

# MARKETS IN MOTION

developments that matter in financial markets

## Global Financial Centres

"A proposal to make Mumbai a Regional Financial Centre is already under active consideration. Our economic reforms have accelerated growth, enhanced stability and strengthened both external and financial sectors. Our trade as well as financial sectors are already considerably integrated with the global economy and the trend is irreversible. Mumbai, with all its inherent advantages in terms of human capital and commercial acumen, can be positioned as a viable Regional Financial Centre."

Prime Minister Dr. Manmohan Singh

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### Global Financial Centres Index

In a globalised and interdependent world economy, the dynamics of international competitiveness have become increasingly important for domestic policy makers.

The Global Financial Centres Index (GFCI) is the world's first index of competitiveness for financial centres around the globe and is published twice every year since March 2007. GFCI tracks the underlying competitiveness of the world's financial centres. The seventh Global Financial Centres report, commissioned and published by the City of London and produced by Z/ Yen Group Limited, combines survey responses from financial services professionals around the world with external indices to produce ratings and rankings of competitiveness for the world's leading 75 financial centres.

The current report, released in March 2010, profiles different types of centres along new dimensions of competitiveness, reflecting how well connected they are in the global financial architecture. The survey covers the period from July to December 2009.

### Competitiveness Factors and Their Relative Importance

The competitiveness factors of a global financial centre is based on variables such as availability of skilled personnel, regulatory environment, access to international markets, availability of business infrastructure, access to customers, a fair and just environment, government responsiveness, corporate tax regime, operational costs, quality of life, culture, language, etc. The 2010 report identifies the top 10 global financial centres in terms of competitiveness, and a comparative analysis with the data of September 2009 reveals that the leading financial centres have retained their rankings.

### Top 10 Global Financial Centres

City	2010 Rank	2009 Rank	2010 Rating out of a scale of 1000	2009 Rating out of a scale of 1000
London	=1	1	775	790
New York	=1	2	775	774
Hong Kong	3	3	739	729
Singapore	4	4	733	719
Tokyo	5	7	692	674
Chicago	6	8	678	661
Zurich	7	6	677	676
Geneva	8	9	671	660
Shenzhen	=9	5	670	695
Sydney	=9	11	670	651

Source: [www.cityoflondon.gov.uk](http://www.cityoflondon.gov.uk)

### Major Asian Financial Centres

The report reveals that, with the exception of Shenzhen, all major Asian centres have shown an improvement in ratings. The report profiles the major Asian centres based on connectivity, diversity, and specialty.

1. Global Financial Centres with broad and deep financial services sectors (**Hong Kong, Singapore**)
2. Emerging Global Financial Centres (**Beijing, Dubai, and Shanghai**)
3. Transnational Centres with broad and deep financial services sectors (**Tokyo**)
4. Transnational Centres with relatively broad financial services sectors (**Seoul**)
5. Transnational Centres with relatively deep financial services sectors (**Bahrain, Shenzhen, Taipei**)
6. Emerging Transnational Centres (**Bangkok, Kuala Lumpur, Mumbai**)

### Mumbai vis-à-vis other emerging Asian financial centres

Although Mumbai's rating has gone up marginally in the recent report, its global ranking has come down from 53 to 58 because other centres have scored much higher rating. Over a period of two years, Shanghai has improved its ranking from 31 to 11.

City/ Global rank	Mar 2008	Sep 2008	Mar 2009	Sep 2009	Mar 2010
<b>Rank</b>					
Mumbai	48	49	49	53	58
Dubai	24	23	23	21	24
Shanghai	31	34	35	10	11

### Rating on a scale of 1000

City	Mar 2008	Sep 2008	Mar 2009	Sep 2009	Mar 2010
Mumbai	242	497	339	542	562
Dubai	347	597	581	617	618
Shanghai	268	568	390	655	668

### Mumbai as a Global Financial Centre

On making Mumbai a regional financial centre, the High Powered Expert Committee (HPEC) constituted by the Finance Ministry, Government of India, in its report (2007) stated that in the first phase (2007–2012) Mumbai must connect India's financial system with the world's financial markets through International Financial Services (IFS). In its second phase (2012–2020), Mumbai must develop the capacity to compete with the three established GFCs for global IFS business that goes beyond meeting India's needs. After 2020, HPEC is hopeful that Mumbai would hold its own in competing with the other GFCs and acquire increasing global market share.

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