



CISI Educational Trust Award 2021 Essay

Elliot Bramham

January 2021

487 words

CISI Educational Trust Award 2021

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?

Author: Elliot Bramham

Word count (excluding headings and referencing): 487 words.

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.

-
- ¹ Hay, R., (2014), IFCF's Richard Hay: Offshore centres aren't the problem, International Investment. Available at: <https://www.internationalinvestment.net/internationalinvestment/comment/3503734/ifcf%E2%80%99-richard-hay-offshore-centres-aren%E2%80%99>, (Accessed 24 January 2021).
- ² McCarthy, K., (2020), Schwab's move into Texas casts spotlight on state's two-regulator system, BankingDive. Available at: <https://www.bankingdive.com/news/schwab-texas-casts-spotlight-two-regulator-system/588380/>, (Accessed 24 January 2021).
- ³ ETF Trends, (2020), Even More Tech Firms Are Leaving Silicon Valley for Texas, Nasdaq. Available at: <https://www.nasdaq.com/articles/even-more-tech-firms-are-leaving-silicon-valley-for-texas-2020-12-12>, (Accessed 24 January 2021).
- ⁴ Menin, A., (2020), JP Morgan 'to move €200bn assets from the UK to Germany' due to Brexit, CityAM. Available at: <https://www.cityam.com/jp-morgan-to-move-e200bn-assets-from-the-uk-to-germany-due-to-brexit/>, (Accessed 26 January 2021).
- ⁵ Kelly, J., (2019), JPMorgan Reportedly Moving Thousands Of Well-Paid Jobs Out Of New York City—This Does Not Bode Well For Workers On Wall Street, Forbes. Available at: <https://www.forbes.com/sites/jackkelly/2019/10/28/jpmorgan-is-continuing-the-alarming-trend-of-moving-thousands-of-well-paid-jobs-out-of-new-york-citythis-does-not-bode-well-for-workers-on-wall-street/?sh=5c5051bf3a7a>, (Accessed 24 January 2021).
- ⁶ BBC News, (2021), India-China dispute: The border row explained in 400 words, BBC News. Available at: <https://www.bbc.co.uk/news/world-asia-53062484>, (Accessed 26 January 2021).
- ⁷ Singh, A., and Tembey, U., (2020), India-China relations and the geopolitics of water, The Interpreter. Available at: <https://www.lowyinstitute.org/the-interpreter/india-china-relations-and-geopolitics-water>, (Accessed 23 January 2021).
- ⁸ AFP, (2020), Investors flee: Hong Kong stocks battered by Beijing's national security proposal, Hong Kong Free Press. Available at: <https://hongkongfp.com/2020/05/22/investors-flee-hong-kong-stocks-battered-by-beijings-national-security-proposal/>, (Accessed 24 January 2021).
- ⁹ Butler, B., (2020), China's grip on Hong Kong eroding its status as financial hub, investors believe, The Guardian. Available at: <https://www.theguardian.com/world/2020/jul/08/chinas-grip-on-hong-kong-eroding-its-status-as-financial-hub-investors-believe>, (Accessed 25 January 2021).
- ¹⁰ Pomfret, J., (2021), Exclusive: China plans further Hong Kong crackdown after mass arrest – sources, Reuters. Available at: <https://www.reuters.com/article/us-hongkong-security-democracy/exclusive-china-plans-further-hong-kong-crackdown-after-mass-arrest-sources-idUSKBN29H0E8>, (Accessed 25 January 2021).
- ¹¹ Sardana, S., (2020), Singapore's financial centre will emerge as big winner of a draconian Chinese law, Business Insider. Available at: <https://www.businessinsider.com/singapore-hong-kong-financial-hub-chinese-law-ranking-2020-5?r=US&IR=T>, (Accessed: 25 January 2021).
- ¹² Worstall, T., (2016), Who Gets To Be Europe's Financial Center After London Loses? London, Of Course, Forbes. Available at: <https://www.forbes.com/sites/timworstall/2016/07/01/who-gets-to-be-europes-financial-centre-after-london-loses-london-of-course/?sh=1c236c4215c8>, (Accessed: 25 January 2021).
- ¹³ Dahik, A., et al., (2020), What 12,000 Employees Have to Say About the Future of Remote Work, Boston Consulting Group. Available at: <https://www.bcg.com/publications/2020/valuable-productivity-gains-covid-19>, (Accessed: 25 January 2021).
- ¹⁴ Official Tourism Board in Dubai, (2021), Work remotely from Dubai, Visit Dubai. Available at: <https://www.visitdubai.com/en/business-in-dubai/dubai-for-business/work-remotely-from-dubai>, (Accessed: 25 January 2021).

-
- ¹⁵ Whyte, A., (2021), Lithuania launches own national e-residency scheme, ERR News. Available at: <https://news.err.ee/1225954/lithuania-launches-own-national-e-residency-scheme>, (Accessed: 25 January 2021).
- ¹⁶ Porter, M., (1990), The Competitive Advantage of Nations, Harvard Business Review. Available at: <https://hbr.org/1990/03/the-competitive-advantage-of-nations>, (Accessed: 20 January 2021).
- ¹⁷ Sugiura, E., and Loh, D., (2021), Davos Singapore online prelude spotlights Asian clout, COVID doubts, Nikkei Inc. Available at: <https://asia.nikkei.com/Politics/International-relations/Davos-Singapore-online-prelude-spotlights-Asian-clout-COVID-doubts>, (Accessed: 26 January 2021).
- ¹⁸ Torpey, K., (2019), Survey Finds 27% Of Those Aged 18-34 Prefer Bitcoin Over Stocks, Forbes. Available at: <https://www.forbes.com/sites/ktorpey/2019/04/30/survey-finds-27-of-those-aged-18-34-prefer-bitcoin-over-stocks/>, (Accessed: 26 January 2021).
- ¹⁹ Vogels, E., (2019), Millennials stand out for their technology use, but older generations also embrace digital life, Pew Research Center. Available at: <https://www.pewresearch.org/fact-tank/2019/09/09/us-generations-technology-use/>, (Accessed 26 January 2021).
- ²⁰ Shvets, V., (2020), The Great Rupture: Three Empires, Four Turning Points, and the Future of Humanity, Boyle & Dalton.