

OPEN FINANCIAL ECOSYSTEM INDEX LAUNCH (OFEX)

The new financial centre index

THE INSTITUT LOUIS BACHELIER AND THE CENTER FOR FINANCIAL STUDIES HAVE WORKED TOGETHER TO DEVELOP A NEW TOOL TO ANALYSE FINANCIAL CENTRES ATTRACTIVENESS

INSTITUT LOUIS BACHELIER



- The Institut Louis Bachelier (ILB) is an independent French research network in Economics and Finance founded in 2008
- The ILB amplifies research and modelling impact in Economics and Finance through its network of 500+ researchers
- The ILB builds a research ecosystem that brings together academics, companies and public authorities

CENTER FOR FINANCIAL STUDIES



- The Center for Financial Studies (CFS) is an independent research institute affiliated to the Goethe University in Frankfurt, conducting research in Finance on several topics (Monetary Policy, Green Finance, Asset Management...)
- The CFS has been established in 1967 and is working with a global network of more than 90 renowned Fellows in Economics and Finance
- The CFS serves as a forum for dialogue between academia, policy-making institutions and the financial industry

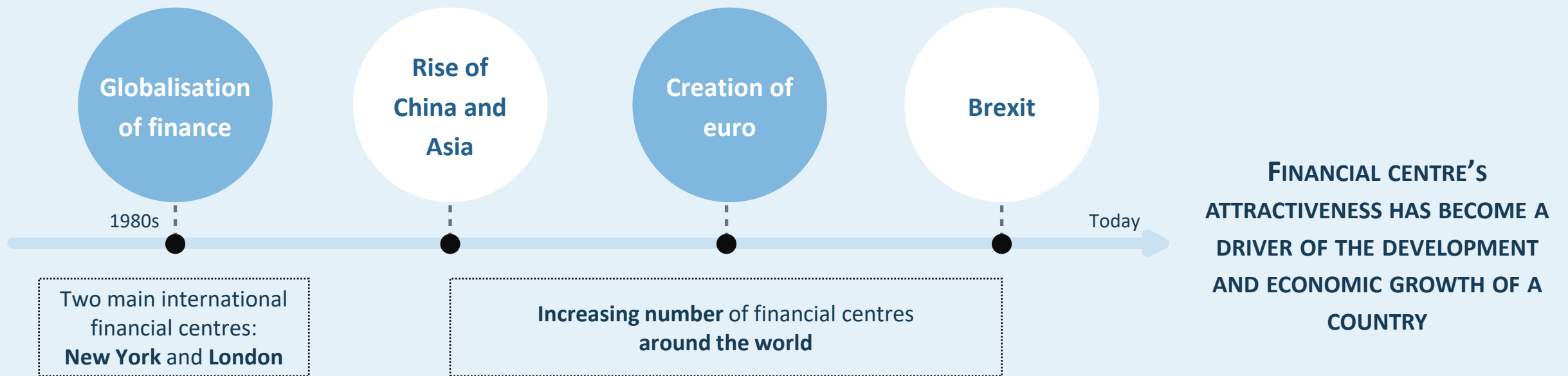
FINANCIAL CENTRE ATTRACTIVENESS IS A KEY PARAMETER DRIVING DECISION MAKING WITHIN THE FINANCIAL ECOSYSTEM

FINANCIAL CENTRE

A place that ensures the meeting of **multiple actors** who contribute to the proper functioning of **financial markets within ecosystems** that generate important **synergies**

FINANCIAL CENTRE ATTRACTIVENESS

The **set of parameters** that overall **influence choices of financial decision makers** about where to do business



THE OFEX INDEX WAS CREATED TO ALLOW ANALYSIS AND COMPARISON OF FINANCIAL CENTRES, IN RESPONSE TO THE LIMITATIONS OF EXISTING TOOLS

OFEX starting point

- Need to analyse the impact of **Brexit** and understand the movement of **companies, people, capital** and **markets**
- How to analyse the attractiveness of financial centres?



Limitations of reliable tools assessing financial centres attractiveness

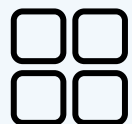
- **Few tools focus** on the **attractiveness** of financial centres, each with specific drawbacks:
 - **No longer updated**
 - **Non-open methodologies**
 - Potentially **subjective** (public surveys)



1. Build a **first version** of a **comprehensive** and **transparent** database from **publicly accessible and reliable sources** on the attractiveness of financial centres
2. Set up a **new index** to synthesise this information. It aims at being **open, transparent, objective,** and **flexible** to measure the major facets of attractiveness

OFEX HAS BEEN DESIGNED IN INTERACTION WITH SEVERAL INTERNATIONAL INSTITUTIONS WHO GAVE POSITIVE FEEDBACKS

THE KEY METHODOLOGICAL STEPS OF THE PROJECT HAVE BEEN CAREFULLY DESIGNED, ANALYSED AND REVIEWED AS SCIENTIFICALLY AND OBJECTIVELY AS POSSIBLE WITH EXPERTS



Categories



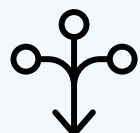
Categories were defined after deep literature review, a student competition and long discussions of experts during a workshop. The objective was to cover most key parameters linked to attractiveness while restraining the number of categories.
→ **Based on a panel of European experts' work**



Indicators



The indicators in each category were selected based on their relevance to measure attractiveness within this category, the reliability of the source while at the same time limiting redundancy of information.
→ **Based on CFS and ILB iterative selection, discussions with experts and international institutions**



Aggregation



The aggregation methodology aims at synthesising the variety of indicators to create an easy-to-understand score while following international best practices.
→ **Based on OECD Handbook on constructing composite indicators**

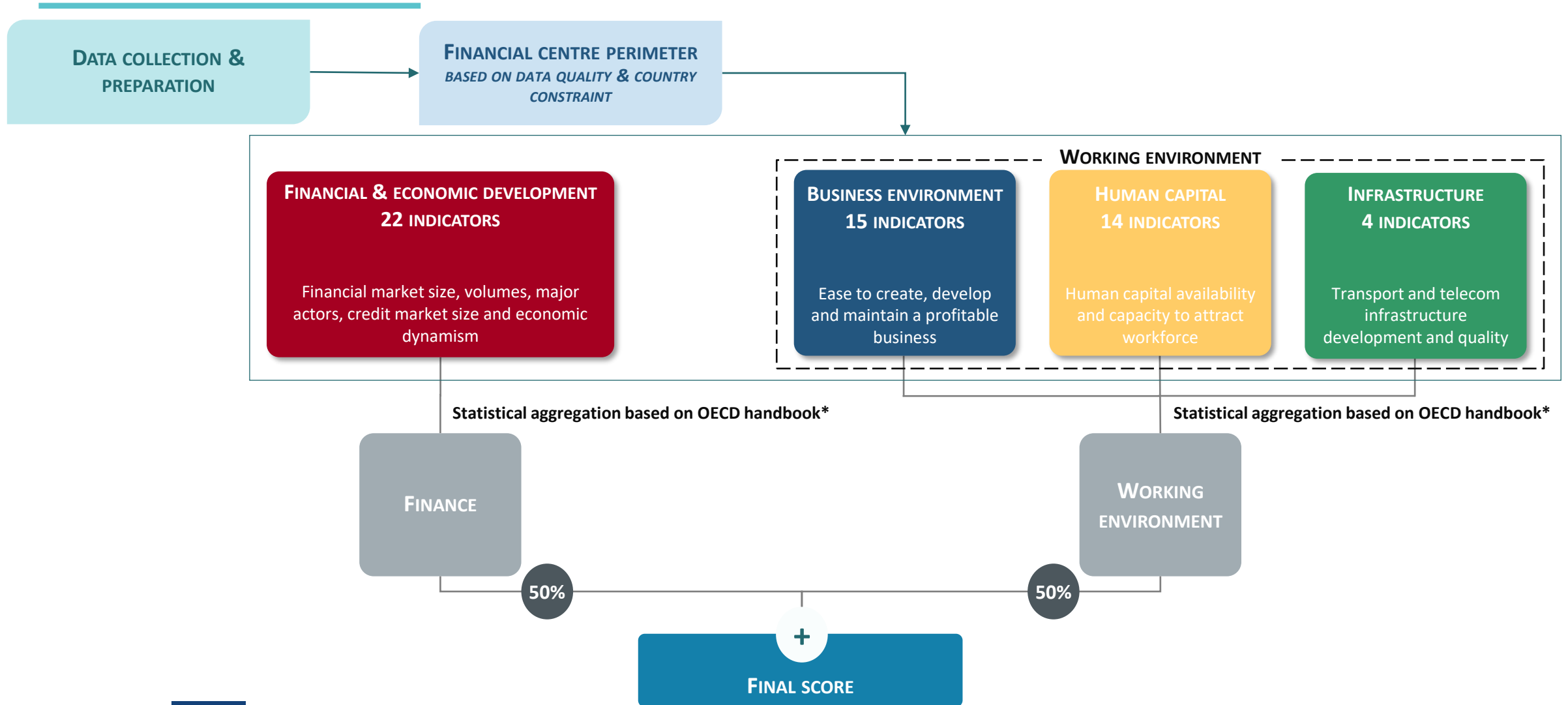


Perimeter



Choice was made to rank international financial centres only, when enough data was available to create a robust ranking. For each country, only the leading FC was kept based on its international relevance (except for US and CN).
→ **Based on data quality and relative importance within a given country**

THE GLOBAL SCORING APPROACH MOSTLY AIMS AT SYNTHETISING THE INFORMATION WHILE GIVING EMPHASIS TO THE FINANCE CATEGORY

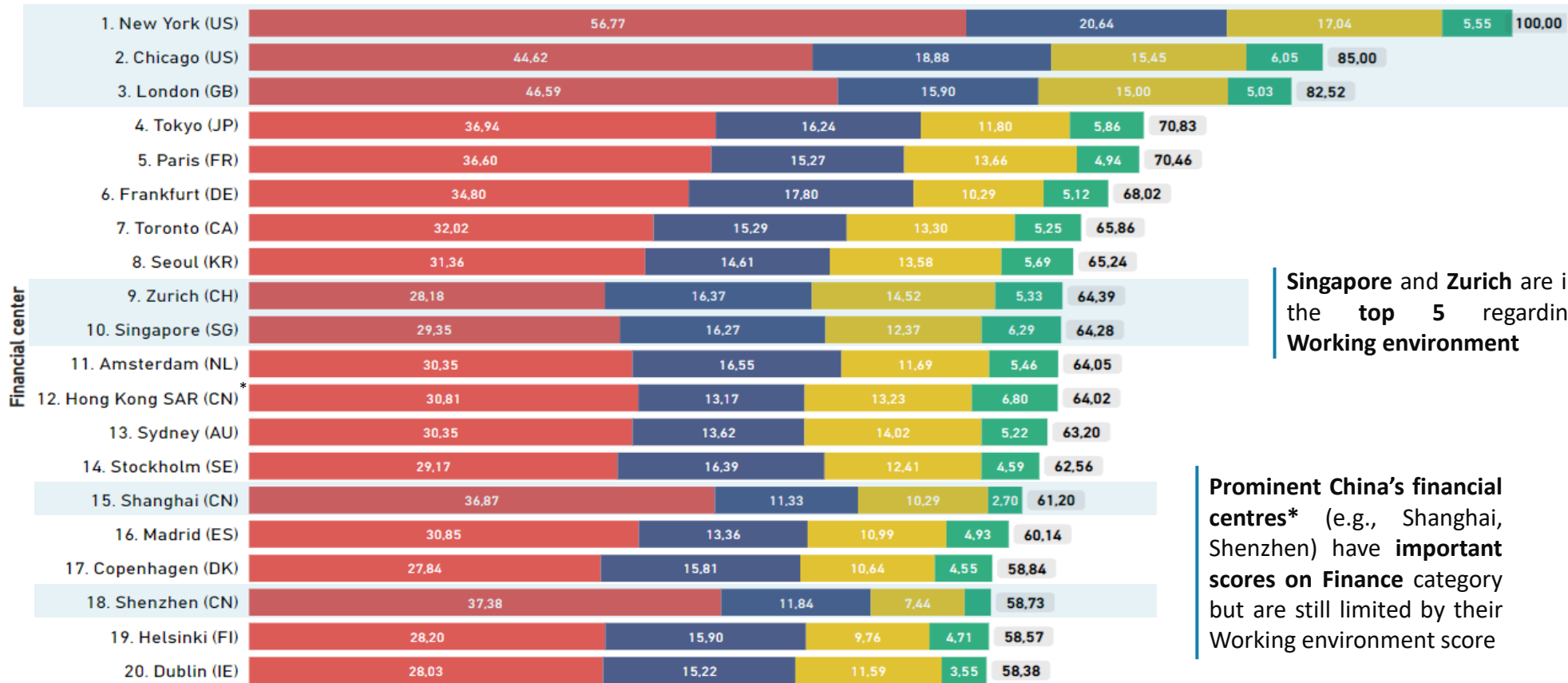


*Handbook on Constructing Composite Indicators: Methodology and User Guide.

THIS METHODOLOGY LEADS TO A TRANSPARENT AND EXPLAINABLE RANKING, ALLOWING THE IDENTIFICATION OF THE CONTRIBUTION OF EACH CATEGORY TO THE FINAL SCORE

Top 20 OFEX ranking 2024

● Finance ● Business ● Human ● Infrastructure

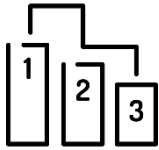


Top 3 is ranked well above the others: New York, Chicago and London. This is consistent with experts' expectations

Singapore and Zurich are in the top 5 regarding Working environment

Prominent China's financial centres* (e.g., Shanghai, Shenzhen) have **important scores on Finance** category but are still limited by their Working environment score

THIS OFEX RANKING IS A FIRST VERSION WHOSE PURPOSE IS TO BE OBJECTIVE TO ENLIGHTEN AS RELIABLY AS POSSIBLE THE PUBLIC AUTHORITIES AND DECISION-MAKERS



A NEW ATTRACTIVENESS RANKING

- **Open, transparent and flexible ranking**
- **47 financial centres from 44 countries**
- Indicators separated into 2 main categories **Financial & economic sector development** and **Working environment**



AN OBJECTIVE RANKING

Complement the existing tools by being

- **objective, relying on data from reliable and known sources**
- **transparent on the methodology**



PROVIDING INFORMATION FOR PUBLIC AUTHORITIES AND DECISION-MAKERS

This ranking aims to **enlighten and guide public authorities and decision-makers** on where to do financial business or how to develop financial centre's attractiveness

WHAT'S NEXT?

- ✓ **It is an ongoing project with the objective of updating the ranking once or twice a year**
- ✓ **The methodology and indicators used will evolve over time**
- ✓ **In-depth analysis of the ranking will be made**
- ✓ **This is a first step, as teams are working on other projects, especially in green finance**

**THE OFEX WEBSITE CONTAINING THE RANKING AND LIST OF INDICATORS USED IS NOW AVAILABLE!
DO NOT HESITATE TO CONTACT US FOR FEEDBACK/QUESTIONS OR IF YOU NEED A SPECIFIC PRESENTATION**

DISCOVER THE FULL OFEX RANKING!



[OFEX.INSTITUTLOUISBACHELIER.ORG](https://ofex.institutlouisbachelier.org)



CONTACT US!



OFEX@INSTITUTLOUISBACHELIER.ORG

