London has come out on top in its annual battle with New York to be named the world’s leading international financial centre. Beyond the behemoths, however, the big story comes from Latin America, where Mexico City has jumped 15 places to crown an impressive year for the financial hub. **Writer** Silvia Pavan

London leads this year’s international financial centres (IFCs) ranking, which measures the performance of the IFCs in a series of financial market, business and economic indicators, and puts a premium on international appeal rather than size.

The UK capital scores similarly to New York – last year’s leader and now in second place – within the financial markets data category, but excelled in factors such as business friendliness and the depth of the various business clusters present in the city. London also generates the largest value of outward as well as inward foreign direct investment in the financial sector.

It is worth noting London’s leadership in various components that contributed to its financial markets score, such as the number of new foreign listings (a total of 36 against New York’s 29) and the issuance of international debt securities ($3401bn against New York’s $1977bn). However, New York still boasts the largest volumes of assets under management – $920bn – among the firms that it plays host to.

**Small shifts**

Singapore and Hong Kong are in third and fourth positions, respectively, the latter displacing Frankfurt, which is now in fifth place. Small shifts are present throughout the ranking, with the only noticeable exception being Mexico City, which jumped from 30th place in the 2012 ranking to 15th position this year. The Latin American centre, the highest scoring in its region, boasts a growing international stock exchange, which last year hosted its largest ever initial public offering. The $4.13bn listing of the Mexican operations of Spanish bank Santander at the end of 2012 confirmed the rising international reputation of Mexico City as an IFC to be reckoned with.

Also of note is that the second highest placed Latin American IFC is Panama City, ahead of São Paulo. The Brazilian metropolis is widely perceived to be the region’s main financial gateway, but the city’s sizeable financial markets are not yet matched by a high quality in factors such as business friendliness and cost indicators, where Panama City scores highly. The Panamanian capital also scores impressively when it comes to economic factors.

The Asian IFC that has shown the greatest improvement is Beijing, moving from 36th position in 2012 to 32nd this year in the overall ranking. It now ranks seventh among Asian IFCs, overtaking eighth placed Kuala Lumpur. Like Beijing, Bangkok has also climbed up four positions in the global ranking and comes in ninth regionally.

Despite dropping one place in the global ranking, San Francisco has improved its regional standing and now is third in North America, up from fourth position last year. San Francisco-based Wells Fargo’s stellar performance in the latest financial year has pushed the Californian city to fifth place from eighth in the banking pre-tax profit table. Wells Fargo, the world’s eighth largest bank by Tier 1 capital, posted pre-tax profits of $28bn in 2012, up 20% on 2011.

**Low costs**

In terms of cost factors, the number one global IFC is Copenhagen. The Danish capital, widely perceived to have expensive labour and cost of living levels, offers
employers office occupancy costs lower than many emerging market locations, as well as exceptionally low employment termination costs.

In the specialised financial centres table, the Cayman Islands retains its lead, although Jersey replaces Guernsey in second position. Bermuda and Barbados are the most improved, each jumping three positions to sit in fifth and eighth place, respectively. Most of the data for the specialised financial centres ranking is supplied to The Banker by each centre. In the current financial environment, some chose not to respond to our survey, which is why Cyprus, for example, does not feature in this year’s tables.

**Methodology**

The Banker’s ranking of IFCs is based on data ranging from financial markets indicators to economic potential to business environment factors. The ranking focuses on the level of international business and the value offered to institutions seeking to expand their international operations.

In recognition of the fact that data for specialised financial centres is seldom consistent with that for mainland financial centres, The Banker has surveyed each specialised IFC and has compiled a separate table using information relevant to these locations. Publicly available data sources were used as well as The Banker Database and FDI Intelligence.

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**Specialised Financial Centres Ranking**

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Source: The Banker/ID Intelligence
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Source for all tables: The Banker/FDi Intelligence
### Rankings

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<td>London</td>
<td>2.71</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>2.56</td>
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<tr>
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<tr>
<td>Mumbai</td>
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</tr>
<tr>
<td>Toronto</td>
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<tr>
<td>Paris</td>
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</tr>
<tr>
<td>Frankfurt</td>
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</tr>
<tr>
<td>Sydney</td>
<td>1.36</td>
</tr>
</tbody>
</table>

#### Foreign Listings (% of Total Listings)

<table>
<thead>
<tr>
<th>Country</th>
<th>Score</th>
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</thead>
<tbody>
<tr>
<td>Luxembourg</td>
<td>10.00</td>
</tr>
<tr>
<td>Mexico City</td>
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<tr>
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<td>Singapore</td>
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</tr>
<tr>
<td>Dubai</td>
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<tr>
<td>Amsterdam</td>
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</tr>
<tr>
<td>New York</td>
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<tr>
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<td>1.90</td>
</tr>
<tr>
<td>Brussels</td>
<td>2.84</td>
</tr>
<tr>
<td>Oslo</td>
<td>2.50</td>
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</tbody>
</table>

#### Bank Pre-Tax Profits

<table>
<thead>
<tr>
<th>Country</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beijing</td>
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</tr>
<tr>
<td>New York</td>
<td>6.41</td>
</tr>
<tr>
<td>Tokyo</td>
<td>2.71</td>
</tr>
<tr>
<td>Sydney</td>
<td>2.56</td>
</tr>
<tr>
<td>London</td>
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</tr>
<tr>
<td>Paris</td>
<td>1.88</td>
</tr>
<tr>
<td>Shanghai</td>
<td>1.56</td>
</tr>
<tr>
<td>Sydney</td>
<td>1.36</td>
</tr>
<tr>
<td>Sao Paulo</td>
<td>1.19</td>
</tr>
</tbody>
</table>

Note: Tables represent a selection of indicators used to compile the global IFC ranking. All tables represent individual data points used to compile the IFC global ranking, except for financial markets, business friendliness and cost factors, which are based on multiple data points. Top IFCs in individual and multiple data point tables are assigned a score of 10 and lower ranking IFCs' scores are assigned in relation to the distance to the top scorer.