



CISI Educational Trust Award 2021 Essay

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Are Financial Centres dead?

Discuss the impact of key current issues including COVID-19 on the future of business clusters that make up financial centres around the world?

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Worldwide disruptors are renewing the way clusters of businesses aggregate, forming financial centres. Although these are currently reorganising, legal and technological innovations have enabled the remote creation of companies and digital citizenships. As ageing generations hand-on their decision-making powers to the next, political, economic, and social pressures will naturally disperse today's physical business clusters in favour of online communities bound by mutual interests. In the words of Richard Hay, "The world is politically segmented, but economically integrated."¹

Shifting between existing financial centres

Political and fiscal decisions have resulted in the desertion of long-established financial centres, allowing lesser ones to expand. This phenomenon is best exemplified by Charles Schwab moving its headquarters to the state of Texas, as is Hewlett Packard, more than 80 years after engendering Silicon Valley.²³ Meanwhile, JP Morgan is shifting assets from London to Frankfurt and relocating thousands of New York City employees to other locations within the United States and abroad.⁴⁵

In Asia, the ongoing conflicts with China⁶⁷ have tarnished the future of the People's Republic. As political instability is rapidly eroding the financial centre status of Hong Kong,⁸⁹¹⁰ foreign firms wishing to keep a foothold in Asian markets are rapidly relocating to Singapore.¹¹ Trust having always been at the heart of financial centres, variants of Common Law jurisdictions were powerful catalysts for their growth.¹² Although centres are currently relocating, the opportunities and security granted under strong legal frameworks will continue to attract talent and businesses.

Adapting by building a novel framework

Widespread adoption of hybrid and remote working models has led several countries to devise new incentives.¹³ Dubai paved the way with the one-year remote work visa, fulfilling the postcard dream of working globally from the sandy beaches of Dubai.¹⁴ Meanwhile, Lithuania following in the footsteps of Estonia, has launched an e-residency scheme, allowing foreign nationals to remotely set up domestically registered companies, open bank accounts, and declare taxes.¹⁵

Novel legal and social frameworks now foster the creation of online clusters based on common interests rather than geographical locations. The physical proximity, which conferred a strong competitive edge by joining nodes in the supply chain,¹⁶ can arguably be replaced by a remote one. Such is the case for the recent explosion in specialised podcasts and webinars.¹⁷ Currently, professionals exchange ideas with panellists on the global arena, displaying their knowledge to peers and customers who may associate with them. New leads emerge as an ensemble of related forums flourish around the concepts and people involved. Using targeted advertising, businesses penetrate these bubbles by promoting their products to the intended audience, effectively forming virtual clusters.

An upcoming generation of change

These modern forms of clusters are mainly driven by younger generations accustomed to online communication, and less likely to form physical communities.¹⁸¹⁹ As Gen Z becomes the dominant economic and voting force of tomorrow,²⁰ telecommuting and the prospect of government mandated closures will incentivise business clusters to rescale and or relocate to leisure centres, where a location's appeal is paramount. Thereby, gradually stripping present physical financial centres of their relevance.

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