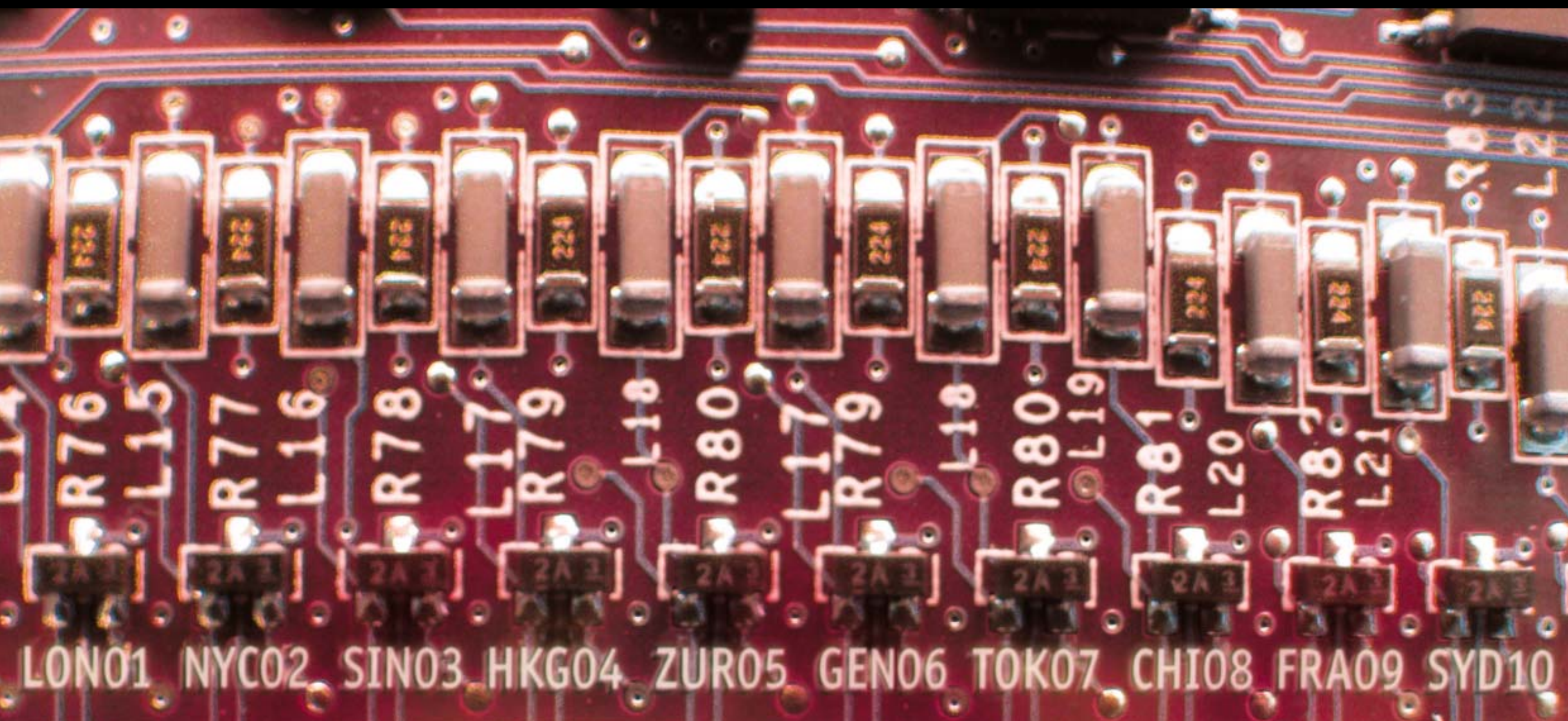
September 2008

THE GLOBAL FINANCIAL CENTRES INDEX 4



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The Global Financial Centres Index (GFCI) is updated every six months in March and September. This report is the fourth edition and takes a more concise form than previous editions; additional supporting material can be found online at www.cityoflondon.gov.uk/GFCI. A full report, with in-depth analysis and a more detailed discussion of competitive dynamics, will be published in March 2009.

Please participate in the GFCI by rating the financial centres you are familiar with at: www.cityoflondon.gov.uk/GFCI

September 2008

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The Global Financial Centres Index

September 2008

Background & Introduction

The City of London's Global Financial Centres Index (GFCI) was first produced by the Z/Yen Group for the City of London in March 2007. It rated and ranked each major financial centre in the world in terms of competitiveness. Since then, 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.

This edition of GFCI (GFCI 4) provides ratings and rankings for 59 financial centres calculated by a 'factor assessment model'. This combines instrumental factors (external indices) with assessments of financial centres from responses to an online questionnaire:

- **Instrumental factors:** Objective evidence of competitiveness is provided by a wide variety of comparable sources. For example, evidence about the infrastructure competitiveness of a financial centre is drawn from a survey of property and an index of occupancy costs. Evidence about a fair and just business environment is drawn from a corruption perception index and an opacity index. 57 instrumental factors are used in the GFCI 4 model (see page 12). Of these, 23 have been updated since GFCI 3 and nine are new to the GFCI model. These nine additions include a measure of foreign direct investment, a new cost of living rating, a personal safety score and a measure of tertiary graduation ratios. Not all financial centres are represented in all the external sources, and the statistical model takes account of these gaps.
- **Financial centre assessments:** Responses to a comprehensive ongoing online questionnaire completed by international financial services professionals (who assess financial centres with which they are personally familiar). The online questionnaire runs continuously to keep the GFCI up-to-date with people's changing assessments. Since GFCI 3, 410 additional respondents have filled in the online questionnaire, thereby providing 6,096 new assessments from financial services professionals across the world. A total of 24,014 financial centre assessments from 1,406 financial services professionals are used to compute GFCI 4.

The instrumental factors and financial centre assessments are combined using statistical techniques to build a predictive model of financial centre competitiveness using support vector machine mathematics. The predictive model is used to answer questions such as:

> *"If an investment banker gives Singapore and Sydney certain assessments, then, based on the instrumental factors for Singapore, Sydney and Paris, how would that person assess Paris?"*

Full details of the methodology behind the GFCI can be found at www.cityoflondon.gov.uk/GFCI. The 59 financial centres rated in GFCI 4 are shown on page eight.

The Top Ten Financial Centres

London and New York still lead the field and continue to be the only two truly 'global' financial centres. London still has a small lead over New York (this has risen to 17 points up from 9 points in GFCI 3).

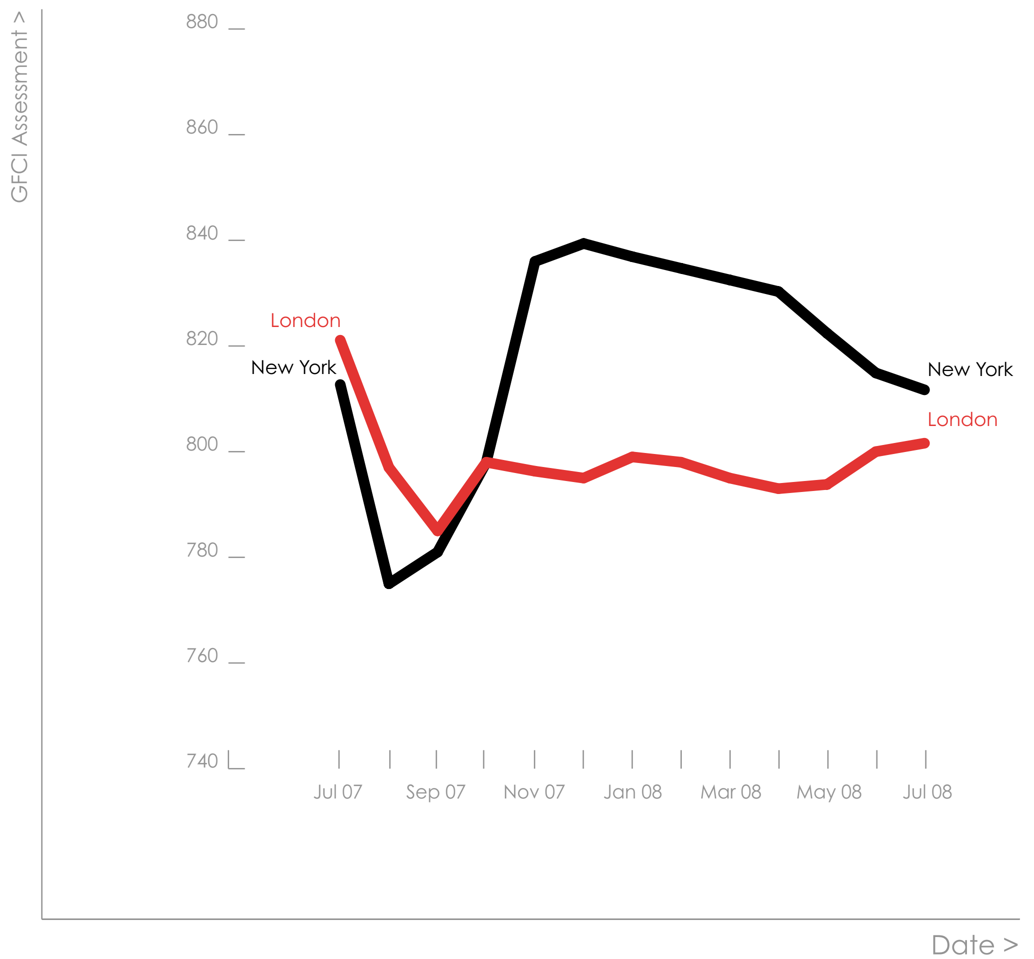
London remains in the lead in all five areas of competitiveness and also leads in four of the five industry sub-indices. It is striking that New York now leads London in the sub-index based on responses from people working in the Government & Regulatory sector.

Shown in Chart 1 are three month rolling averages of all assessments given to the two centres in the GFCI online questionnaire between June 2007 and July 2008.

Both cities suffered in August 2007, almost certainly due to the 'credit crunch'. This crisis had its roots in the USA with the sub-prime mortgage crisis and the damage caused by write-downs of the associated securitised debt derivatives. It appears, however, that London has suffered more lasting reputational damage to its regulatory environment than New York.

Whilst New York's assessments recovered fairly quickly (and had overtaken London's by November), London's recovery has been far slower. The recovery in confidence in London's competitiveness has been slowed by the collapse and subsequent handling of Northern Rock. The Northern Rock affair received very extensive press coverage in

Chart 1
Average of All Assessments for London & New York



the UK and this has undoubtedly affected perceptions about possible gaps and other failings in regulatory oversight. A respondent to the GFCI questionnaire said:

> *"So we all thought we were doing so well and had a great regulatory set-up! The damage to our reputation done by Northern Rock will take years to repair".*
> A senior London-based investment banker

It is also likely that London's perceived competitiveness over the past six months has been adversely affected by the proposed tax treatment of non-domiciled residents of the UK:

> *"HM Treasury is in serious danger of killing the goose that is laying lots of golden eggs at the moment".*
> London-based commercial banking director

Another aspect of the crisis in financial markets is that it appears to have had a greater effect for the two global financial centres than for other financial centres. London and New York have both suffered declines in their ratings since GFCI 3 whilst other leading centres have experienced gains. In previous editions of the GFCI the gap between London and New York, and the third place centre was approximately 90 points. In GFCI 4 this gap has decreased to 73.

Two other cities that have suffered falls in their GFCI ratings are Frankfurt (down from 6th place in GFCI 3 to 9th in GFCI 4) and Paris (down from 14th to 20th). London's lead as a broad based financial centre in Europe certainly seems to have been consolidated. The two other European centres that continue to thrive and grow in importance are the niche centres of Zurich and Geneva. Zurich remains in 5th place in the GFCI and Geneva has climbed one place into 6th.

In Asia, Singapore has now caught up with Hong Kong and moved into 3rd place, albeit by only one point. As one respondent to the GFCI survey puts it:

> *"I think that the combination of Singapore and Hong Kong makes a third global financial centre to challenge New York and London".*
> New York-based hedge fund manager

Singapore is just ahead of Hong Kong in the Banking, Insurance and Government & Regulatory sub-indices and is also ahead in the Business Environment sub-index. Tokyo, in 7th place, (up from 9th in GFCI 3) is slowly gaining ground despite continuing regulatory problems:

> *"London & here on Wall Street remain the best places to do business at the moment but competition from the Middle East and South East Asia is growing rapidly. Every time I visit Singapore it reminds me that we cannot take our position for granted".*
> Frankfurt-based investment banker

A summary of the top ten financial centres in GFCI 4 is given in Table 1.

Table 1
The Top Ten GFCI Centres

London	1(1)	791(795)	London remains in top place and has extended its lead over New York to 17 points from 9 points in GFCI 3. The credit crunch that led to the Northern Rock crisis, which was perceived to expose a 'gap' in regulatory oversight, still affects the reputation of London. London remains in the top quartile of nearly all instrumental factors, however, and leads all industry sector sub-indices (page 7) with the exception of respondents from the Government & Regulatory sector, where London comes 2nd to New York. London leads in all areas of competitiveness (page 11). Taxation and transport infrastructure are still raised as concerns.
New York	2(2)	774(786)	New York has dropped 12 points since GFCI 3, mainly due to the reputational damage suffered as a result of the credit crunch and the failure of Bear Stearns. New York, however, remains in the top quartile in over 80% of its instrumental factors and for the first time, respondents from the Government & Regulatory sectors rated it more highly than London. New York remains strong in all other sectors.
Singapore	3(4)	701(675)	Singapore has risen by 26 points – more than any other top 20 centre - to overtake Hong Kong. It is now only 73 points behind New York (it was 111 points behind in GFCI 3). It is in 3rd or 4th place in all industry sector sub-indices and in all areas of competitiveness.
Hong Kong	4(3)	700(695)	Hong Kong continues to thrive, despite being caught up by Singapore. It is in 3rd or 4th place in all industry sector sub-indices except insurance and in all areas of competitiveness. The credit crisis appears to be hitting the Asian centres less hard than London and New York.
Zurich	5(5)	676(665)	Zurich remains the strongest niche centre in GFCI 4. Private banking and asset management are its key areas of expertise but it also performs very well in the insurance sector. It performs well in all the key areas of competitiveness.
Geneva	6(7)	645(640)	Geneva has climbed to 6th place in GFCI 4 and is now above Frankfurt. Similar to Zurich in a number of respects, Geneva rates very highly in private banking and asset management but is still behind Zurich in all key areas of competitiveness and well behind in the infrastructure and market access sub-indices.
Tokyo	7(9)	642(628)	Tokyo has overtaken Chicago and Frankfurt to move into 7th place. It has increased more in the GFCI ratings than any other top ten centre except Singapore. The Japanese economy continues to perform well, and Tokyo has the second highest stock market capitalisation in the world. These two features offset long-term regulatory difficulties and poor access to international financial personnel.
Chicago	8(8)	641(637)	Chicago is again in 8th place and remains the clear second USA centre behind New York, well ahead of Boston. Chicago performs well in the Banking and Government & Regulatory sub-indices and is seen as strong in the key areas of competitiveness of People, Market Access and Business Environment.
Frankfurt	9(6)	636(642)	Frankfurt has fallen three places to 9th in the GFCI 4 ranks. It has only lost six points in the ratings, however, and remains a strong European financial centre, again rating highly in the Banking and Professional Services sub-indices.
Sydney	10(10)	630(621)	Sydney remains in 10th place in GFCI 4, and has gained nine points in the ratings. Sydney is highly ranked in the Banking and Professional Services sub-indices and continues to be a key regional hub in the Asia-Pacific region. In the key areas of competitiveness, Sydney is strong in the Business Environment, Infrastructure and General Competitiveness sub-indices. Despite its geographic isolation, it has advantages in the English language markets, and continues to offer a high quality of life.

* GFCI 3 ranks and ratings are given in brackets. The theoretical maximum GFCI rating is 1,000.

Changes in GFCI 4

This latest version of GFCI shows that of the 59 centres rated, 25 centres have risen in the rankings, 22 have fallen and 12 remain unchanged. Although there are 68 centres included in the GFCI questionnaire, nine of these did not receive a sufficient number of assessments to be rated (see Table 7).

The financial centres that have risen most in GFCI 4 are Seoul (the largest individual move of 47 points), Copenhagen, Oslo, Qatar, Munich and Vancouver. Of these centres, the last four were identified in GFCI 3 as financial centres with volatile ratings – those that were most likely to increase or decrease rapidly.

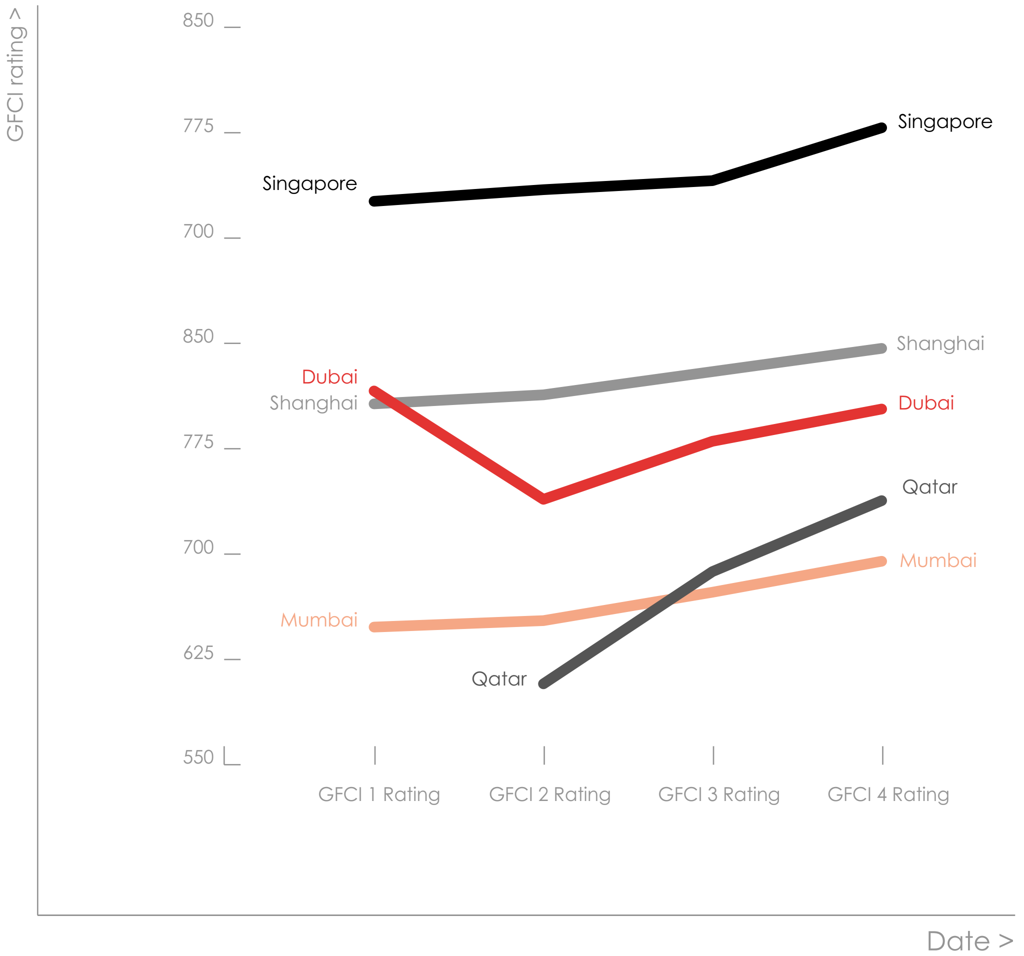
The GFCI questionnaire asks which centres are likely to become more significant in the next few years. Asia is where people expect the main challenges to the leading centres to come from.

Table 2
Centres Likely to Become More Significant

Financial Centre	Number of times mentioned
Dubai	22
Singapore	10
Shanghai	8
Mumbai	8
Qatar	7
Bahrain	6

Chart 2 below confirms that these centres are making steady progress in the GFCI ratings.

Chart 2
Progress of Centres Likely to Become More Significant



Similarly, the GFCI questionnaire asks in which centres the respondents' organisations are most likely to open offices in over the next few years:

Table 3
Centres Where New Offices are Most Likely to be Opened

Financial Centre	Number of times mentioned
Dubai	14
Geneva	10
New York	8
Mumbai	8
London	8

Dubai continues to generate a great deal of comment and many respondents see the recently created centre as having huge future potential. One comment from a survey respondent is representative:

> *"Just watch out for Dubai over the next five years – huge amounts of capital and a real willingness to do what it takes to become a global centre".*
> New York-based asset manager

It seems that the rise in importance of Dubai has meant that other Middle Eastern centres (particularly Qatar and Bahrain) are also gaining a higher profile.

Other centres in the top 20 that showed strong increases in their ratings are Toronto and the three niche centres of Jersey, Luxembourg and Guernsey. The offshore and niche centres continue to grow in importance - nine of the GFCI top 25 centres are niche centres. They are typically low tax environments which specialise in private banking, asset management and wealth management. It is notable that the tax environment is now being mentioned as a crucial area of competitiveness by a greater proportion of respondents to the GFCI questionnaire.

There are other reasons why relatively small financial centres are very competitive. Speed of decision making and a coherent regulatory regime are increasingly seen as important:

> *"What makes a small community, such as the Isle of Man, competitive is our ability to respond rapidly, yet in a joined up way, among business, government and regulation."*
> The Honourable Allan Bell MHK – Treasury Minister on the Isle of Man

The Regulatory Environment (which includes taxation) is still seen as the single most important factor in a centre's competitiveness; People factors and Infrastructure are also vital.

A theme that seems to be growing in importance is the quality of life offered by financial centres. It is notable that centres that score well in quality of life measures seem to be doing well in the GFCI. Geneva, Sydney, Toronto, the Cayman Islands and Vancouver are all amongst centres that are viewed as being good places to live:

> *"Early in my career I had to be close to the markets and spent most of my time in New York. Advances in technology now mean that I can manage my business from anywhere. I can move around the world and I now spend most of my time in Sydney, Vancouver and Cape Town".*
> Global asset manager

Industry Sectors

GFCI 4 provides industry sector sub-indices for the Banking, Asset Management, Insurance, Professional Services and Government & Regulatory sectors. These indices are created by building the GFCI statistical model using only the questionnaire responses from respondents working in the relevant industry sectors. That is, these indices reflect the occupational sector of the respondent rather than, for example, different aspects of competitiveness. As might be expected of the two global financial centres, London and New York retain 1st and 2nd places in all sector-specific indices.

In terms of how the top ten positions in these sub-indices relate to the overall GFCI positions, the Banking respondents sub-index reflects the main GFCI index most closely. None of the top five centres change positions, Chicago jumps up two places and Tokyo falls three places.

In the Asset Management respondents sub-index, asset management specialist centres such as Jersey, Guernsey, Edinburgh and Dublin all move up the rankings compared with the main GFCI.

New York is ahead of London in the Government & Regulatory respondents sub-index – the only sub-index where London is not in first place. Dubai and Paris both perform well and Toronto is the top ten in this sub-index.

The Insurance sub-index shows some interesting movements – Zurich is up into 3rd place, whilst Munich and Hamilton, both strong insurance centres, are in the top ten.

The Professional Services respondents sub-index reflects the main GFCI index fairly closely although the Channel Islands and the German centres (Frankfurt and Munich) are all higher in the sub-index than in the main GFCI.

Table 4 below shows the top 10 ranked financial centres in the industry sector sub-indices. The figures in brackets show how the centre has moved in these sub-indices since GFCI 3.

Most of these sub-indices are fairly stable. It is notable that Guernsey has risen in the Asset Management respondents sub-index since GFCI 3. In the Government & Regulatory respondents sub-index, New York has overtaken London whilst Tokyo has risen by seven places to 8th.

In the Professional Services respondents sub-index, Sydney has risen four places into 8th position ahead of Geneva and Chicago.

Table 4
Industry Sector Sub-Indices – Changes since GFCI 3

Rank	Asset Management Respondents	Banking Respondents	Government & Regulatory Respondents	Insurance Respondents	Professional Services Respondents
1	London ► (-)	London ▲ (+1)	New York ▲ (+1)	London ► (-)	London ► (-)
2	New York ► (-)	New York ▼ (-1)	London ▼ (-1)	New York ► (-)	New York ► (-)
3	Hong Kong ► (-)	Singapore ► (-)	Singapore ▲ (+1)	Zurich ► (-)	Hong Kong ► (-)
4	Singapore ► (-)	Hong Kong ▼ (-1)	Hong Kong ▼ (-1)	Singapore ▲ (+1)	Singapore ▲ (+2)
5	Zurich ► (-)	Zurich ► (-)	Chicagov► (-)	Hong Kong ▼ (-1)	Zurich ► (-)
6	Jersey ► (-)	Chicago ► (-)	Zurich ► (-)	Tokyo ► (-)	Jersey ▲ (+1)
7	Guernsey ▲ (+4)	Geneva ▲ (+2)	Paris ► (-)	Munich ▲ (+3)	Guernsey ▲ (+1)
8	Geneva ▼ (-1)	Frankfurt ▼ (-1)	Tokyo ▲ (+7)	Dublin ▼ (-1)	Sydney ▲ (+4)
9	Edinburgh ▼ (-1)	Sydney ▼ (-1)	Toronto ► (-)	Hamilton ► (-)	Geneva ▲ (+1)
10	Dublin ► (-)	Tokyo ► (-)	Boston ► (-)	Frankfurt ▼ (-2)	Chicago ▼ (-1)

Financial Centre	GFCI 4 Rank	Change in Rank since GFCI 3	GFCI 4 Rating	Change in Rating since GFCI 3
London	1	► 0	791	▼ -4
New York	2	► 0	774	▼ -12
Singapore	3	▲ 1	701	▲ 26
Hong Kong	4	▼ -1	700	▲ 5
Zurich	5	► 0	676	▲ 11
Geneva	6	▲ 1	645	▲ 5
Tokyo	7	▲ 2	642	▲ 14
Chicago	8	► 0	641	▲ 4
Frankfurt	9	▼ -3	636	▼ -6
Sydney	10	► 0	630	▲ 9
Boston	11	► 0	625	▲ 7
Toronto	12	▲ 3	624	▲ 14
Dublin	13	► 0	622	▲ 9
Jersey	14	▲ 2	622	▲ 15
Luxembourg	15	▲ 2	622	▲ 17
Guernsey	16	▲ 3	622	▲ 19
San Francisco	17	▼ -5	620	▲ 6
Edinburgh	18	► 0	614	▲ 10
Isle of Man	19	▲ 2	611	▲ 14
Paris	20	▼ -6	607	▼ -5
Cayman Islands	21	▲ 4	602	▲ 27
Washington D.C.	22	▼ -2	600	▲ 3
Dubai	23	▲ 1	597	▲ 12
Amsterdam	24	▼ -1	590	▲ 5
Gibraltar	25	▲ 1	589	▲ 15
Hamilton	26	▲ 2	586	▲ 13
Melbourne	27	▲ 2	586	▲ 13
Glasgow	28	▼ -6	586	▼ -6
British Virgin Islands	29	▼ -2	584	▲ 10
Vancouver	30	▲ 3	580	▲ 32
Montreal	31	▼ -1	579	▲ 19
Munich	32	▲ 3	578	▲ 32
Stockholm	33	▼ -1	569	▲ 16
Shanghai	34	▼ -3	568	▲ 14
Bahamas	35	▲ 1	563	▲ 19
Brussels	36	▼ -2	559	▲ 11
Monaco	37	► 0	552	▲ 30
Copenhagen	38	▲ 6	548	▲ 46
Milan	39	▼ -1	541	▲ 21
Helsinki	40	► 0	534	▲ 22
Oslo	41	▲ 4	534	▲ 39
Vienna	42	▲ 1	530	▲ 23
Bahrain	43	▼ -4	529	▲ 15
Johannesburg	44	▼ -3	525	▲ 14
Qatar	45	▲ 2	525	▲ 34
Madrid	46	▼ -4	525	▲ 16
Beijing	47	▼ -1	509	▲ 16
Seoul	48	▲ 3	502	▲ 47
Mumbai	49	▼ -1	497	▲ 16
Osaka	50	► 0	493	▲ 24
Wellington	51	▲ 1	473	▲ 21
Sao Paulo	52	▲ 1	471	▲ 20
Rome	53	▼ -4	467	▼ -4
Prague	54	► 0	444	▲ 7
Lisbon	55	▲ 2	430	▲ 10
Warsaw	56	▼ -1	424	▼ -9
Moscow	57	▼ -1	414	▼ -8
Athens	58	▲ 1	379	▼ -17
Budapest	59	▼ -1	374	▼ -30

Chart 3
The GFCI World

Rising	▲
Static	►
Falling	▼

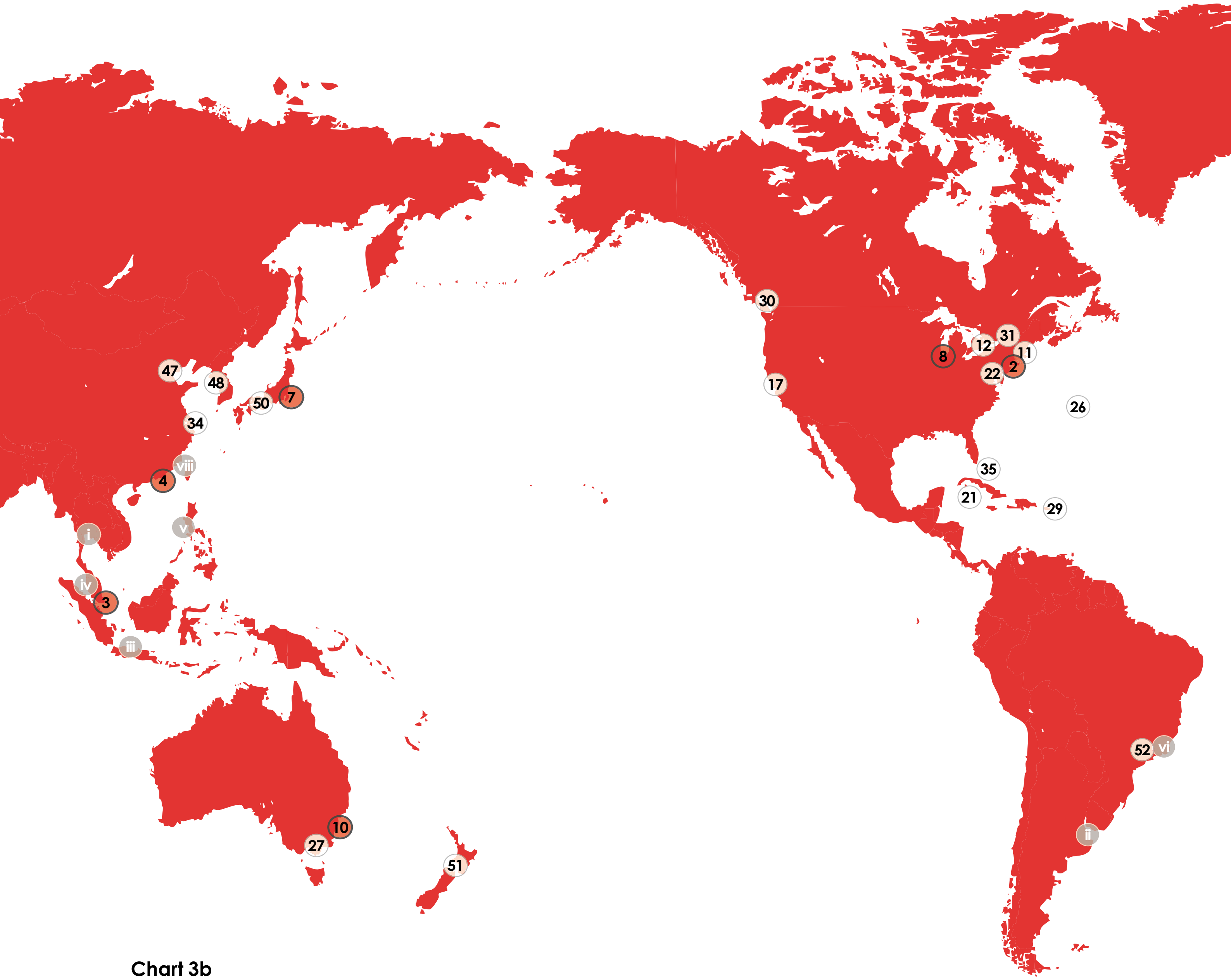


Chart 3b

Additional centres with insufficient number of assessments to be ranked in GFCI 4

Financial Centre		Number of Assessments	Average Assessment	Standard Deviation of Assessments
Bangkok	i	89	572	212
Buenos Aires	ii	19	474	235
Jakarta	iii	47	511	222
Kuala Lumpur	iv	88	600	194
Manila	v	51	447	197
Rio de Janeiro	vi	18	639	243
St. Petersburg	vii	50	462	239
Taipei	viii	74	604	162
Tallinn	ix	57	560	276

The Five Key Areas of Competitiveness

The Instrumental factors used in the GFCI model are grouped in five key areas of competitiveness (People, Business Environment, Market Access, Infrastructure and General Competitiveness). The GFCI questionnaire asks about the most important factors of competitiveness. The number of times that each area was mentioned is summarised in Table 5.

Table 5
Main Areas of Competitiveness

Area of Competitiveness	**Number of mentions by respondents**	**Main concerns raised**
Business Environment	65	Stability of regulation; taxation (especially of non-domicile residents of UK)
People	33	Quality and availability of staff; lifestyle
Infrastructure	19	Transport links and airports
Market Access	12	Cluster of professional advisors; access to international markets
General Competitiveness	8	Reputation and marketing

Clearly the business environment is viewed as a key area by almost twice as many respondents as the second-rated factor. It is actually mentioned in responses more often than People, Infrastructure and Market Access combined. This is clearly a response to the current credit crisis but also reflects concerns over taxation. One of the themes that emerges from the respondents is the importance of predictability and stability of regulation. The financial services community clearly (and understandably) dislikes surprises. One comment sums this up:

> *"Fair and predictable regulatory requirements are the key to London's current dominance in many sectors of the financial industry".*
> UK-based retail banker

The GFCI factor assessment model is run with one set of instrumental factors at a time and the results are compared to identify which factors influence which centres. Most of the resulting sub-indices are fairly closely correlated to the main GFCI. Indeed in the top ten there are very few surprises. This indicates that to be a leading financial centre, strength in all areas is necessary. London is top in all areas, with New York a very close 2nd, whilst Hong Kong and Singapore variously take 3rd and 4th places in the sub-indices.

Table 6 shows the top ten ranked centres in each sub-index (again the figures in brackets show how the centre has moved in the sub-index rankings compared with GFCI 3).

There are few major changes in the rankings since GFCI 3. London and New York remain in 1st and 2nd places respectively in all five sub-indices, whilst Hong Kong and Singapore are in 3rd and 4th places. Singapore has just overtaken Hong Kong in the Business Environment sub-index.

Other changes within the top ten are that Boston and San Francisco both gain three places in the Market Access sub-index, Sydney gains four places in the Infrastructure sub-index and Dublin gains four places in the General Competitiveness sub-index. It is noticeable that Frankfurt has lost ground in all five of these sub-indices since GFCI 3.

Table 6
Sub-Indices by Areas of Competitiveness - Changes since GFCI 3

Ranking	People	Business Environment	Market Access	Infrastructure	General Competitiveness
1	London ► (-)	London ► (-)	London ► (-)	London ► (-)	London ► (-)
2	New York ► (-)	New York ► (-)	New York ► (-)	New York ► (-)	New York ► (-)
3	Hong Kong ► (-)	Singapore ▲ (+2)	Hong Kong ► (-)	Hong Kong ► (-)	Hong Kong ► (-)
4	Singapore ► (-)	Hong Kong ▼ (-1)	Singapore► (-)	Singapore ► (-)	Singapore ► (-)
5	Zurich► (-)	Chicago ▼ (-1)	Zurich ► (-)	Zurich ► (-)	Zurich ► (-)
6	Chicago ▲ (+1)	Zurich ► (-)	Chicago ▲ (+1)	Tokyo ▲ (+1)	Chicago ► (-)
7	Frankfurt ▼ (-1)	Geneva ▲ (+2)	Tokyo ▲ (+1)	Chicago ▲ (+2)	Geneva ▲ (+2)
8	Geneva ► (-)	Sydney ▼ (-1)	Frankfurt ▼ (-2)	Frankfurt ▼ (-2)	Tokyo ▲ (+3)
9	San Francisco ▲ (+1)	Toronto ▲ (+2)	Boston ▲ (+3)	Boston ▲ (+1)	Sydney ▼ (-1)
10	Boston ▲ (+1)	Dublin ► (-)	San Francisco ▲ (+3)	Sydney ▲ (+4)	Dublin ▲ (+4)

Summary & Conclusions

The GFCI 4 model rates 59 financial centres using 57 instrumental factors and 24,014 financial centre assessments from 1,406 financial services professionals. Of the 59 centres, 25 have risen in the rankings, 22 have fallen and 12 remain unchanged since GFCI 3.

London still leads the GFCI rankings in 1st place from New York, though by 17 points rather than by nine points in GFCI 3. This is despite the raw assessments received during the past six months being slightly higher for New York than for London.

GFCI 4 shows that London and New York are still the only two truly global financial centres, both over 70 points ahead of Singapore and Hong Kong (now virtually level in 3rd and 4th places). The financial crisis has had a greater effect for the two global financial centres than for others. Other leading centres have experienced gains in the GFCI ratings whilst London and New York have suffered declines.

GFCI 4 confirms that the main threats to London's competitive position are:

- the perceived gap in regulatory oversight exposed by the collapse and subsequent handling of Northern Rock;
- the perceived lack of predictability and stability of regulation;
- the tax environment; and
- the lack of investment in transport infrastructure.

London, however, remains in the lead in all five areas of competitiveness and also leads in four of the five industry sub-indices. New York leads London in the Government & Regulatory respondents sub-index for the first time.

London's lead as the main banking centre in Europe is consolidated as Frankfurt and Paris have both declined in the ratings, relative to other centres.

Niche centres continue to thrive in GFCI 4 - Zurich remains in 5th place, Geneva has climbed into 6th and other offshore centres continue to grow in importance with Jersey, Luxembourg and Guernsey making strong gains. Offshore centres are typically low tax environments and GFCI 4 shows that taxation is becoming an even more important element of competitiveness than before.

In Asia, Singapore has now overtaken Hong Kong, albeit by only one point, moving into 3rd place in the GFCI. Singapore is now just ahead of Hong Kong in three of the industry sub-indices and is also ahead in the Business Environment sub-index.

Financial centres in the Middle East continue to generate a lot of interest. Dubai is identified most frequently by respondents as the centre likely to become significantly more important in the next few years; Singapore is 2nd in this respect. Dubai is also the centre mentioned most often when respondents are asked where their organisations are most likely to open offices in over the next few years. The rise in importance of Dubai has meant that other Middle Eastern centres (particularly Qatar and Bahrain) are also gaining a higher profile.

The quality of life offered by financial centres seems to be growing in importance for location decisions. Centres that score well in quality of life measures seem to be doing well in GFCI 4. Geneva, Sydney, Toronto, the Cayman Islands and Vancouver are all amongst centres that are viewed as being good places to live.

The financial centres that have risen most in GFCI 4 include Seoul, Oslo, Qatar, Munich and Vancouver – these were identified in GFCI 3 as financial centres with volatile ratings (those that were most likely to change rapidly).

The GFCI model continues to grow and reflects changes in financial centres globally. Additional questionnaire responses and updated instrumental factors will continue to develop the Index over time. Please make your views known by participating in the GFCI by rating the financial centres you are familiar with at: www.cityoflondon.gov.uk/GFCI. GFCI 5 will be published in March 2009.

Other Information from GFCI 4

Table 7
Centres with Insufficient Number of Assessments to be ranked in GFCI

Financial Centre	Number of Assessments	Average Assessment	Standard Deviation of Assessments
Bangkok	89	572	212
Buenos Aires	19	474	235
Jakarta	47	511	222
Kuala Lumpur	88	600	194
Manila	51	447	197
Rio de Janeiro	18	639	243
St. Petersburg	50	462	239
Taipei	74	604	162
Tallinn	57	560	276

Table 8
Respondents by Industry Sector

	Number of Responses	
Banking	318	23%
Asset Management	221	16%
Insurance	112	8%
Professional Services	247	18%
Regulatory & Government	86	6%
Other	422	29%
TOTAL	**1,406**	**100%**

Table 9
Respondents by Size of Organisation

Number of Employees Worldwide	Number of Responses	
Fewer than 100	429	31%
100 to 500	220	16%
500 to 1,000	102	7%
1,000 to 2,000	91	6%
2,000 to 5,000	89	6%
More than 5,000	370	26%
Unspecified	105	8%
TOTAL	**1,406**	**100%**

Table 10
Respondents by Location

Location	Number of Responses	
Europe	738	52%
North America	136	10%
Asia	115	8%
Offshore	296	21%
Multiple or Other	121	9%
TOTAL	**1,406**	**100%**

Table 12
Instrumental Factors

● – This index has been updated since GFCI 3
✱ – This index has been added since GFCI 3

Instrumental Factor	Source	Website
People		
Executive MBA Global Rankings	Financial Times	http://rankings.ft.com/emba-rankings
Graduates in Social Science, Business & Law✱	World Bank	http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTEDUCATION/EXTDATASTATISTICS/EXTEDSTATS/0,,contentMDK:21603536~menuPK:4580850~pagePK:64168445~piPK:64168309~theSitePK:3232764,00.html
Gross Tertiary Education Ratio	World Bank	http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTEDUCATION/EXTDATASTATISTICS/EXTEDSTATS/0,,contentMDK:21603536~menuPK:4580850~pagePK:64168445~piPK:64168309~theSitePK:3232764,00.html
Human Development Index	UN Development Programme	http://hdr.undp.org/
Quality of Living Survey●	Mercer HR	http://www.mercer.com/referencecontent.htm?idContent=1307990
Happiness Scores	New Economics Foundation	http://www.happyplanetindex.org/
Personal Safety Index✱	Mercer HR	http://www.mercer.com/referencecontent.htm?idContent=1307990
Number of Terrorism Fatalities	Nation Master	http://www.nationmaster.com/graph/ter_ter_act_196_fat-terrorist-acts-1968-2006-fatalities
Top Tourism Destinations	Euromonitor Archive	http://www.euromonitor.com/Top_150_City_Destinations_London_Leads_the_Way
Average Days with Precipitation	Sperling's BestPlaces	http://www.bestplaces.net/Climate/details.aspx?wmo=101700&locale=for
Business Environment		
Business Environment✱	EIU	http://www.economist.com/markets/rankings/category.cfm?category_id=9248256
Ease of doing Business●	The World Bank	http://www.doingbusiness.org/economyrankings/
Operational Risk Rating●	EIU	http://www.viewswire.com/index.asp?layout=homePubTypeRK
Private Equity Environment✱	EIU & Apax Partners	http://economist.com/markets/rankings/displaystory.cfm?story_id=8908462
Global Services Location✱	AT Kearney	http://www.atkearney.com/shared_res/pdf/GSLI_2007.pdf
Opacity Index●	Milken Institue & Kurtzman Group	http://www.milkeninstitute.org/publications/publications.taf?function=detail&ID=38801146&cat=ResRep
Corruption Perceptions Index	Transparency International	http://www.transparency.org/publications/publications/global_corruption_report/gcr_2008
Wage Comparison Index●	UBS	http://www.ubs.com/1/e/ubs_ch/wealth_mgmt_ch/research.html
Corporate Tax Rates	OECD	http://www.oecd.org/document/60/0,2340,en_2649_37427_1942460_1_1_1_37427,00.html
Employee Effective Tax Rates	PWC	n/a
Personal Tax Rates	OECD	http://www.oecd.org/document/60/0,2340,en_2649_37427_1942460_1_1_1_37427,00.html
Total Tax Receipts (as % of GDP)	OECD	http://oberon.sourceoecd.org/vl=4096650/cl=23/nw=1/rpsv/figures_2007/en/index.htm
Index of Economic Freedom●	The Heritage Foundation	http://www.heritage.org/Index/countries.cfm
Economic Freedom of the World●	Fraser Institute	http://www.freetheworld.com/release.html
Financial Markets Index	Maplecroft	http://maps.maplecroft.com/loadmap?template=min&issueID=29&close=y
Political Risk	Maplecroft	http://maps.maplecroft.com/loadmap?template=min&issueID=7&close=y

Market Access

Capital Access Index●	Milken Institute	http://www.milkeninstitute.org/research/research.taf?cat=indexes
Mastercard Centres of Commerce	Master Card	http://www.mastercard.com/us/company/en/wcoc/index.html
Access Opportunities Index - Business✱	SRI International	http://www.sri.com/news/releases/05-23-06.html
Securitization●	IFSL	http://www.ifsl.org.uk/output/Reports.aspx
Capitalization of Stock Exchanges●	World Federation of Exchanges	http://www.world-exchanges.org/publications/Focus608.pdf
Value of Share Trading●	World Federation of Exchanges	http://www.world-exchanges.org/publications/Focus608.pdf
Volume of Share Trading●	World Federation of Exchanges	http://www.world-exchanges.org/publications/Focus608.pdf
Volume of Trading Investment Funds●	World Federation of Exchanges	http://www.world-exchanges.org/publications/Focus608.pdf
Value of Bond Trading●	World Federation of Exchanges	http://www.world-exchanges.org/publications/Focus608.pdf
Volume of Bond Trading●	World Federation of Exchanges	http://www.world-exchanges.org/publications/Focus608.pdf
International Finance Index	Oxford University (Dariusz Wojcik)	http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1002230
International Finance Location Quotient	Oxford University (Dariusz Wojcik)	http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1002231
International Finance Diversity Index	Oxford University (Dariusz Wojcik)	http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1002232

Infrastructure

Global Office Occupancy Cost	DTZ	http://www.iproperty.com.my/propertymarket/DTZ_GOOC2007.pdf'
Office Space Across the World●	Cushman & Wakefield	http://www.cushwake.com/cwglobal/jsp/kcReportDetail.jsp?Country=GLOBAL&Language=EN&catId=100004&pId=c11400155p
Competitive Alternatives Survey●	KPMG	http://www.competitivealternatives.com/download/default.asp
European Cities Monitor	Cushman & Wakefield	http://www.cushwake.com/cwglobal/jsp/kcReportDetail.jsp?Country=EMEA&Language=EN&catId=100004&pId=c9400108p
Direct Real Estate Transaction Volumes	Jones Lang LaSalle	n/a
Real Estate Transparency Index	Jones Lang LaSalle	http://www.research.joneslanglasalle.com/globalreports.asp?CountryID=4&LanguageID=1
E Readiness Ranking●	EIU	http://economist.com
Airport Satisfaction✱	Sky Traxx	http://www.airlinequality.com/AirportRanking/ranking-intro.htm

General Competitiveness

World Competitveness Scoreboard●	IMD	http://www.imd.ch/research/publications/wcy/competitiveness_scoreboard.cfmue
Global Competitveness Index	World Economic Forum	http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm
Economic Sentiment Indicator●	European Commission	http://ec.europa.eu/economy_finance/db_indicators/db_indicators8650_en.htm
Global Business Confidence●	Grant Thornton	http://www.grantthorntonibos.com
FDI (as % of gross fixed investment)✱	EIU	http://economist.com/markets/rankings/displaystory.cfm?story_id=9723875
Super Growth Companies	Grant Thornton	http://www.grantthornton.com.sg/press/press_280307IBRSuperGrowth.html
Retail Price Index●	The Economist	http://www.economist.com/markets/indicators/
Cost of Living Survey✱	Mercer HR	http://www.mercer.com/referencecontent.htm?idContent=1268475
City Brands Index●	Anholt	http://www.simonanholt.com./
Business Trip Index	EIU	http://www.economist.com/media/pdf/BUSINESS_TRIP_INDEX.pdf

The City of London

The City of London is exceptional in many ways, not least in that it has a dedicated local authority committed to enhancing its status on the world stage. The smooth running of the City's business relies on the web of high quality services that the City of London Corporation provides.

Older than Parliament itself, the City of London Corporation has centuries of proven success in protecting the City's interests, whether it be policing and cleaning its streets or in identifying international opportunities for economic growth. It is also able to promote the City in a unique and powerful way through the Lord Mayor of London, a respected ambassador for financial services who takes the City's credentials to a remarkably wide and influential audience.

Alongside its promotion of the business community, the City of London Corporation has a host of responsibilities which extend far beyond the City boundaries. It runs the internationally renowned Barbican Arts Centre; it is the port health authority for the whole of the Thames estuary; it manages a portfolio of property throughout the capital, and it owns and protects 10,000 acres of open space in and around it.

The City of London Corporation, however, never loses sight of its primary role – the sustained and expert promotion of the 'City', a byword for strength and stability, innovation and flexibility – and it seeks to perpetuate the City's position as a global business leader into the new century.

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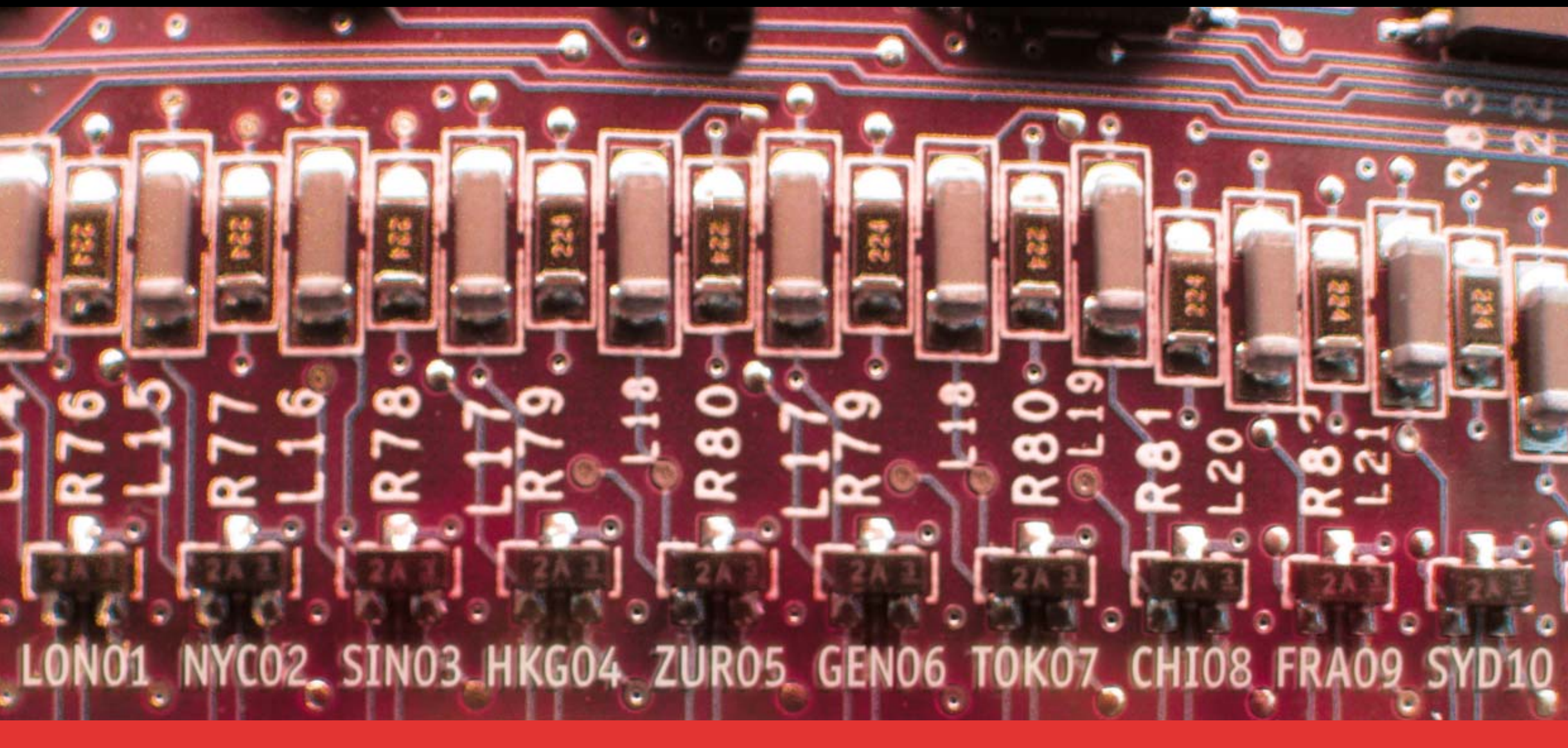

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