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THE ROLE OF STOCK MARKET DEVELOPMENT IN SHAPING INTERNATIONAL FINANCIAL CENTRES

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A B S T R A C T

This article examines the evolution and strategic positioning of international financial centres (IFCs), with particular emphasis on the pivotal role of stock markets in enhancing financial system efficiency. It explores how stock exchanges contribute to market liquidity, enable effective capital mobilization, and act as a catalyst for financial innovation, all of which are essential factors in the global competitiveness of financial hubs. The study presents a detailed analysis of Uzbekistan's trajectory within the Global Financial Centres Index (GFCI), highlighting its efforts to strengthen capital market institutions and align with international financial standards.

K E Y W O R D S

Stock Market Development, Capital Markets, Financial Infrastructure, Global Financial Centres Index (GFCI), Investment Climate, Market Liquidity, Financial Competitiveness.

Introduction

Since the late 20th century, International Financial Centers (IFCs) have become an essential component and operational mechanism of the global financial system. In the context of intensifying globalization processes, the relevance, influence, and functional scope of IFCs have significantly expanded. Their growing role reflects the structural transformation of global finance and the increasing interdependence of national economies.

Modern IFCs are characterized by their complex and multifaceted nature. In addition to serving as hubs for international capital markets, they provide a wide range of ancillary services related to cross-border monetary, financial, and credit operations. These include insurance, auditing, legal, and consulting services, which together support a holistic financial ecosystem. While some IFCs pursue a universal approach, integrating multiple financial services within one jurisdiction, others exhibit clear trends toward functional specialization based on comparative advantages or regulatory preferences.

The Republic of Uzbekistan is uniquely positioned to capitalize on its privileged geopolitical status and growing authority within the Eurasian region—factors that could play a pivotal role in facilitating the transition to a new digital economy. The reform agenda has laid a foundational framework for the establishment of a financial centre. This is a highly promising project that necessitates the development of a robust financial infrastructure, including an internationally recognized legal framework and judicial system that is conducive to foreign business operations and aligned with global best practices for rapidly growing financial hubs.

To achieve these goals, it is essential to ensure the involvement of international organizations, attract foreign enterprises, and further enhance investment attractiveness, export potential, and the economic competitiveness of regions and sectors. The responsibility for addressing these strategic objectives has been entrusted to the Agency for Strategic Reforms under the President of the Republic of Uzbekistan [1].

The formation of Uzbekistan's primary regional financial centre must be pursued not only by creating favorable conditions for foreign investors, but also by establishing a supportive legislative framework and overall business environment for domestic entrepreneurs and investors, with particular attention to the needs of small and medium-sized enterprises (SMEs).

Literature Review

According to D. Kindleberger, the emergence of international financial centres requires the presence of both economic and institutional preconditions. These include an open and liberal financial system, a competitive banking sector, a stable legal and political environment, and well-developed communication and information systems [2].

R. Levine emphasizes that countries with advanced financial systems—particularly those hosting financial centres—tend to exhibit higher rates of economic growth. He argues that improvements in financial intermediation mechanisms enhance the efficiency of investment allocation, thereby supporting long-term economic development [3].

A.N. Azrilyan defines international financial centres as hubs of the international loan capital market [4]. In his classification, primary centres include New York, Tokyo, London, Paris, Frankfurt, Zurich, and Luxembourg, while key centres in developing countries include Hong Kong, Singapore, Bahrain, and others. These centres are characterized by a high concentration of banks and other financial-credit institutions, along with robust communication systems based on modern computer technologies.

A.V. Novikov and I.Y. Novikova identify three main approaches to defining financial centres [5]. From a functional standpoint, financial centres provide a wide range of financial and consulting services. From an institutional perspective, they comprise a system of financial institutions engaged in various financial operations. From a geopolitical view, financial centres are global cities with advanced infrastructure capable of serving financial market participants efficiently and facilitating the attraction and redistribution of capital.

Z. Bodie, one of the prominent representatives of modern financial theory, provides theoretical perspectives on financial infrastructure, market intermediation, and global capital flows. His views are of great significance in understanding the key functions and roles of international financial centres in the global economy [6].

V.V. Klimachev, in his academic research, also offers a definition of international financial centres. He views them as centres of global rent generation through the legitimization of international financial and credit operations, carried out via banks, funds, and economic-financial mechanisms such as exchange rates and interest rates [7].

Research Methodology

To examine the research problem, the study employs methods of system analysis, scientific observation, analytical and synthetic reasoning, as well as inductive and deductive approaches.

Results and Analysis

The strategic importance of establishing an IFC is increasingly recognized by both developed and emerging economies. These centers act as platforms for attracting and reallocating global financial flows, contributing to national economic development through increased capital inflows, employment growth, and fiscal revenues, including taxes on high-income professionals. Additionally, IFCs enhance the international status of a country's currency and contribute positively to the balance of payments.

At the core of IFCs are banks and financial institutions that are deeply embedded in global economic networks. Over time, IFCs have evolved into powerful information-analytical and organizational hubs, offering significant credit potential. Supporting institutions, such as international legal firms, auditing companies, and management consultancies, play a crucial role in servicing financial transactions. Moreover, the demand for expertise in comparative economic and legal analysis has grown, reinforcing the interdisciplinary nature of IFCs.

The rise of analytical centers tanks capable of conducting complex research, developing indices and financial center rankings, and offering strategic foresight has further enhanced the intellectual infrastructure of leading IFCs. These centers are actively involved in analyzing trends in the global economy and offering insights into the development trajectories of various national economies.

In recent years, a critical function of IFCs has been their participation in reforming the global financial architecture, often in collaboration with international financial institutions and G7 countries. This includes developing a coherent set of "rules of the game" for financial markets and establishing a robust institutional and legal framework that facilitates greater transparency, liberalization, and secure access to global financial services.

Countries lacking mature domestic financial markets and competitive financial centers are likely to experience persistent reliance on foreign capital and exposure to capital flight risks. Hence, to achieve sustainable competitiveness in the international financial arena and maintain macroeconomic sovereignty, national strategies must prioritize the development of IFCs — whether through comprehensive financial intermediation or through targeted specialization in selected financial niches.

In 2025 the GFCI assesses the stability and competitiveness of 133 international financial centers operating worldwide. The formation of the ranking is based on the following key indicators:

Financial Market Activity – Evaluates the operations of financial institutions, market liquidity, the scope of innovative financial products, and the breadth of financial services.

Business Environment – Includes the transparency of the tax and legal system, level of regulatory frameworks, corruption perceptions, and the overall ease of doing business.

Human Capital – Assesses the availability and quality of skilled professionals, education levels, labor market flexibility, and workforce competence.

Infrastructure – Encompasses transportation systems, ICT development, financial infrastructure, and quality of life.

Reputation – Measures the global image of the financial center, its reliability, specialization, and attractiveness in the eyes of international investors [8].

The GFCI ranking is compiled using data and assessments from over 30,000 financial sector professionals across 133 countries, including input from 5,000 international corporations. Over 11,000 interviews and evaluations conducted with finance experts, analysts, and investors contribute to the index's construction.

IFCs play a key role in attracting international capital through their stock markets, offering foreign investors access to local corporate securities. This not only fuels economic development but also enhances the center's strategic positioning within the global financial system. The free and transparent movement of capital is essential to maintaining an IFC's global competitiveness.

Market-based pricing of financial assets derived through stock market operations serves as a critical informational foundation for IFCs. Transparent and efficient price discovery supports financial decision-making and strengthens systemic stability. Accurate pricing signals improve resource allocation and allow financial institutions to better assess and manage risk.

Stock markets within IFCs serve as incubators for modern financial instruments such as ETFs, derivatives, green bonds, and REITs. These products allow investors to diversify their portfolios and manage risk more effectively, contributing to market stability and financial system resilience.

The performance and attractiveness of IFCs and their stock markets are closely linked to the quality of the regulatory and legal environment. Compliance with international standards, legal predictability, and regulatory transparency are key to enhancing investor confidence.

Stock markets are fundamental institutional and functional components of IFCs. They serve as platforms for trading financial instruments such as equities, bonds, and derivatives, thereby facilitating the efficient allocation of international capital. Cities such as London, New York, Tokyo, and Frankfurt have become dominant players in global finance largely due to the depth and liquidity of their stock exchanges (Table 1).

Table 1 Top Global Financial Centres for Stock Market Development

Rank in GFCI	City	Stock Exchange(s)	Key Strengths	Specialization
1	New York	NYSE, NASDAQ	Largest by market cap and trading volume, high-tech innovation, deep liquidity	Tech, SPACs, Global Listings
2	London	London Stock Exchange (LSE)	High foreign listings, development of derivatives market	Finance, Green Bonds
3	Hong Kong	HKEX	Dual listings hub for Chinese firms, strong link to mainland markets	Cross-border IPOs, Tech
4	Singapore	Singapore Exchange (SGX)	REIT leadership, fintech hub, strong regional influence	ESG Finance, Real Estate, Derivatives
8	Shanghai	SSE, STAR Market	Government-backed growth, fast tech IPOs, huge domestic base	Technology, Strategic Sectors
21	Zurich	SIX Swiss Exchange	Strong banking and pharma sector listings, innovation in digital securities	Financials, Healthcare, Tokenized Assets
22	Tokyo	Tokyo Stock Exchange (TSE)	High governance, diverse investor base, advanced regulation	Conglomerates, Manufacturing
23	Toronto	Toronto Stock Exchange (TSX)	Dominant in mining and energy sectors, strong mid-cap activity	Natural Resources, ETFs, Blockchain Stocks

New York, London, and Hong Kong continue to occupy the top tiers of the global stock market hierarchy. Their leadership is defined by the scale of market capitalization, the depth and breadth of financial innovation, and the large, diversified base of institutional and retail investors. These financial centres set global benchmarks for liquidity, regulatory sophistication, and listing attractiveness.

Meanwhile, Singapore and Shanghai are emerging as dynamic financial hubs within the Asian region, gaining prominence particularly in areas such as financial technology (FinTech) and technology-focused initial public offerings (IPOs). Both cities are strategically positioning themselves to attract innovative enterprises and regional capital flows, supported by modern infrastructure and proactive regulatory frameworks.

Despite relatively lower rankings in the Global Financial Centres Index (GFCI), Zurich, Tokyo, and Toronto remain highly influential within their areas of specialization. Zurich maintains its status as a stronghold of financial and pharmaceutical sector listings, backed by regulatory stability and innovation in digital assets. Tokyo benefits from high corporate governance standards and a diverse industrial base, while Toronto continues to lead in the listing of natural resource and mid-cap companies, with growing influence in exchange-traded funds (ETFs) and blockchain-related instruments. Together, these centres underscore the diverse trajectories and competitive advantages shaping the evolution of the global capital markets ecosystem.

In the case of the Uzbekistan, the creation of a nationally significant IFC is not only an economic imperative but also a strategic objective aimed at enhancing the resilience, autonomy, and global standing of the domestic financial system.

The prestigious UK-based international analytical center Z/Yen Group has released the latest results of the Global Financial Centres Index (GFCI). This index is aimed at evaluating the competitiveness of major international financial centers and comprehensively reflects the state of development of the global financial infrastructure.

A total of 119 cities have been included in this year's GFCI ranking. In addition, 14 more cities have been granted the status of Associate International Financial Centre. This inclusion signifies growing international recognition of the Republic of Uzbekistan within the global financial landscape [8].

Tashkent was officially included as an Associate International Financial Centre following the release of the 32nd edition of the Global Financial Centres Index (GFCI 32), compiled by the Z/Yen Group. In this edition, Tashkent was evaluated 15 times, receiving an overall rating score of 562, which positioned it ahead of four fully recognized international financial centres within the index.

However, according to the methodological criteria established by the GFCI, a financial centre must be evaluated at least 150 times through peer assessments by global financial professionals in order to attain full status as an International Financial Centre (IFC). Therefore, while Tashkent's initial performance is noteworthy and indicative of emerging potential, it currently remains in the Associate IFC category due to the limited number of observations recorded.

In the latest edition of the Global Financial Centres Index (GFCI 37), Tashkent (Uzbekistan) was observed 18 times, receiving a rating score of 511. Although this represents a decrease in the overall rating compared to the previous edition (GFCI 32, where the score was 562), it still demonstrates the continued presence and recognition of Tashkent within the international financial community. With only 18 assessments, Tashkent remains in the category of an Associate International Financial Centre, which is designated for emerging or developing centres that have not yet met the threshold for full inclusion.

Despite the modest decline in score and the limited number of evaluations, Tashkent's presence in successive GFCI editions indicates growing regional relevance and international interest. This trajectory suggests that with sustained reforms, enhanced global engagement, and further development of financial infrastructure, Uzbekistan has the potential to elevate Tashkent to full IFC status in the coming years.

Conclusion

International Financial Centers (IFCs) are geographical hubs where financial services, capital flows, investment markets, and related financial operations are highly concentrated. These centers serve as key nodes within the global financial infrastructure. IFCs typically host major commercial and investment banks, insurance companies, private equity funds, stock exchanges, auditing firms, and fintech institutions.

In 2025, the Global Financial Centres Index (GFCI) assessed the stability and competitiveness of 133 international financial centres based on five key indicators: financial market activity, business environment, human capital, infrastructure, and reputation. These criteria collectively evaluate the depth and efficiency of financial services, regulatory transparency, workforce quality, technological and physical infrastructure, as well as the global perception and attractiveness of each financial centre. Tashkent’s inclusion in the GFCI is a significant milestone that reflects the increasing global acknowledgment of Uzbekistan's financial sector. This achievement is expected to encourage international investors and multinational corporations to consider Uzbekistan as a promising jurisdiction for investment. The country’s ongoing reforms, financial liberalization, modernization of the banking system, and alignment with international standards have played a crucial role in reaching this point.

Moreover, Z/Yen Group actively collaborates with major global portfolio investors, sovereign wealth funds, and international financial institutions. The organization monitors the development dynamics of financial centers and provides analytical reports that serve as strategic guides for many global investors.

In conclusion, Tashkent's appearance in the GFCI is not only evidence of Uzbekistan's growing presence in the international financial arena but also a critical step toward becoming a regional financial hub. This development will contribute significantly to the country’s further integration into the global economy.

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