

Modern Trends in the Development of International Financial Centers

SVITLANA SIDENKO¹

ABSTRACT. The article analyses the current trends in the development of international financial centres, which play an important role in the world economy and international economic relations in the conditions of economic globalization. IFCs occupy a central place in the global financial architecture and in the context of financial globalization are the hubs of the world financial market, contributing to the free movement of capital, overcoming certain barriers to its movement and redistributing capital between individual companies, markets and regions. The role of IFCs for the global economy is defined by the fact that they contribute to the mobilization and redistribution of significant amounts of financial resources around the world, ensure the acceleration of capital turnover due to the large number of participants and the size of the market, its better organization and the use of financial instruments. As a result, there is an increase in the profitability of capital, the efficiency of its turnover increases, and its influence on economic growth increases due to a wider possibility of choosing the optimal directions of investments. Therefore, the countries of the world are interested in creating financial centres on their territory.

The article examines the role of global cities, which in the conditions of globalization are centres of not only economic, political, cultural, educational, but also financial development. The consequences of the concentration of financial capital and financial institutions in the largest cities are analysed. The article studies modern trends in the development of IFCs in the context of globalization, in particular, the emergence and rapid growth of new financial centres as a result of the liberalization of international relations, the growth of international financial markets and capital flows, as a result of which the financial centres need less time to reach the international level. Countries are interested in the creation of IFCs, because due to the openness of the financial market and the formation of a financial centre in the country, prerequisites are created for the acceleration of economic growth and socio-economic modernization, which make the country more attractive for capital, and better integrate the national economy into the world economy, creating additional competitive advantages for the economic system.

The article also analyses the uneven development of financial centres and the growing competition and reformatting of financial market leaders, as evidenced by international ratings; competitive advantages, which allowed certain financial centres to attract huge financial resources to their turnover and to occupy high positions in international rankings, are in the focus of the study. In the conditions of the information society development, new financial technologies and tools are important for the development of IFCs, which allow expanding the range of financial services and shortening the time of financial transactions, which also results in the strengthening of the competitive positions of the centres. A noticeable trend is the development of information-analytical and organizational-management complexes that serve IFCs and carry out analysis of the state and prospects for the development of the world economy and the economy of the countries of the world, conduct interdisciplinary research, prepare indices, ratings, etc.

KEY WORDS: global financial market, international financial centres, banks, exchanges, new financial technologies (fintech), global cities.

¹ **Svitlana Sidenko** – Doctor of Economics, Professor, Leading Researcher at the Institute for Economics and Forecasting of the National Academy of Sciences of Ukraine. Sphere of scientific interests: problems of economic globalisation, European integration, economic competitiveness, innovative development, market models, social development. E-mail: sv_sidenko@ukr.net. ORCID <https://orcid.org/0000-0002-1405-4937>

Introduction

The modern process of globalisation is accompanied by rapid economic development around the world, the formation of a global economic system based on the free movement of goods, capital and people, and the development of innovations. This process is manifested in all spheres of human society and affects the economic development of countries, the global economy, international economic relations and political processes at various levels.

In the context of globalisation, trends towards the formation of a global financial market have emerged for the first time, the role of the financial sector in the world economy is growing, transnational financial intermediaries are emerging, the growth rate of foreign direct investment and capital accumulation is increasing, and the global financial architecture is transforming from unipolar to multipolar and multifaceted. In these conditions, the role of international financial centres is growing, which makes it important to conduct a thorough scientific study and generalise the activities of these centres.

The problems of development of international financial centres are studied in the works of Ukrainian and foreign scholars. The processes of financial globalisation that contribute to the development of IFCs are contained in the works of Ukrainian scholars P. Bechko², P. Dziuba,³ O. Rohach⁴, O. Mozgovyi, L. Rudenko-Sudareva⁵ and others. The role of global cities in the development of IFCs is highlighted in the works of P. Hall⁶, G. Reed⁷, S. Sassen⁸ and others. The emergence and development of IFCs are studied in the works of Ukrainian scholars, in particular, M. Lifanova⁹, Z. Lutsyshyn¹⁰,

² Bechko P. et al. Financial management. Textbook, Kyiv: Centre for Educational Literature, 2019. 496 p. [In Ukrainian]

³ Rogach O.I., Anisimova O.Y., Dziuba P.V. et al. Fundamentals of international finance: a textbook. 2nd edition, supplemented. Kyiv : Kyiv University Publishing and Printing Centre, 2014. 447 p. [In Ukrainian]

⁴ Evolution of the theory of international movement of entrepreneurial capital. Modern trends in international capital flows. Monograph / Edited by Rogach O.I. K.: Centre for Educational Literature, 2019 – pp. 11-22. 12. [In Ukrainian]

⁵ International Finance – Textbook under the general editorship of Doctor of Economics, Professor O. Mozgovyi – K., KNEU, 2016, 515 p. [In Ukrainian]

⁶ Hall P. The World Cities. London: Weidenfeld & Nicolson. 1966.

⁷ Reed H. Financial Center Hegemony, Interest Rates and Global Political Economy. International Banking and Financial Centres: Kluwer Academic Press. -1989.

⁸ Sassen S. Cities: Capital for the New Megalopolis. *Time magazine*. November 4. 1966. http://www.bnet.com/2403-13070_23-192951.html.

⁹ Lifanova M.I. International financial centres: concepts, conditions and stages of formation. – Scientific Bulletin of the International Humanitarian University, URL: <http://www.vestnik-econom.mgu.od.ua/journal/2016/17-2016/7.pdf> [In Ukrainian]

¹⁰ Lutsyshyn Z., Mehtiev E. Offshore financial centres in the global movement of capital – International Economic Policy, No. 2 (29) (2018). [In Ukrainian]

E. Mekhtieva, G. Muzychenko, Yu. Makogon,¹¹ O. Rogach, S. Sidenko¹², M. Shuba, and foreign scholars J. Cassi, C. Kindleberger¹³ and others.

The works of scholars on the development of IFCs have studied in detail the processes of financial globalisation, the preconditions and factors influencing their formation in different regions of the world, the peculiarities of the development of centres in the context of economic globalisation, the benefits and risks of their activities, etc. At the same time, the modern world is experiencing processes that have a significant impact on the global economy and international economic relations. In particular, the COVID-19 pandemic has had a negative impact, leading to the isolation of countries and regions of the world, the disruption and reduction of international communications, which has slowed down the development of the global economy. Even more negative consequences are threatened by Russia's war in Ukraine, which has caused a significant slowdown in economic growth in many countries due to a large-scale breakdown in international scientific, production and trade ties, the relocation of many companies to other countries, changes in the direction of FDI flows, exacerbated crises in international markets, in particular food and energy, increased labour migration, etc. All of this necessitates further research into the processes of globalisation, in particular financial globalisation and the development of IFCs in the new environment.

The article is aimed at analysing new trends in the development of international financial centres in the current conditions of globalization.

The place and role of IFCs in the global economy

The process of globalisation, which began in the 1980s, is associated with the socio-economic development of countries and regions of the world, the growth of their economic cooperation and the interdependence of global processes. A key component of this process is financial globalisation, which is accompanied by unprecedented capital flows, the development of new financial markets, new financial instruments, and new financial services. The growing importance of the financial market and financial institutions for the global economy and their penetration into national economies is called "financialisation"¹⁴.

¹¹ Makohon Y.V., Muzychenko H.H. The place of international financial centres in the modern globalised world economy. *Economic Bulletin of the National Technical University of Ukraine "Kyiv Polytechnic Institute"*, 2014, No. 11 – P. 85-90. [In Ukrainian]

¹² S. Sidenko, O. Rohach "International Financial Centres" – Textbook, Kyiv: Centre for Educational Literature Publishing House, 260 p. [In Ukrainian]

¹³ Kindleberger, Charles P. The formation of financial centres: A study in comparative economic history, Princeton University: Princeton Studies in International Finance. – 1974. – No. 36.

¹⁴ Rogach, O., Pidchosa, O., & Onopko, M. (2021). Financialisation and its Impact on Deindustrialisation and Labour Market: The Case of Ireland. In *Financialisation and Deindustrialisation: Impact on Employment: Monograph* (pp. 254-328). Publishing and Polygraphic Centre "Kyiv University". – 437 p.

It was during this period that international financial centres developed significantly, playing an active and growing role in the global economy, as they are an important element of the global economy and an integral part of the integration of global financial markets, the basis for the formation of financial globalisation and one of the main drivers of economic globalisation itself.

It should be noted that international financial centres have a long history of formation. The prototypes of modern financial centres were the centres of international trade that existed in antiquity. The first such centres emerged at the intersection of trade routes in major Mediterranean ports as early as the Roman Empire. The economic development of countries in the Middle Ages was associated with the development of international trade and the accumulation of significant free financial resources, which contributed to the emergence of such centres in the port cities of Western Europe – in Genoa, Venice, and Constantinople. Over 200-300 years, such centres spread around the world and provided financial services alongside trade, such as money transfers, currency exchange, lending, insurance and freight. This gradually led to the development of the financial intermediation function and became an important prerequisite for the formation of the financial market ¹⁵.

International financial centres have developed significantly since the 70s. The development of capitalism, the growing internationalisation of the world economy and shifts in global economic relations have led to the development of international financial centres. During this period, financial centres such as London, New York, Paris, Chicago, and Berlin developed. This stage was characterised by a shift from the function of servicing trade transactions to the function of providing opportunities for financial transactions and intermediation.

In the 50s and 80s of the twentieth century, there was a significant growth of international financial centres, which was associated with the emergence of supranational currency markets, euro capital markets, the development of regional financial centres, and offshore centres. During this period, financial centres ceased to be just a concentration of banking and financial structures that serve to conclude transactions and became centres of attraction for capital and human resources, key points of formation of the global financial architecture.

However, the most significant changes in the development of IFCs are taking place as the globalisation of the world economy unfolds and deepens, accompanied by the development of new financial markets, new financial instruments, and new financial services. Under these conditions, the role of

¹⁵ S. Sidenko International financial centres in the global economy – "Economics & Education", ISMA University; 2021, 06(04) December, pp. 37-46.

international financial centres in the global economy is growing, as is their positive impact on the host country and the global economy as a whole.

The role of international financial centres in the modern world economy is extremely multifaceted. First of all, they are the centres around which the entire global investment, financial and banking systems are built. As a result of the liberalisation of international economic relations, free movement of capital is gaining ground, which helps to overcome certain barriers to capital flows, resolve contradictions related to the limited and insufficient liquidity of individual companies and markets, and redistribute risks. Financial centres determine real quotes of national currency exchange rates and global prices for certain groups of goods, services and production factors.

In the process of economic globalisation, the role of international financial centres as centres of accumulation and redistribution of capital in the global economy is growing. Thus, according to McKinsey, since 2007, one third of the growth in foreign investment in the world has been accounted for by international financial centres.

It is also important to note that international financial centres form a new type of international credit – global credit. Through banks and funds, using exchange rates, interest and other economic and financial mechanisms, international financial centres act as centres for global rent-seeking.

Features and trends of IFC development in the global economy

In the context of the spread of economic globalisation, there are a number of peculiarities in the formation and development of IFCs. First of all, the number of international financial centres in the world and the speed of their creation are growing. For example, while it took London almost 300 years to enter the international financial market, and New York and Tokyo about a hundred years, these processes are much faster in the context of globalisation. The dynamics of the formation of international financial centres in recent decades shows that, as a result of liberalisation of international relations, growth of capital flows, and development of new financial instruments, financial centres need less time to enter the international market. This explains the emergence of new financial centres in many regions of the world.

It should be noted that there are a number of advantages that encourage countries to establish an IFC. First and foremost, international financial centres have a positive impact on the country's financial sector: they remove restrictions from national markets; they help to overcome the narrowness of national capital and expand the scale of the local financial market by establishing links between the national and global financial markets; they facilitate significant capital inflows into the country; they affect the state of the home country's currency and allow it to accumulate significant income

from balance of payments items. Importantly, countries where international financial centres are located have additional opportunities to extend their influence, rules and decisions to other participants in global economic processes.

The experience of foreign countries shows that by opening up the financial market and creating a financial centre in a country, preconditions are created for accelerating economic growth and socio-economic modernisation. Such centres make the country more attractive for attracting capital and multinational companies, integrate the national economy more fully into the global economy, and create additional competitive advantages for the economic system.

The IFC provides broad access to information and knowledge about the economies of foreign countries and companies, their financial condition and resources, which allows for the most efficient investment activities, increased revenues, and expansion of their influence in foreign markets, industries and countries.

For the country's economy, the activities of international financial centres are also beneficial because the organisation of exchange trading in securities and commodities (oil, metals, grain, etc.) leads to an increase in demand for the currency of the countries in which they are located. This creates opportunities for its use in the global financial system as a reserve currency, and also allows for additional issue income. By providing financial services to foreign companies and individuals on its territory, the country in which the international financial centre is located extends its influence and legal norms to them and thus gets the opportunity to influence their decisions.

In the context of economic globalisation, the development of international financial centres is closely linked to the growth of global cities. It is worth noting that the role of cities in the development of the economy of countries as centres of education, culture, trade, and crafts has been studied by many scholars. Global cities have their own peculiarities. In the works of such scholars as P. Hall, F. Brodel, J. Friedman, M. Castells, S. Sassen and many other researchers, global cities are defined as major economic and financial centres and key elements of the global system of information, innovation, capital, people, goods and symbols. Nowadays, megacities are becoming the locomotives of the global economy.

Modern global cities are characterised by high-tech innovations, a high concentration of financial services, developed financial infrastructure, and a concentration of intellectual and creative capital. It is in global cities that it is possible to combine the advantages of allocating financial capital, material wealth, and the development of intellectual and cultural capital. A large number of banks and stock exchanges and offices are concentrated in such cities. Such cities have the prerequisites for the development of IFCs.

At the same time, the IFC stimulates the development of a number of industries that support its operation. Thus, the involvement of a large

number of specialists and employees of the centre stimulates the development of housing construction, hotel industry, catering, trade, recreation, education, culture, consumer services, transport infrastructure, and business tourism. All of this also stimulates the development of related industries in the city, which provides tax revenues to the budget.

The benefits of international financial centres are also associated with an increase in urban employment, a higher share of highly skilled labour, and a higher professional and cultural level of employees. For example, in 2021, the number of employees in the banking services sector alone was: Industrial and Commercial Bank of China – more than 439 thousand people, China Construction Bank – more than 349 thousand people, Agricultural Bank of China – 459 thousand people, Bank of China – 309 thousand people, JPMorgan Chase – more than 255 thousand people, Mitsubishi UFJ Financial Group – 180 thousand people, etc.¹⁶ In addition, many millions of workers are employed in related fields, including highly qualified and highly paid managers, traders and brokers, lawyers, consultants, auditors, etc. High incomes of employees stimulate the development of the domestic market for goods and services, which contributes to the growth of production, leading to the economic development of the city and the growth of the country's GDP. Tax revenues from the activities of international financial centres, industries that support the centre's functioning, and employee salaries are also important for the city. In general, the presence of a financial centre in a city enhances its image and attractiveness.

In 2022, the leading positions in the Global Cities Index are occupied by the global cities of New York, London, Paris, Tokyo, Beijing, Los Angeles, Chicago, Melbourne, Singapore and Hong Kong¹⁷, which is almost the same as the rating of the IFC (Table 1).

Thus, the presence of an international financial centre in a country significantly enhances its image, geo-economic opportunities, increases competitiveness and brings tangible profit. At the same time, in order to establish an IFC on its territory, a country must meet the necessary conditions, the main ones being: a developed and growing economy; macroeconomic and political stability; favourable legal and judicial systems; financial system stability and a stable currency that ensures confidence among foreign investors; a large financial market; a liberal tax system; a developed financial infrastructure – the presence of stock exchanges, banks, insurance, investment companies and funds; relevant modern world standards in the field of accounting, reporting, supervision and regulation; availability of qualified personnel for work in financial institutions, consulting, analytical organizations and regulatory bodies; developed transport infrastructure; information support, etc.¹⁸

¹⁶ *Top banks: the world's largest banks by assets*, <https://nonews.co/directory/lists/companies/largest-banks>

¹⁷ *Readiness for the storm: the 2022 Global Cities Report*, <https://www.kearney.com/global-cities/2022>

¹⁸ S. Sidenko International financial centres in the global economy – "Economics & Education", ISMA University; 2021, 06(04) December, pp. 37-46.

If a country has the resources and the necessary prerequisites and advantages, it can establish such centres on its territory to dominate international markets and ensure competitiveness. At the same time, more and more developing countries are establishing their own international financial centres. The aim of this policy is to participate in the global redistribution of capital needed to invest in the real sector of the economy, to modernise on an innovative basis, and to ensure international competitiveness.

At the end of the last century, there were significant changes in the geography of financial centres and their role in the global economy, and there were growing trends towards the creation of new regional international financial centres that grew out of national ones. Dozens of regional and offshore financial centres have emerged, while capital hubs have emerged on the periphery alongside financial capitals that had previously operated as regional ones. In particular, Asian capital has gained ground as a result of rapid socioeconomic development in the region. As a result, Singapore and Hong Kong were added to the ranking of leading financial centres, and in the new century, Shanghai. Together, they form a new structure of zonal organisation of finance with nodal centres of different strengths serving the global economy and representing a certain integrity in their totality – each of them occupies its own special place in the system of international division of labour and global capital flows.

It is important to note that the spontaneous development of international financial centres in the era of the industrial economy has given way to their regulated creation in the context of economic globalisation. It can be noted that government influence on the creation and development of financial centres is often a decisive factor. Over the past quarter century, a number of financial centres have emerged that were created with government support. Along with a favourable economic environment, the state has played an important role in the creation of financial centres, for example, in oil-producing countries. The government initiated the creation of financial centres, in particular, in Qatar, Dubai, and Bahrain. In China, government policy played an important role in the creation of centres in Shanghai, Beijing, and Shenzhen. This policy is also applied in other countries, for example, in the creation of financial centres in Mumbai, Seoul, Taipei, Warsaw, Astana, etc.

The state also plays an important role in maintaining the privileged position of classical financial centres. For example, in London and New York, special units have been set up to monitor, develop their strategy and tactics, and propose and implement measures to regulate their financial centres to improve their competitive position.

So, having the necessary prerequisites, countries are establishing IFCs. Today, they are spread across all regions of the world – in Asia, Latin America, the Middle East, and Africa, which are growing rapidly and seeking

to redistribute spheres of influence in the global financial market, as evidenced by the ratings of international financial centres. They are also emerging in some emerging markets in Central and Eastern Europe. These include cities such as Vilnius, Prague, Warsaw, Tallinn, Budapest, Sofia and others, which still occupy low ranking positions, but are growing.

One of the trends in the development of IFCs is the process of shifting financial activity from traditional financial centres to financial centres in emerging markets (Table 1).

Table 1

REGIONAL DISTRIBUTION OF THE LARGEST IFCs¹⁹

Centre	GFCI 32 Rank	GFCI 32 Rating	Rank(+ /-)	Rating(+ /-)	Region
New York	1	760	0	1	North America
London	2	731	0	5	Western Europe
Singapore	3	726	3	14	Asia / Pacific
Hong Kong	4	725	-1	10	Asia / Pacific
San Francisco	5	724	2	13	North America
Shanghai	6	723	-2	9	Asia / Pacific
Los Angeles	7	722	-2	9	North America
Beijing	8	721	0	11	Asia / Pacific
Shenzhen	9	720	1	13	Asia / Pacific
Paris	10	719	1	13	Western Europe
Seoul	11	718	1	13	Asia / Pacific
Chicago	12	717	1	1	North America
Sydney	13	716	10	34	Asia / Pacific
Boston	14	715	0	12	North America
Washington DC	15	714	0	12	North America
Tokyo	16	713	-7	5	Asia / Pacific
Dubai	17	712	0	21	Middle East & Africa
Frankfurt	18	711	-2	17	Western Europe
Amsterdam	19	710	0	23	Western Europe
Geneva	20	709	5	31	Western Europe

¹⁹ <https://www.longfinance.net/programmes/financial-centre-futures/global-financial-centres-index/gfci-32-explore-the-data/gfci-32-rank/>

In the context of economic globalisation, financial market leaders such as London and New York are being reshaped. Historically, these cities emerged as financial centres in the late 18th century. From the second half of the nineteenth century until the First World War, London was the dominant financial centre, due to the high level of capitalism in the UK, the development of industry, its strong trade ties with many countries, the relative stability of the pound sterling, and the country's developed credit system. Financial instruments and products that are still actively used on global stock exchanges today were developed and first introduced in London.

At the same time, New York was gaining financial strength. Before and after the First World War, Europe lost its leadership, and European financial capital shrank and lost influence as a result of the war. At this time, the world's leading financial centre moved to the United States, and the main financial functions moved to New York. During the Second World War and until the 1960s, New York maintained a monopoly position in the global financial market. At the same time, London managed to maintain its financial importance. However, since 2018, New York has been at the top of the IFC rankings. There were a number of reasons for London's change of leadership, the main one being the UK's withdrawal from the European Union, which caused uncertainty and global risks, including in the financial market.

The ranking positions of IFCs can be traced using a number of indices, one of which is the Global financial centres index (GFCI)²⁰. Table 2 shows how the positions of the world's 10 largest IFCs have been changing in recent years. It should also be noted that since 2015, regional financial centres, in particular, Asian Singapore, Hong Kong, and Shanghai, have been among the leaders, developing dynamically and alternately ranking third after the leaders.

Table 2

TOP 10 INTERNATIONAL FINANCIAL CENTRES BY GFCI INDEX²¹

GFCI 09.2022	GFCI 09.2021	GFCI 09.2020	GFCI 09.2019	GFCI 09.2018	GFCI 09.2015
New York	New York	New York	New York	New York	London
London	London	London	London	London	New York
Singapore	Hong Kong	Shanghai	Hong Kong	Hong Kong	Hong Kong
Hong Kong	Singapore	Tokyo	Singapore	Singapore	Singapore
San Francisco	San Francisco	Hong Kong	Shanghai	Shanghai	Tokyo
Shanghai	Shanghai	Singapore	Tokyo	Tokyo	Seoul
Los Angeles	Los Angeles	Beijing	Beijing	Sydney	Zurich
Beijing	Beijing	San Francisco	Dubai	Beijing	Toronto
Shenzhen	Tokyo	Shenzhen	Shenzhen	Zurich	San Francisco
Paris	Paris	Zurich	Sydney	Frankfurt	Washington

²⁰ It is calculated by the London-based commercial research centre *Z/Yen Group* and published by the City of London Corporation, the municipal administration of the City of London, since 2007. The index is determined on the basis of 60 partial indices and is updated twice a year – in March and September.

²¹ GFCI 32 Top 10, URL: <https://www.longfinance.net/publications/long-finance-reports/the-global-financial-centres-index-32/> September issues for the respective years.

An important trend in the development of IFCs in the globalised world economy is the growing competition between international financial centres, which increases their efficiency. The main comparative advantages in this competition are the business environment, human capital, infrastructure, financial sector development, and reputational factors (Table 3). As we can see, New York and London are the leaders in terms of their respective comparative advantages, while new and rapidly growing mixed-use centres, such as Singapore, Hong Kong, Seoul, Dubai, Shanghai, and Sydney, occupy high positions in the rankings.

Table 3

**TOP 15 INTERNATIONAL FINANCIAL CENTRES BY COMPETITIVENESS
(IN ACCORDANCE WITH GFCI 32)²²**

Location.	Business environment	Human capital	Infrastructure	Development of the financial sector	Reputation and general factors
1	New York	New York	New York	New York	New York
2	London	London	London	London	London
3	Singapore	San Francisco	Singapore	Shenzhen	Sydney
4	Amsterdam	Los Angeles	Shanghai	Seoul	San Francisco
5	San Francisco	Seoul	Seoul	Chicago	Chicago
6	Los Angeles	Boston	Hong Kong	Singapore	Singapore
7	Washington	Singapore	Beijing	Hong Kong	Boston
8	Hong Kong	Hong Kong	Amsterdam	Shanghai	Melbourne
9	Seoul	Shanghai	Oslo	Boston	Hong Kong
10	Chicago	Washington	San Francisco	Washington	Washington
11	Paris	Zurich	Shenzhen	Los Angeles	Los Angeles
12	Boston	Beijing	Paris	Frankfurt	Seoul
13	Dubai	Paris	Tokyo	Paris	Beijing
14	Stockholm	Sydney	Dubai	San Francisco	Paris
15	Oslo	Shenzhen	Boston	Beijing	Frankfurt

The use of new financial technologies is an important factor in ensuring the competitiveness of IFCs. The information revolution, which has swept the world since the end of the twentieth century, has moved into the stage

²² GFCI 32 Top 15, URL: <https://www.longfinance.net/publications/long-finance-reports/the-global-financial-centres-index-32/>

of global informatisation and has a significant impact on the development of financial markets. IFCs are becoming centres for the development and implementation of new digital and financial technologies. Fintech is affecting a wide range of financial services, including microfinance, blockchain, payments, personal finance, digital banking, insurance, wealth management, capital markets, money transfers, etc. Fintech also expands access to financial services, mitigates risks and lack of information. In today's environment, it is impossible to achieve effective development and have competitive advantages without such technologies.

The main infrastructure element of global interbank interaction is the SWIFT system, which transfers financial orders, promotes the development of a special network of applications, terminal sales and software products. The trans-European telecommunications automated system for real-time international settlements, TARGET, also plays a significant role in ensuring international payments.

Information support is essential for the functioning of financial markets. It is provided by such world-renowned companies as Thomson Reuters, Bloomberg and Dow Jones & Company, Tenfore, etc. They provide financial information for participants of global financial markets, provide real-time access to quotations of global stock exchanges, in particular, NASDAQ, Nyse, CME, COMEX, CBOT, NYMEX, Eurex, Euronext, LME, Forex market, etc.

The leading positions in the development of financial technologies are currently occupied mainly by American and Chinese IFCs, in particular, the top ten in the ranking include New York, San Francisco, Los Angeles, London, Shanghai, Beijing, Shenzhen, Boston, Chicago and Hong Kong²³. IFCs play an important role in the development of financial innovations, creation and dissemination of financial instruments and technologies, which significantly affects the further development of financial globalisation.

A noticeable trend in the development of IFCs in the context of economic globalisation is their transformation into powerful information and analytical, organisational and management complexes that unite a large number of organisations into a system that covers not only the functions of the international debt capital market, activities to service international monetary, financial and credit relations, but also insurance, audit and other services. That is why firms providing legal, audit, management, consulting and other services have developed in international financial centres. McKinsey & Company, EY, Deloitte Touche Tohmatsu Limited, and others cooperate with IFCs in various areas.

²³ GFCI 32 Top 15, [https://www.longfinance.net/publications/long-finance-reports/the-global-financial-centres-index-32/-](https://www.longfinance.net/publications/long-finance-reports/the-global-financial-centres-index-32/)

IFCs also carry out analytical work. For example, specialists and experts in economic and legal analysis conduct research on the state and prospects of the global economy as a whole and the economies of countries around the world. This is why the importance of think tanks conducting interdisciplinary research and preparing indices and ratings, such as Moody's, Standard and Poor's, Fitch, etc., is growing. At the same time, one of the main functions of financial centres is to develop and implement, together with international financial organisations and developed countries, a long-term strategy for reorganising the global financial system. Such think tanks participate in cross-border transactions, work with investors from many countries, and provide services that meet the needs of the modern post-industrial economy.

In today's environment of rapid emergence and development of IFCs and intensified competition between them, cooperation and consolidation are becoming characteristic of their interaction. In particular, the need for cooperation between financial centres is due to the fact that in the context of globalisation in the field of capital flows, geographically protected centres have become vulnerable to competitors from around the world. Therefore, consolidation through mergers and acquisitions and strategic alliances, which is typical for international, globalised companies, serves as a mechanism to protect against the risks of losing leading positions. In the financial sector, 2005 saw a number of acquisitions of stock exchanges in the US and Europe, which led to the creation of the world's first global stock exchange in 2006, which was the result of a transcontinental merger of the US NYSE and the European Euronext. The new exchange became the largest exchange by market capitalisation, which significantly strengthened its position in the competition for investors.

The dynamic development of the creation and growth of international financial centres necessitates analysing and studying these processes and taking into account possible risks to their operations. Experts identify a number of possible risks associated with the activities of international financial centres.

For example, the globalisation of the financial sector and the development of various links between institutions, markets and financial centres can lead to a rapid global spread of defaults and bankruptcies. At the same time, international financial centres can accelerate the spread of problems from one centre to another, which can lead to the global financial market being drawn into a crisis.

The globalisation of the financial market has led to an increase in the number of international companies and institutions, and the integration of international markets, with foreign lenders and borrowers actively operating in national financial markets. Increased competition between financial market participants residing in different countries leads to the financial

sector becoming increasingly independent and autonomous from the country's economy.

It is also important to note that the removal of restrictions on the movement of national capital allows financial centres to evade active state supervision, which can contribute to offshoring and shadowing of financial and investment transactions.

Finally, the cosmopolitan orientation of financial capital can detach it from the national interests and needs of the country where it is located. In addition, the proportions between the real and financial sectors of the economy may be distorted, which can exacerbate crises and the dependence of the national economy on global capital flows. International financial centres are also capable of causing structural imbalances in the national economy, for example, an overemphasis on the role and importance of financial components, and thus limiting the development of basic and innovative sectors of the economy. Thus, all of this necessitates research and analysis of the activities of international financial centres both in the country and globally.

In this context, it can be noted that for the first time an international institution for the development of IFCs has been created at the global level. In 2018, the World Alliance of International Financial Centres (WAIFC), an international non-governmental, non-profit organisation, was established. Representatives of 11 financial centres signed the Declaration on the establishment of the Alliance in Paris, with an office registered in Belgium. It was established to strengthen cooperation between the centres, develop a dialogue with public authorities based on financial technologies and sustainable development.

The main objectives of the WAIFC are²⁴ :

- creating flexible and transparent mechanisms for information exchange;
- promoting mutual cooperation through the exchange of experience;
- stimulating financial research and implementation of projects that promote sustainable economic development.
- promoting the development of financial literacy;
- Developing recommendations for determining the most effective methods of work;
- disseminating information on the importance of international financial centres for national economies and social development.

The organisation is currently responsible for research projects with universities and private consultancies, with a particular focus on financial technology development, data collection from financial centres and their contribution to green investment.

²⁴ World Alliance of International Financial Centres (WAIFC) – <https://waifc.finance/ru/>

Conclusions

In the global economy, IFCs have become an integral part and mechanism of the international financial system. They are a consequence of the openness of the economy and the focus of the economic system on maximum participation in global economic relations and the international division of labour. The financial market and the absence of currency restrictions on capital flows are the key conditions for their development.

With the development of economic globalisation, the role and importance of IFCs is growing significantly both for a single country and for the global economy. At the same time, their activities are becoming more complex, focusing not only on the function of the international debt capital market, but also on related activities in the field of servicing international monetary and financial, credit relations, as well as insurance, audit and other services. Therefore, they tend to differentiate and specialise their activities.

Many countries are interested in establishing their own IFCs, as they contribute to the creation and redistribution of global financial income, facilitate significant capital inflows into the country, generate substantial tax revenues, and ensure employment growth. IFCs also influence the state of the home country's currency and allow them to accumulate significant income on balance of payments items.

Countries with new and rapidly growing economies, in the context of liberalised capital flows, have not only established IFCs but are also actively competing in the global financial market, as evidenced by international ratings. The globalisation process is influenced by various factors that affect the development of the global financial market and international financial centres. Therefore, these processes necessitate in-depth research of financial markets, trends and peculiarities of their development in the modern global economy.

This article was translated from its original in Ukrainian.

References

1. "GFCI 32 Top 15." Long Finance. Accessed October 12, 2022. Available at: <https://www.longfinance.net/publications/long-finance-reports/the-global-financial-centres-index-32/>
2. "GFCI Report" Long Finance. Accessed October 12, 2022. Available at: https://www.longfinance.net/media/documents/GFCI_32_Report_2022.09.22.pdf
3. "Readiness for the Storm: The 2022 Global Cities Report." Accessed October 20, 2022. Available at: <https://www. Kearney.com/global-cities/2022>
4. "Top Banks: The World's Largest Banks by Assets." Accessed October 29, 2022. Available at: <https://nonews.co/directory/lists/companies/largest-banks> [In Russian]

5. Bechko, P., et al. Financial Management. Kyiv: Centre for Educational Literature, 2019. [In Ukrainian]
6. Hall, P. The World Cities. London: Weidenfeld & Nicolson, 1966.
7. Kindleberger, Charles P. "The Formation of Financial Centres: A Study in Comparative Economic History." Princeton Studies in International Finance, no. 36. Princeton University, 1974.
8. Lifanova, M.I. "International Financial Centres: Concepts, Conditions, and Stages of Formation." Scientific Bulletin of the International Humanitarian University. Accessed October 15, 2022. Available at: <http://www.vestnik-econom.mgu.od.ua/journal/2016/17-2016/7.pdf> [In Ukrainian]
9. Lutsyshyn, Z., Mehtiev, E. "Offshore Financial Centres in the Global Movement of Capital." International Economic Policy, no. 2 (29) (2018). [In Ukrainian]
10. Makohon, Y.V., Muzychenko, H.H. "The Place of International Financial Centres in the Modern Globalised World Economy." Economic Bulletin of the National Technical University of Ukraine "Kyiv Polytechnic Institute" 2014, No. 11: 85-90. [In Ukrainian]
11. Mozgovyi, O.M. (ed.). International Finance. K., KNEU, 2016. [In Ukrainian]
12. Reed, H. "Financial Center Hegemony, Interest Rates, and Global Political Economy." In International Banking and Financial Centres. Kluwer Academic Press, 1989.
13. Rogach, O., Pidchosa, O., & Onopko, M. "Financialisation and Its Impact on Deindustrialisation and Labour Market: The Case of Ireland." In Financialisation and Deindustrialisation: Impact on Employment: Monograph, 254-328. Kyiv: Publishing and Polygraphic Centre "Kyiv University", 2021.
14. Rogach, O.I. (ed.). "Evolution of the theory of international movement of entrepreneurial capital. Modern trends in international capital flows." In Monograph, 11-22. Kyiv: Centre for Educational Literature, 2019. [In Ukrainian]
15. Rogach, O.I., Anisimova, O.Y., Dziuba, P.V., et al. Fundamentals of International Finance: A Textbook. 2nd edition, supplemented. Kyiv: Kyiv University Publishing and Printing Centre, 2014. [In Ukrainian]
16. Sassen, S. "Cities: Capital for the New Megalopolis." Time magazine, November 4, 1966. Accessed October 10, 2022. Available at: http://www.bnet.com/2403-13070_23-192951.html
17. Sidenko, S. "International Financial Centres in the Global Economy." Economics & Education, ISMA University, 2021, 06(04): 37-46.
18. Sidenko, S.S., Rogach, O. "International Financial Centres" – Textbook. Kyiv: Centre for Educational Literature Publishing House, 2022. [In Ukrainian]
19. World Alliance of International Financial Centres (WAIFC). Accessed November 5, 2022. Available at: <https://waifc.finance/ru/>

Received on: November 18, 2022

Accepted on: November 28, 2022

Released on: December 15, 2022