	27%	178	35%
Multiple or Other		9	1%	1	0%
<b>TOTAL</b>		<b>1,690</b>	<b>100%</b>	<b>507</b>	<b>100%</b>

## Instrumental Factors

Table 18 shows how closely instrumental factor rankings correlate with the GFC 7 rankings for the top 20 instrumental factors:

<b>Table 18</b> Top 20 Instrumental Factors by correlation with GFCI 7	<b>Instrumental Factor</b>	<b>R<sup>2</sup> with GFCI 7</b>
	Lifestyle Assets	0.685
	Mastercard Centres of Commerce Index	0.595
	World Competitiveness Scoreboard	0.526
	Global Competitiveness Index	0.480
	Intellectual Capital	0.442
	RPI (% change on year ago)	0.393
	Credit Ratings	0.379
	City Brands Index	0.371
	Capital Access Index	0.360
	Quality of Roads	0.351
	Banking Industry Country Risk Assessments	0.350
	Global Cities Index	0.346
	JLL Direct Real Estate Transaction Volumes	0.342
	Business Environment	0.316
	Capitalisation of Stock Exchanges	0.315
	The Access Opportunities Index - Business	0.307
	The World's Most Innovative Countries	0.306
	Economic Freedom of the World	0.282
	Number of International Fairs and Exhibitions	0.277
	Airport Satisfaction	0.261

It is interesting to see that the broader measures of competitiveness seem to act as good indicators for financial centre competitiveness. The ten most highly correlated instrumental factors are all broad measures of competitiveness rather than being specific to financial services.

This indicates that cities that are successful at most things are likely to be very competitive financial centres. A full list of instrumental factors is shown opposite, with ● meaning that the factor has been updated since GFCI 6:

**Table 19**  
Instrumental Factors

● – This index has been updated since GFCI 6

Instrumental Factor	Source	Website
<b>People</b>		
Intellectual Capital	Price Waterhouse Coopers	<a href="http://www.pwc.com/extweb/pwcpublications.nsf">http://www.pwc.com/extweb/pwcpublications.nsf</a>
Graduates in Social Science		
Business and Law	World Bank	<a href="http://www.worldbank.org/education">www.worldbank.org/education</a>
Gross Tertiary Education Ratio	World Bank	<a href="http://www.worldbank.org/education">www.worldbank.org/education</a>
Visa Restrictions Index	Henley & Partners	<a href="http://www.henleyglobal.com/citizenship/visa-restrictions/">http://www.henleyglobal.com/citizenship/visa-restrictions/</a>
● Human Development Index	UN Development Programme	<a href="http://hdr.undp.org">http://hdr.undp.org</a>
Quality of Living Survey	Mercer HR	<a href="http://www.mercerhr.com">www.mercerhr.com</a>
Personal Safety Index	Mercer HR	<a href="http://www.mercerhr.com">www.mercerhr.com</a>
International Crime Victims Survey	UN Office of Drugs and Crime	<a href="http://rechten.uvt.nl/icvs/news.htm#The_2009_ICVS">http://rechten.uvt.nl/icvs/news.htm#The_2009_ICVS</a>
Lifestyle Assets	Price Waterhouse Cooper	<a href="http://www.pwc.com/extweb/pwcpublications.nsf">http://www.pwc.com/extweb/pwcpublications.nsf</a>
World's Top Tourism Destinations	Euromonitor Archive	<a href="http://www.euromonitor.org">www.euromonitor.org</a>
Number of World Heritage Sites	World Economic Forum	<a href="http://www.weforum.org/en/initiatives/gcp/TravelandTourismReport">http://www.weforum.org/en/initiatives/gcp/TravelandTourismReport</a>
Average Days with Precipitation per Year	Sperling's BestPlaces	<a href="http://www.bestplaces.net">www.bestplaces.net</a>
<b>Business environment</b>		
● Business Environment	EIU	<a href="http://www.economist.com/markets/rankings">www.economist.com/markets/rankings</a>
● Ease of Doing Business Index	The World Bank	<a href="http://www.doingbusiness.org/economyrankings">www.doingbusiness.org/economyrankings</a>
● Operational Risk Rating	EIU	
Global Services Location Index	AT Kearney	<a href="http://www.atkearney.com">www.atkearney.com</a>
Opacity Index	Milken Institute	<a href="http://www.milkeninstitute.org/publications">www.milkeninstitute.org/publications</a>
● Corruption Perceptions Index	Transparency International	<a href="http://www.transparency.org/publications">www.transparency.org/publications</a>
● Wage Comparison Index	UBS	<a href="http://www.ubs.com">www.ubs.com</a>
Corporate Tax Rates	Price Waterhouse Coopers	n/a
Employee Effective Tax Rates	Price Waterhouse Coopers	n/a
Personal Tax Rates	OECD	<a href="http://www.oecd.org">www.oecd.org</a>
● Total Tax Receipts (as % of GDP)	OECD	<a href="http://oberon.sourceoecd.org">http://oberon.sourceoecd.org</a>
● Bilateral Tax Information		
Exchange Agreements	OECD	<a href="http://www.oecd.org">http://www.oecd.org</a>
Index of Economic Freedom	Heritage Foundation	<a href="http://www.heritage.org/index/countries.cfm">www.heritage.org/index/countries.cfm</a>
● Economic Freedom of the World	Fraser Institute	<a href="http://www.freetheworld.com/release.html">www.freetheworld.com/release.html</a>
● Banking Industry Country		
Risk Assessments	Standard & Poor	<a href="http://www2.standardandpoors.com">http://www2.standardandpoors.com</a>
Political Risk Index	Exclusive Analysis Ltd	<a href="http://www.exclusive-analysis.com/">http://www.exclusive-analysis.com/</a>

## Market access

Capital Access Index	Milken Institute	<a href="http://www.milkeninstitute.org/research">www.milkeninstitute.org/research</a>
Master Card Centres of Commerce	Master Card	<a href="http://www.mastercard.com/us/company/en/wcoc/index.html">www.mastercard.com/us/company/en/wcoc/index.html</a>
Access Opportunities Index	SRI International	<a href="http://www.sri.com/news/releases">www.sri.com/news/releases</a>
Securitisation	International Financial Services London	<a href="http://www.ifsl.org.uk">www.ifsl.org.uk</a>
● Capitalisation of Stock Exchanges	World Federation of Stock Exchanges	<a href="http://www.world-exchanges.org">www.world-exchanges.org</a>
● Value of Share Trading	World Federation of Stock Exchanges	<a href="http://www.world-exchanges.org">www.world-exchanges.org</a>
● Volume of Share Trading	World Federation of Stock Exchanges	<a href="http://www.world-exchanges.org">www.world-exchanges.org</a>
● Broad Stock Index Levels	World Federation of Stock Exchanges	<a href="http://www.world-exchanges.org">www.world-exchanges.org</a>
● Value of Bond Trading	World Federation of Stock Exchanges	<a href="http://www.world-exchanges.org">www.world-exchanges.org</a>
● Volume of Stock Options Trading	World Federation of Stock Exchanges	<a href="http://www.world-exchanges.org">www.world-exchanges.org</a>
● Volume of Stock Futures Trading	World Federation of Stock Exchanges	<a href="http://www.world-exchanges.org">www.world-exchanges.org</a>
● Net External Position of Banks	Bank for International Settlements	<a href="http://www.bis.org/statistics/bankstats.htm">http://www.bis.org/statistics/bankstats.htm</a>
● External Position of Central Banks (as % GDP)	Bank for International Settlements	<a href="http://www.bis.org/statistics/bankstats.htm">http://www.bis.org/statistics/bankstats.htm</a>
Global Credit Rankings	Institutional Investor Magazine	<a href="http://www.iimagazinerankings.com/rankingsRankCCMaGlobal09/globalRanking.asp">http://www.iimagazinerankings.com/rankingsRankCCMaGlobal09/globalRanking.asp</a>

## Infrastructure

● Office Occupancy Costs	CBRE	<a href="http://www.cbre.com/EN/Research/Global+Reports/">http://www.cbre.com/EN/Research/Global+Reports/</a>
Office Space Across the World	Cushman & Wakefield	<a href="http://www.cushwake.com/cwglobal">www.cushwake.com/cwglobal</a>
Direct Real Estate Volumes	Jones Lang LaSalle	<a href="http://www.joneslanglasalle.co.uk">www.joneslanglasalle.co.uk</a>
Real Estate Transparency Index	Jones Lang LaSalle	<a href="http://www.joneslanglasalle.co.uk">www.joneslanglasalle.co.uk</a>
E-Readiness Ranking	EIU	<a href="http://www.economist.com/markets/rankings">www.economist.com/markets/rankings</a>
Transportation & Infrastructure Assets	Price Waterhouse Coopers	<a href="http://www.pwc.com/extweb/pwcpublishations.nsf">http://www.pwc.com/extweb/pwcpublishations.nsf</a>
City Infrastructure	Mercer HR	<a href="http://www.mercer.com/qualityofliving">http://www.mercer.com/qualityofliving</a>
● Airport Satisfaction	Skytraxx	<a href="http://www.airlinequality.com/AirportRanking/ranking-intro.htm">www.airlinequality.com/AirportRanking/ranking-intro.htm</a>
Quality of Ground Transport Network	World Economic Forum	<a href="http://www.weforum.org/en/initiatives/gcp/TravelandTourismReport">http://www.weforum.org/en/initiatives/gcp/TravelandTourismReport</a>
Quality of Roads	World Economic Forum	<a href="http://www.weforum.org/en/initiatives/gcp/TravelandTourismReport">http://www.weforum.org/en/initiatives/gcp/TravelandTourismReport</a>

## General competitiveness

World Competitiveness Scoreboard	IMD	<a href="http://www.imd.ch/research">www.imd.ch/research</a>
● Global Competitiveness Index	World Economic Forum	<a href="http://www.weforum.org">www.weforum.org</a>
Global Business Confidence	Grant Thornton	<a href="http://www.grantthorntonibos.com">www.grantthorntonibos.com</a>
● Foreign Direct Investment Inflows	UNCTAD	<a href="http://www.unctad.org">http://www.unctad.org</a>
The World's Most Innovative Countries	EIU	<a href="http://www.economist.com/markets/rankings/displaystory.cfm?story_id=1356233">http://www.economist.com/markets/rankings/displaystory.cfm?story_id=1356233</a>
Global Intellectual Property Index	Taylor Wessing	<a href="http://www.taylorwessing.com/ipindex/">http://www.taylorwessing.com/ipindex/</a>
● Retail Price Index	Economist	<a href="http://www.economist.com/markets/indicators">www.economist.com/markets/indicators</a>
Cost of Living Survey	Mercer HR	<a href="http://www.mercerhr.com">www.mercerhr.com</a>
City Brands Index	Anholt	<a href="http://www.simonanholt.com">www.simonanholt.com</a>
Global Cities Index	AT Kearney	<a href="http://www.foreignpolicy.com/story/cms.php?story_id=4509">http://www.foreignpolicy.com/story/cms.php?story_id=4509</a>
Number of International Fairs & Exhibitions	World Economic Forum	<a href="http://www.weforum.org/en/initiatives/gcp/TravelandTourismReport">http://www.weforum.org/en/initiatives/gcp/TravelandTourismReport</a>
City Population Density	City Mayors Statistics	<a href="http://www.citymayors.com/statistics/largest-cities-density-125.html">http://www.citymayors.com/statistics/largest-cities-density-125.html</a>