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Research Report on the Standard System and Comparative Analysis of International Financial Centers

CEIBS Lujiazui International Institute of Finance

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Brief Introduction about CLIIF

The CEIBS Lujiazui International Institute of Finance (CLIIF) was initiated by the China Europe International Business School (CEIBS) and the Shanghai Lujiazui (Group) Co., Ltd. in October 2007. The purpose of CLIIF is to carry out social influence research and facilitate the construction of Shanghai International Financial Center, for China's macro-economic control and financial stability. Based in Shanghai, CLIIF shall serve as an open and international platform for academic exchange while focusing on studying the opportunities and path to the financial opening-up and development of the service industry under the new development pattern. CLIIF is committed to providing first-class research, consulting and training services to financial institutions, financial regulation agencies, financial investors, and consumers, as it fulfils its role as an influential think tank for the development of Shanghai as an international financial center and promotes a "going-out strategy" for China's financial institutions and enterprises.

Each year, CLIIF undertakes more than 10 key financial research projects commissioned by the Shanghai Local Financial Regulatory Bureau, submits more than 80 special reports for decision-making consulting research, and organizes more than 20 sessions of forums and salons. CLIIF also publishes academic research works and delivers more than 100 articles in various newspapers and media. Notably, CLIIF has innovatively developed the "Global Asset Management Center Evaluation Index", and has continuously released four index reports since 2021, which has attracted increasing attention and recognition across various sectors.

In December 2022, CEIBS established the "CEIBS Lujiazui Finance 50 Forum (CLF50)", based on the foundation of CLIIF. This forum brings together more than 150 economic and financial experts, aiming to build a dynamic platform for economic and financial discourse. It focuses on fostering growth and thought exchange in Shanghai and the Yangtze River Delta Area, positioning itself as a hub with significant potential for development in these regions.

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Executive Summary

The design of Shanghai's policy and institutional architecture should be grounded in global best practices and support high-standard financial opening. To this end, we summarize and highlight selected regulatory frameworks and evaluation systems that may contribute to advancing and refining Shanghai's policy architecture.

While there is no universally accepted standard for assessing the regulatory and governance quality of international financial centers, various international organizations have developed tools from different analytical perspectives. The IMF contributes through its Financial Access Survey and Financial Soundness Indicators, providing national-level assessments that can also inform sub-national or city-level evaluations. The World Bank focuses on areas such as financial infrastructure, globalization and cross-border banking, fintech and innovation, financial system resilience, and inclusion. The OECD emphasizes the importance of sound policy frameworks in fostering efficient financial systems, and its research on financial literacy and behavior offers valuable insights for designing forward-looking evaluation metrics for innovative financial centers.

Other international organizations and regulatory bodies also play a critical role in shaping the foundational components of financial center development. For instance, the BIS, through the Basel Framework, sets global prudential standards for banking. Its Committee on Payments and Market Infrastructures defines international norms for the safety and efficiency of payment, clearing, and settlement systems. In addition, the BIS provides frameworks for financial innovation and technology, supports data standardization, and offers guidance on financial stability and systemic risk management. The FATF's anti-money laundering (AML) and counter-terrorism financing (CFT) standards are widely adopted and directly impact a country's financial credibility. The European Commission's sustainable finance framework has also accelerated progress in green finance development and the establishment of related regulatory standards across financial centers.

It is important to acknowledge that, compared with leading global financial centers, Shanghai still faces notable gaps across several key dimensions.

First, the degree of internationalization remains relatively limited. This is reflected in the lower presence of foreign financial institutions, limited influence in the pricing of international financial assets, restrictions on the global trading of domestic financial products, and the comparatively weak global expansion capability of domestic institutions.

Second, Shanghai's ability to attract top-tier financial institutions is less robust than that of cities such as New York, London, and even Beijing. The city hosts a relatively small number of foundational and strategically critical financial institutions, and domestic institutions maintain a limited overseas footprint.

Third, the range of financial products remains insufficiently diversified, and the effectiveness of financial resource allocation requires further enhancement.

Fourth, the global competitiveness of Shanghai's financial infrastructure needs to be strengthened, particularly in cross-border service capacity and regulatory interoperability. The legal and regulatory environment should be further improved to better facilitate financial innovation. In emerging fields—such as green finance, technology finance, and fintech—Shanghai still lags behind more established international financial hubs.

Finally, in terms of talent development and attraction, Shanghai continues to trail behind cities like New York, London, and Singapore.

To address these challenges, efforts to strengthen Shanghai's financial center development should integrate international benchmarks with local realities in designing the policy and institutional architecture. This study proposes a phased approach:

In the short term, the focus should be on expanding high-standard institutional opening-up, accelerating market access reforms, improving cross-border financial service efficiency, and piloting internationally aligned regulatory frameworks.

In the medium term, the goal should be to enhance the "four key systems of the financial center": upgrading financial market capacity, deepening the reform of state-owned financial institutions, improving financial products and service systems, and optimizing financial infrastructure.

In the long term, efforts should focus on advancing RMB internationalization and achieving capital account convertibility, thereby elevating Shanghai's global standing.

Policy recommendations include improving the quality of listed companies in Shanghai, advancing SOE reform, strengthening financial services for tech innovation, supporting the development of a Shanghai Free Trade Port, and building an offshore RMB financial system. These measures aim to elevate Shanghai's financial center to a new level of global influence.

To guide Shanghai's development into a globally competitive international financial center, the following quantifiable targets are proposed:

1. Increase the market share of foreign financial institutions—including banks, insurers, and asset managers—to 40%.

2. Ensure that all major global financial institutions establish either headquarters or regional centers in Shanghai.
3. Raise the share of foreign investor ownership in the A-share market to over 15%.
4. Significantly narrow the market capitalization gap between the Shanghai and New York stock exchanges.
5. Attract a growing number of global enterprises to list on Shanghai's capital markets.
6. Expand the availability of internationally recognized financial derivatives, enhancing market depth and investor options.
7. Substantially increase the scale of sustainable finance products, including green bonds, carbon trading, and ESG funds, positioning Shanghai as a global hub for green finance.
8. Boost the RMB's share in global payments to over 15%.
9. Elevate the RMB to the status of a major reserve currency, second only to the US dollar and the euro.
10. Increase the RMB's share in global foreign exchange trading to over 10%.

Part I. Overview of International Policy Frameworks and Institutional Standards for Financial Center Development

An international financial center typically refers to a city or economic region with global or regional influence in financial activities. While most international organizations do not directly provide formal evaluation standards for international financial centers, they play a significant role in shaping the development of such centers through rule-setting, regulatory frameworks, and risk advisory. These contributions have a profound impact on the evolution and direction of global financial center landscapes.

Different international organizations influence the development of financial center standards in distinct ways, based on their mandates and areas of focus. For instance, the International Monetary Fund (IMF) emphasizes global capital mobility and banking system soundness; the World Bank focuses more on the contribution of financial centers to economic growth; the Basel Committee on Banking Supervision centers on the stability of banking systems and capital adequacy; and the Bank for International Settlements (BIS), through the Basel Framework, provides global regulatory and infrastructure standards. Meanwhile, the Financial Action Task Force (FATF) concentrates on anti-money laundering (AML) and counter-terrorism financing (CFT) capabilities in financial centers. In addition, many international organizations increasingly focus on financial inclusion, sustainable finance, and digital financial innovation.

Overall, while the evaluation frameworks of these organizations are often designed for national or regional financial systems at the macro level, they form an important foundation for assessing and developing international financial centers. Their methodologies offer valuable insights and policy references that can inform the strategic planning and institutional design of emerging financial hubs.

1.1 IMF Indicators for Financial System Assessment

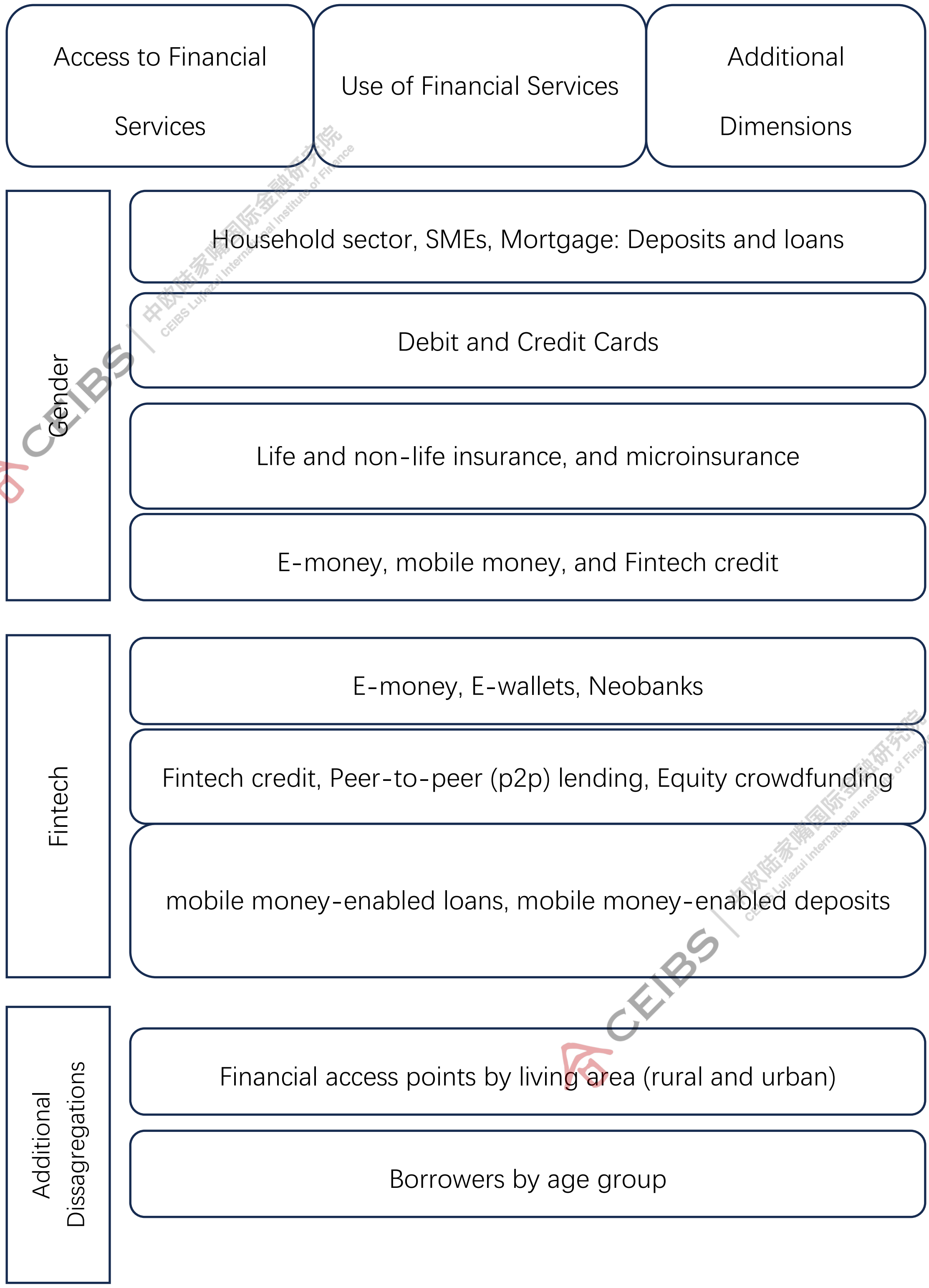
IMF provides national-level assessment and guidance for financial systems primarily through two instruments: the Financial Access Survey (FAS) and the Financial Soundness Indicators (FSIs). While both tools are designed with a national scope in mind, their methodological frameworks and indicator systems offer valuable reference points for evaluating sub-national regions or cities—thereby holding relevance for the development of international financial center standards.

1.1.1 Financial Access Survey

The IMF's Financial Access Survey (FAS) aims to promote broader economic participation, reduce inequality, and support inclusive growth, in line with the Sustainable Development Goals (SDGs). The survey provides comprehensive supply-side data on an annual basis, covering 192 economies and including 121 series indicators and 70 internationally comparable metrics. Over the past 15 years, the FAS has become a key global dataset for tracking financial service accessibility and informing inclusive financial policy design and evaluation.

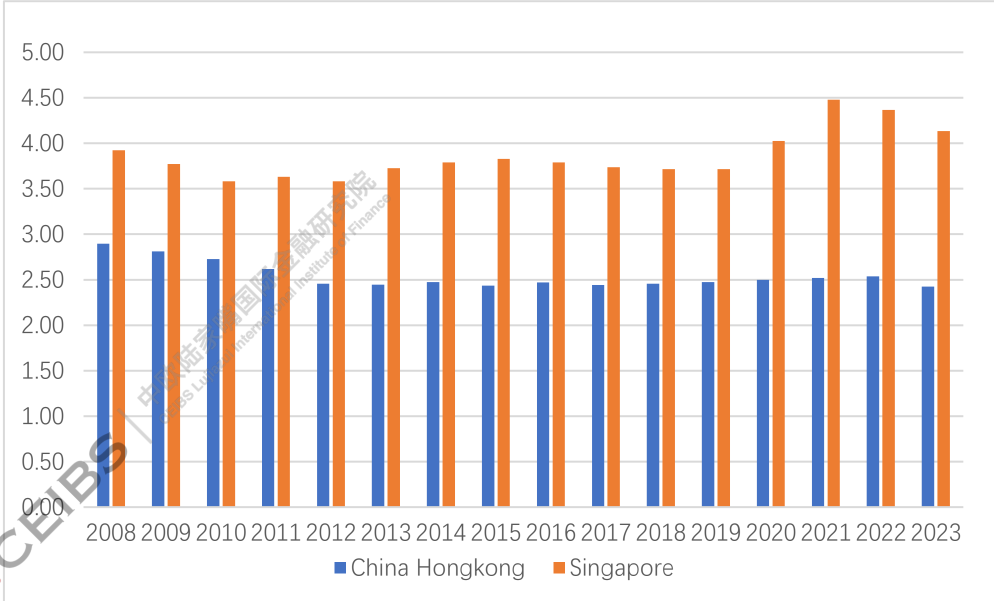
The survey places particular focus on three aspects: the adoption of digital financial services in emerging and developing economies, the growth trajectory of microfinance institutions, and gender disparities in financial service usage.

The FAS is grounded in a wide range of quantitative indicators, such as the number of commercial bank branches and ATMs per 1,000 adults, use of mobile payment services, the number of insurance providers, credit and debit card ownership rates and etc. (Refer to Figures 1-1, 1-2, and 1-3 for selected data illustrations.)



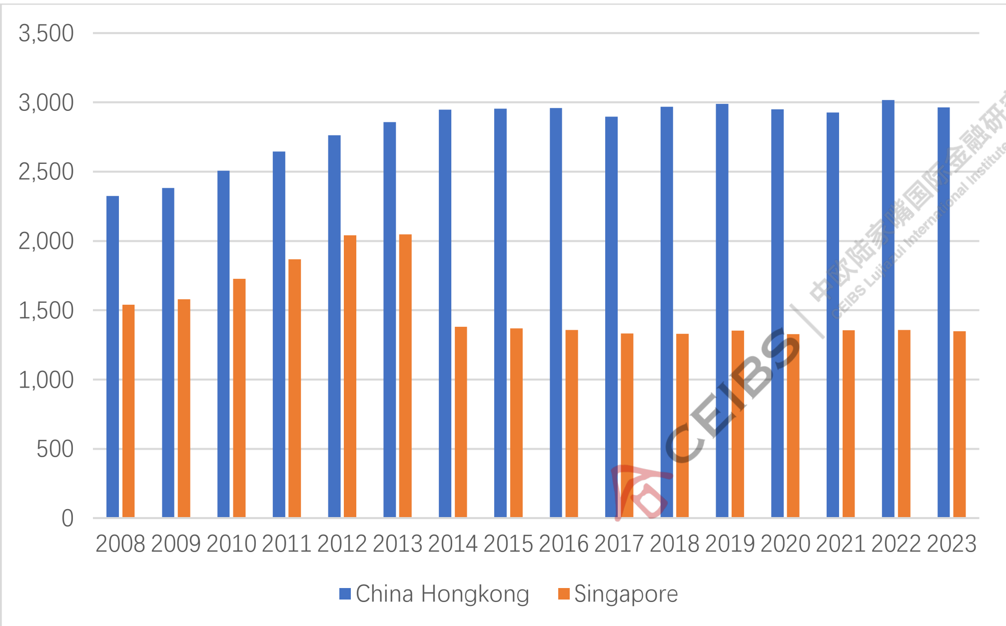
Source: IMF 2024 Financial Access Survey

Figure 1- 1: IMF Financial Access Survey Dimensions



Source: IMF Financial Access Surveys

Figure 1- 2: Number of insurance corporations per 100,000 adults



Source: IMF Financial Access Surveys

Figure 1- 3: Number of credit cards per 1,000 adults

1.1.2 Financial Soundness Indicators

The IMF regularly publishes Financial Soundness Indicators (FSIs) to analyze and assess the strengths and vulnerabilities of financial systems across economies. These indicators form the analytical foundation for the IMF's Global Financial Stability Report, released twice annually.

While the FSIs are primarily designed to evaluate the overall financial stability of national economies, many of the core indicators are applicable to sub-national financial systems and can be used to assess the robustness of financial centers at the city level (see Table 1-1).

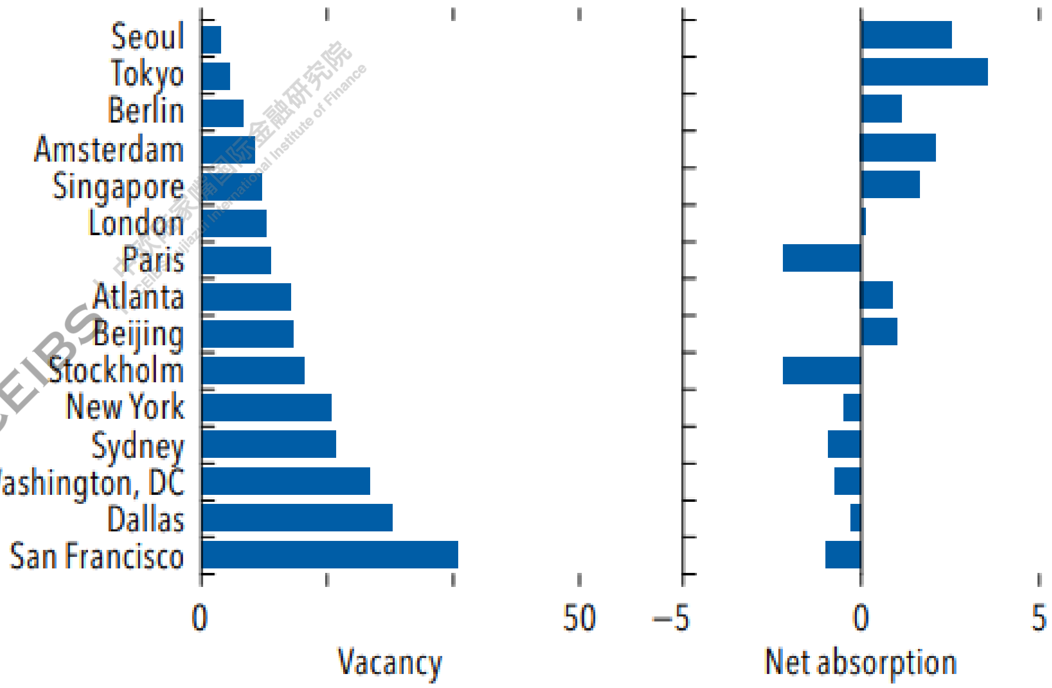
In addition, several non-core indicators are also relevant for city-level comparisons. For example, within the commercial real estate stability sub-series, vacancy rates and net absorption rates are commonly used to assess local market conditions (see Figure 1-4).

Table 1- 1: Illustration of IMF Financial Soundness Indicators

Category	China Hongkong	Mainland China	America
Core FSIs for Deposit takers			
Regulatory capital to risk-weighted assets	21.1	15.5	15.5
Tier 1 capital to risk-weighted assets	19.1	12.4	12.4
Nonperforming loans net of provisions to capital	5.9	-10.7	-10.7
Common Equity Tier 1 capital to risk-weighted assets	17.5	10.7	10.7
Tier 1 capital to assets	7.9	...	...
Nonperforming loans to total gross loans	1.5	1.6	1.6
Provisions to nonperforming loans	40.5	209.3	209.3
Return on assets	1.3	0.7	0.7
Return on equity	12.2	8.9	8.9
Interest margin to gross income	51.9	75.7	75.7
Noninterest expenses to gross income	41.5	30.7	30.7
Liquid assets to total assets	17.9	25.0	25.0
Liquid assets to short-term liabilities	184.6	72.4	72.4
Liquidity coverage ratio	184.6	150.7	150.7
Net stable funding ratio	142.7	...	...
Net open position in foreign exchange to capital	4.7	1.5	1.5
Core FSI for Real Estate Market			

Residential real estate prices (Percentage change/last 12 months)	-12.7	...	...

Source: IMF FSIs data portal



Source: IMF(2024), Global Financial Stability Report

Figure 1- 4: Vacancy and Net Absorption Rates Across Cities（percent, 2023:Q4）

1.2 The Evaluation Perspectives of World Bank

Although the World Bank does not explicitly define a standard system for international financial centers, its Global Financial Development Report—published biennially until 2020—offers valuable insights for assessing the development of financial systems, particularly in emerging and developing economies. A review of these reports reveals several key thematic areas that are highly relevant to the institutional and policy architecture of financial centers:

1.2.1 Financial Infrastructure

The World Bank emphasizes the importance of technical, physical, and institutional infrastructure. Technical infrastructure includes data connectivity and fintech systems; physical infrastructure refers to transport, office services, and related facilities; institutional infrastructure pertains to regulatory frameworks and government involvement. The 2013 report, for example, highlighted the role of governments in promoting prudent regulation, ensuring a level playing field, and balancing market expansion with risk management.

1.2.2 Globalization and Cross-Border Banking

The 2018 report underscored the importance of financial centers in facilitating international capital mobility and supporting the development of cross-border banking and financial integration.

1.2.3 Fintech and Innovation

The 2020 edition focused on the transformative role of technological advancement—such as digital payments and blockchain—in the development of modern international financial hubs.

1.2.4 Financial Center Resilience

Also featured in the 2020 report is the theme of resilience, particularly the ability of financial centers to withstand external shocks, such as pandemics or cyberattacks. It recommends enhancing resilience through diversification of market participants and the establishment of robust risk management frameworks.

1.2.5 Financial Inclusion

The World Bank consistently advocates for inclusive financial systems, emphasizing the importance of enabling access to financial services for SMEs and vulnerable groups, thereby expanding the overall economic impact of financial centers.

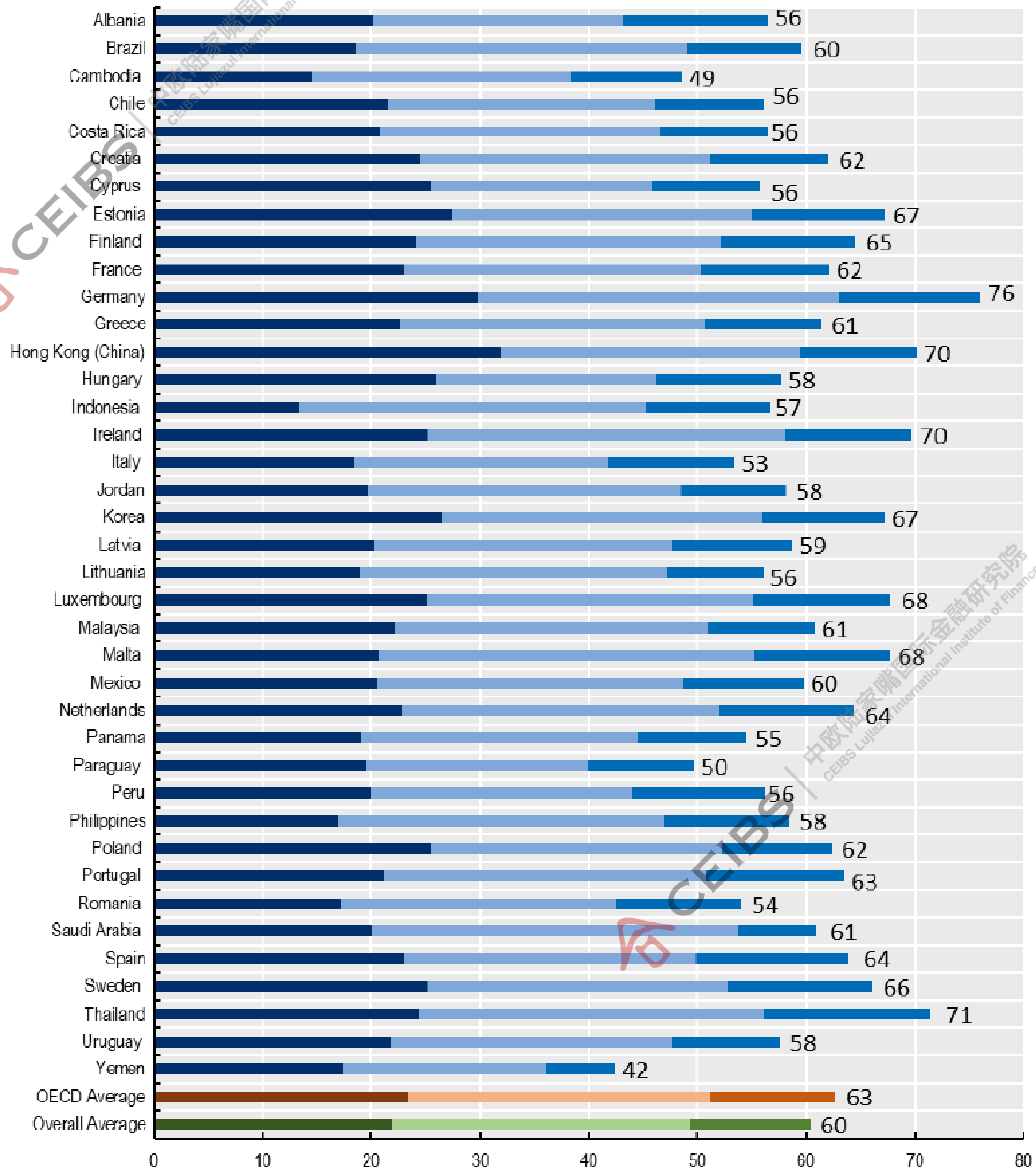
1.3 OECD's Financial Literacy Assessment

The OECD has long engaged in research on financial markets, emphasizing that "well-regulated financial markets promote investor confidence through transparency, fairness, and clear rules of engagement." The organization advocates for sound policy frameworks to foster market-oriented and efficient financial systems. While much of its work is conducted at the national level, the OECD's indicators and methodologies provide valuable insights for financial center development at the city level.

Notably, the OECD has conducted extensive research into financial literacy and consumer behavior—areas that are often underexplored by other international organizations or third-party institutions. These efforts offer valuable perspectives for developing innovative evaluation metrics for international financial centers.

According to the OECD, rising incidents of digital financial fraud have made financial literacy increasingly essential for navigating modern financial markets. Financial literacy enables individuals to make informed financial decisions, which is critical to personal financial well-being. Moreover, understanding capital allocation, risk management, and fair trading principles contributes to market integrity and enhances accessibility to capital markets and sustainable finance.

In 2023, the OECD conducted a survey across 39 economies to assess adults' understanding of financial concepts, computational ability, and behavior in seeking financial services and professional advice. The findings were compiled into a comprehensive report that highlighted substantial disparities in financial literacy levels across countries (see Figure 1-5).



Notes: The overall financial literacy score is computed as the sum of the scores on financial knowledge, financial behaviour and financial attitudes. The overall financial literacy score was scaled to range between 0 and 100.

Source: OECD International Survey of Adult Financial Literacy, Dec.2023

Figure 1- 5: Financial Literacy

1.4 BIS Standard Framework

The Bank for International Settlements (BIS), as an international organization of central banks, plays a pivotal role in fostering global monetary and financial stability through international cooperation. The BIS provides a platform for policy dialogue and standard-setting, particularly through the Basel Framework, which establishes global prudential standards in areas such as banking regulation, financial innovation, and market infrastructure. Through initiatives like the Innovation BIS 2025 Strategy and its Cyber Resilience Coordination Centre, the BIS supports central banks in adapting to technological transformation and cybersecurity threats.

Although the BIS does not directly define a framework for international financial centers, its mandates and instruments are highly relevant to the architecture and evaluation of such centers. Its influence can be summarized across four key areas:

1.4.1 International Financial Rules and Standards

(a) Prudential Regulation in the Banking Sector

Through the Basel Committee on Banking Supervision (BCBS), the BIS sets global prudential standards for banking, such as the Basel Framework, which are essential for assessing compliance and financial soundness within international financial centers. These standards—most notably those in Basel III covering capital adequacy ratios, leverage ratios, and liquidity coverage ratios—directly shape banks' business models and risk management capacities in financial hubs. Compliance with these norms is often used as a benchmark to evaluate the competitiveness and systemic resilience of financial centers.

Table 1- 2: BCBS Activities

Item	Activity Description
1	Exchange information on banking and financial market developments to help identify current and emerging risks to the global financial system.
2	Share regulatory issues, methodologies, and techniques to promote common understanding and enhance cross-border supervisory cooperation.
3	Develop and promote global standards for banking regulation and supervision, along with related guidelines and best practices.
4	Address regulatory and supervisory gaps to mitigate risks that could threaten financial stability.
5	Monitor the implementation of Basel standards across member and non-member jurisdictions to ensure timely, consistent, and effective application, thereby contributing to a level playing field among internationally active banks.
6	Engage with central banks and supervisory authorities of non-BCBS jurisdictions to incorporate their perspectives into the policy development process and

	encourage broader adoption of BCBS standards, guidelines, and best practices.
7	Coordinate and collaborate with other global standard-setting bodies and international organizations, particularly those working to enhance financial stability.

Source: BIS

The Basel Framework represents the consolidated set of all standards developed by the Basel Committee on Banking Supervision (BCBS), comprising a total of 14 components (see Table 2). All BCBS members have agreed to fully implement these standards and apply them to internationally active banks within their respective jurisdictions. The well-known Basel III reforms have also been integrated into this consolidated framework, ensuring a unified and comprehensive global prudential standard for banking regulation.

Table 1- 3: The 14 Components of the Basel Framework

Item	Abbreviation	Description
1	SCO	Scope and definitions
2	CAP	Definition of capital
3	RBC	Risk-based capital requirements
4	CRE	Calculation of RWA for credit risk
5	MAR	Calculation of RWA for market risk
6	OPE	Calculation of RWA for operational risk
7	LEV	Leverage ratio
8	LCR	Liquidity Coverage Ratio
9	NSF	Net Stable Funding Ratio
10	LEX	Large exposures
11	MGN	Margin requirements
12	SRP	Supervisory review process
13	DIS	Disclosure requirements
14	BCP	Core Principles for Effective Banking Supervision

Source: BIS

(b) Payments and Market Infrastructures

The Bank for International Settlements (BIS), through the Committee on Payments and Market Infrastructures (CPMI), sets and promotes global standards for the safety and efficiency of payment, clearing, and settlement systems—critical components for the smooth functioning of financial markets in international financial centers.

In collaboration with the International Organization of Securities Commissions (IOSCO), CPMI issued the Principles for Financial Market Infrastructures (PFMI), which serve as the international standards for key financial market infrastructures, including payment systems, central securities depositories (CSDs), securities settlement systems (SSSs), central counterparties (CCPs), and trade repositories (TRs).

The PFMI is recognized globally as one of the 12 key standards essential for strengthening and maintaining financial stability.

1.4.2 Financial Innovation and Technology Standards

Financial innovation is often a key driver of competitiveness among international financial centers. The BIS Innovation Hub promotes research and collaboration in areas such as fintech and digital currencies, providing reference frameworks and cooperative platforms for emerging financial innovations in global financial hubs.

For example, BIS research on distributed ledger technology (DLT), central bank digital currencies (CBDCs), and cross-border payment standards has directly supported the development and standardization efforts of many jurisdictions in these areas.

1.4.3 Standardization of Financial Data

The BIS promotes global standardization of financial statistics through the Irving Fisher Committee on Central Bank Statistics (IFC), enhancing data consistency and comparability across financial markets. This contributes to greater transparency and attractiveness of international financial centers.

According to the 2024 IFC Annual Report, the IFC played a key role in the third phase of the G20 Data Gaps Initiative (DGI-3), which aims to improve the timeliness, frequency, and international comparability of data, thereby strengthening the global statistical infrastructure. DGI-3 outlines 14 recommendations covering four thematic areas: climate change, distributional information on households, fintech and financial inclusion, and access to private and administrative data and data sharing.

In 2024, the IFC also actively promoted the adoption of the Statistical Data and Metadata Exchange (SDMX) standard to facilitate the seamless production, exchange, and dissemination of statistical data and metadata. In addition, it supported the global Legal Entity Identifier (LEI) system to improve data quality, reduce regulatory reporting costs, and enhance the consistency and comparability of financial statistics.4、

1.4.4 Financial Stability and Systemic Risk Management

As global hubs for capital and financial services, international financial centers must possess strong capabilities in managing systemic risks to ensure their stability and attractiveness. The BIS provides essential theoretical and practical guidance through its frameworks on macroprudential policy and capital flow management tools.

In recent years, the rapid advancement and adoption of artificial intelligence (AI) in financial systems have introduced new systemic risk concerns. The widespread use of similar algorithms may increase procyclicality, amplify market volatility, and contribute to herding behavior and liquidity hoarding.

To address these emerging risks, the BIS calls for the establishment of a global AI policy and regulatory framework. Key priorities include: developing international standards for AI use and data sharing, enhancing guidance for the application of AI in financial regulation and market supervision, strengthening cross-border cooperation to ensure safe and effective use of AI in payment systems, market infrastructure, and anti-money laundering (AML) practices.

1.5 Financial Action Task Force (FATF)

The Financial Action Task Force (FATF) is an intergovernmental organization composed of member states and regional organizations. It aims to foster global cooperation among financial institutions, law enforcement agencies, and industry bodies by setting anti-money laundering (AML) and counter-terrorism financing (CTF) standards. These standards are designed to enhance the safety and transparency of the global financial system and have been widely adopted, influencing financial legislation across jurisdictions.

FATF standards have become key benchmarks for global financial stability and regulatory compliance, making them highly relevant in evaluating international financial centers. For instance, the Global Financial Centres Index (GFCI) incorporates FATF compliance into its assessment criteria.

According to FATF's 2022 evaluation, China was found to be fully Compliant with 9 of the 40 FATF Recommendations, largely Compliant with 22, partially Compliant with 3, and non-Compliant with 6. (See Table 1-4 for details.)

Table 1- 4: FATF China Assessment (2022)

Compliant	Largely Compliant	Partially Compliant	Non Compliant
• National cooperation and coordination • Confiscation and provisional measures • Financial institution secrecy laws	• Assessing risk & applying risk-based approach • Money laundering offence • Terrorist financing offence • Non-profit	• Targeted financial sanctions related to proliferation • Politically exposed persons • Sanctions	• Targeted financial sanctions related to proliferation • DNFBPS: Customer due diligence • DNFBPS: Other measures

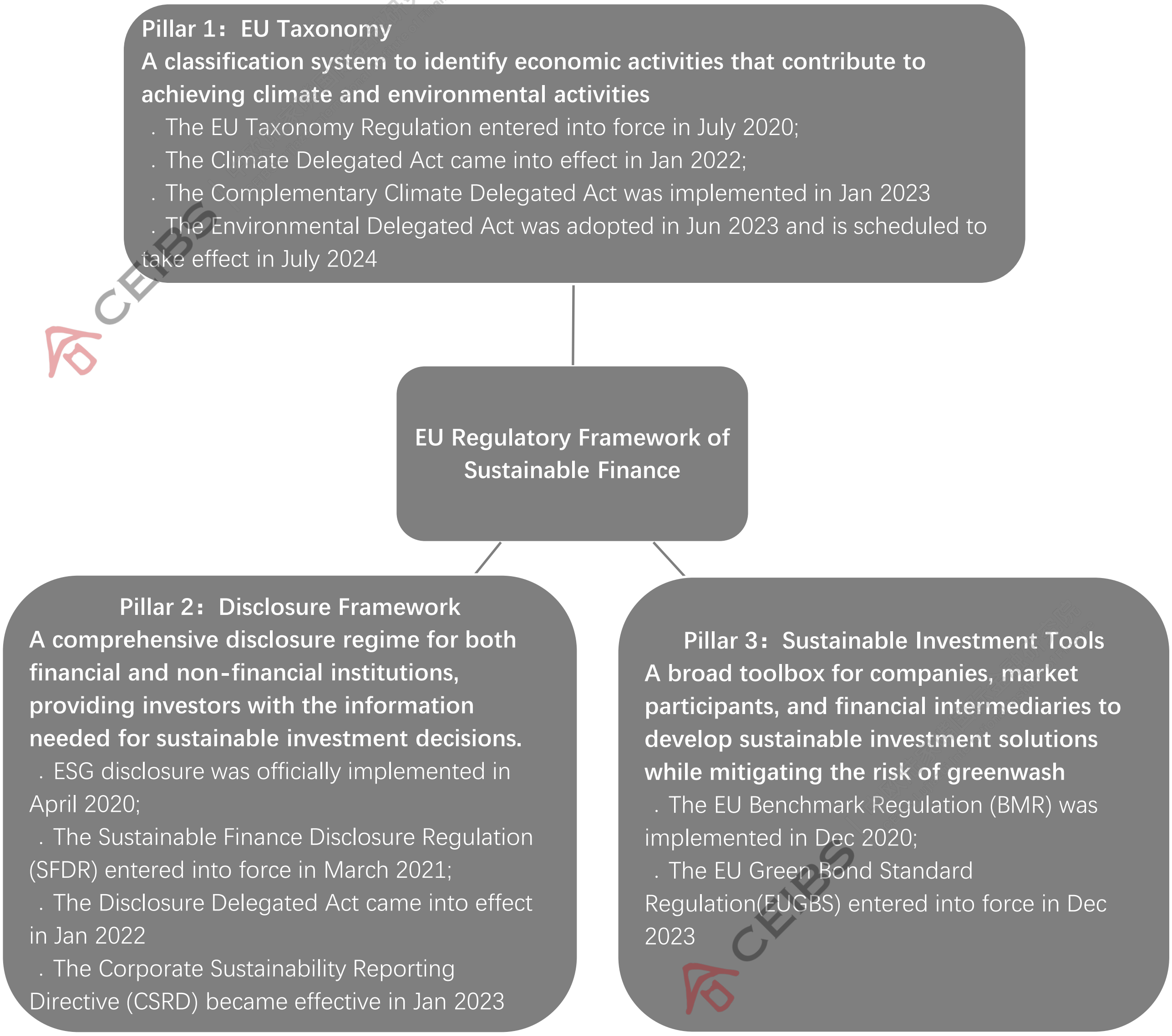
• Record keeping • Internal controls and foreign branches and subsidiaries • Higher-risk countries • Responsibilities of law enforcement and investigative authorities • Powers of law enforcement and investigative authorities • Mutual legal assistance: freezing and confiscation	organisations • Customer due diligence • Correspondent banking • Money or value transfer services • New technologies • Wire transfers • Reliance on third parties • Reporting of suspicious transactions • Tipping-off and confidentiality • Regulation and supervision of financial institutions • Powers of supervisors • Financial intelligence units • Cash couriers • Statistics • Guidance and feedback • International instruments • Mutual legal assistance • Extradition • Other forms of international cooperation		• Transparency and beneficial ownership of legal persons • Transparency and beneficial ownership of legal arrangements • Regulation and supervision of DNFBPs

Source： FATF

1.6 European Commission's Framework for Sustainable Finance

The European Commission has played a key role in advancing standardized frameworks for sustainable finance, which influenced beyond the EU but also the development of green finance and market regulation in international financial centers.

The EU sustainable finance framework is built on three main pillars, encompassing taxonomy standards, disclosure frameworks, and sustainable investment instruments. These standards have been widely adopted or referenced globally, driving the standardization of green finance practices across international financial centers. (See Figure 1-6.)



Source: EU Commission

Figure 1- 6: Three Pillars of EU Sustainable Finance Regulation

1.6.1 Taxonomy for Sustainable Economic Activities

The EU Taxonomy is the world's first systematic classification standard for green economic activities. It clearly defines which activities are considered "green" and "sustainable," providing global investors and enterprises with a transparent and unified assessment framework. This enhances the competitiveness and capital appeal of international financial centres in issuing green bonds, sustainability-linked bonds, and other green financial products.

By the end of 2023, the EU had successively introduced the EU Taxonomy Regulation, the Climate Delegated Act, the Complementary Climate Delegated Act, and the Environmental Delegated Act. The Climate Delegated Act and its Complementary version cover a catalogue of 107 economic activities across 13 sectors, along with relevant technical screening criteria. These sectors include forestry, environmental protection and restoration, manufacturing, energy, water/sewage/waste management and remediation, transport, construction and real estate, information and communication technologies, and professional, scientific and technical services.

Financial centres can adopt these standards to align product design, market access, and financial product issuance with international practices, contributing to a more transparent and robust green finance market.

1.6.2 Sustainable Disclosure Standards

The European Union has established a comprehensive disclosure framework through key regulations including the Sustainable Finance Disclosure Regulation (SFDR), the Corporate Sustainability Reporting Directive (CSRD), the EU Taxonomy Delegated Disclosure Act, and other supporting instruments such as the EU Benchmarks Regulation (BMR), the European Single Access Point Regulation, and the Regulation on the Transparency and Integrity of ESG Rating Activities.

This framework provides direct policy guidance and standard references for international financial centres, enabling them to align with global best practices in sustainable finance disclosure.

(a) Sustainable Finance Disclosure Regulation (SFDR)

The SFDR imposes mandatory disclosure requirements on financial institutions and products. Covered financial institutions include asset management companies, banks, insurance companies, and pension funds. The regulation applies to seven categories of financial products: investment portfolios as defined in Article 4(1)(8) of Directive 2014/65/EU, alternative investment funds (AIFs), insurance-based investment products (IBIPs), pension products, pension schemes, undertakings for collective investment in transferable securities (UCITS), and Pan-European Personal Pension Products (PEPPs).

These standards help international financial centres establish consistent market conduct rules in the green finance sector, facilitating mutual recognition of green financial products, cross-border capital flows, and investor protection.

(b) Corporate Sustainability Reporting Directive (CSRD)

The European Union places high importance on legislation and policy planning related to corporate sustainability disclosures. Introduced in 2022, the CSRD requires all large companies and EU-listed firms to disclose ESG-related information, providing clear guidance for multinational and listed companies operating in international financial centres.

To support implementation, the EU has developed a unified reporting format---the European Sustainability Reporting Standards (ESRS)---with the first 12 finalised standards published in July 2023. Under the CSRD, disclosures must be made in XHTML format with digital tagging, enhancing the accessibility and interactivity of sustainability data. This facilitates more effective analysis and cross-border comparisons for investors and stakeholders, strengthening the information connectivity between international financial centres and global capital markets.

1.6.3 Sustainable Investment Tools

The European Union provides a comprehensive set of sustainable investment tools to support companies, market participants, and financial intermediaries within the EU in developing sustainable investment solutions while minimising the risk of greenwashing. Key tools include the EU Climate Benchmarks and the EU Green Bond Standard (EUGBS).

The EU Climate Benchmarks serve as investment reference frameworks that incorporate specific greenhouse gas reduction targets and the transition to a low-carbon economy, based on scientific evidence from the Intergovernmental Panel on Climate Change (IPCC). These benchmarks include the EU Climate Transition Benchmark (EU CTB) and the EU Paris-Aligned Benchmark (EU PAB), both aligned with the 1.5°C global warming target. While both aim to support sustainable investing, they differ in emissions reduction criteria and asset composition. The EU CTB allows broader inclusion of fossil fuel industries to balance emissions reduction with investment coverage, while the EU PAB imposes stricter exclusions, focusing more exclusively on green economic activities.

Since their launch, EU CTB and EU PAB have been adopted by major international financial institutions as effective tools for aligning investment portfolios with decarbonisation goals. Index providers such as S&P, FTSE Russell, MSCI, and Scientific Beta have introduced multiple indices based on these benchmarks. By integrating these tools, international financial centres can drive low-carbon investments globally, foster innovation in green finance aligned with international standards, and position themselves as hubs for global green asset allocation.

The EU Green Bond Standard (EUGBS), regarded as a voluntary "gold standard" for green bond issuance, offers public and private sector issuers clear and credible criteria for using green bonds. It helps investors evaluate, compare, and verify the sustainability of investment projects, ensuring that proceeds are allocated to activities that genuinely meet sustainability objectives, thereby reducing greenwashing risks.

Under EUGBS, issuers must allocate at least 85% of net proceeds to economic activities aligned with the EU Taxonomy Regulation. Up to 15% flexibility is allowed for activities not yet covered by the taxonomy but which contribute to EU environmental objectives and meet the “Do No Significant Harm” (DNSH) criteria. Eligible uses of proceeds include capital expenditures, operational expenditures (within three years prior to issuance), fixed assets, financial assets (invested within five years post-issuance and reinvested up to three times), or a combination of these.

Adopting the EUGBS framework enables international financial centres to attract global green bond issuers---such as sovereign wealth funds, multinational corporations, and financial institutions---by providing transparent and robust certification and oversight mechanisms. This enhances cross-border capital flows, deepens market liquidity, and strengthens their role in green bond price discovery and global market share.

Part II. Designing the Assessment Framework for International Financial Centres

When establishing criteria to assess international financial centres, it is essential to combine quantitative metrics with qualitative judgment. While many indicators can be measured and used for ranking purposes, rankings alone are insufficient as definitive standards. For instance, many indices—such as the Global Financial Centres Index (GFCI)—list the top 100 financial centres worldwide, yet most of these cities do not exhibit the characteristics of true international financial centres. The classification approach shown below (Table 2-1) is widely accepted within the industry.

Table 2- 1: Classification of International Financial Centres

Tier	Function
World Financial Center	Possesses global influence and leads the international financial markets
International Financial Center	Highly internationalised and functions as a key node for global capital flows
Regional Financial Center	Primarily influences regional financial markets but lacks core global impact
Emerging Financial Center	Rapidly developing within international financial markets, but remains secondary in status

Based on the evaluation criteria and systems established by international financial organisations and major financial centre indices regarding financial and capital markets, this study proposes a standardised framework for classifying the four tiers of financial centres mentioned above. The framework is structured across four dimensions: Institutional, Market, Monetary, and Specialisation.

A weighted average scoring system (with weights to be determined) is applied to evaluate the tier of financial centres. The classification thresholds are as follows:

Score ≥90: Recognised as a Global Financial Centre;

Score ≥ 80 but < 90: Recognised as an International Financial Centre;

Score ≥ 50 but < 80: Recognised as a Regional Financial Centre;

Score < 50: Recognised as an Emerging Financial Centre.

2.1 Institutional Dimension

Institutional Dimension evaluates the fundamental institutional environment of an international financial centre, primarily reflected in two aspects: the degree of capital mobility and the strength of financial rule of law.

2.1.1 Degree of Capital Mobility

According to the OECD Code of Liberalisation of Capital Movements (2024 Revision), capital account transactions are categorised into nine components, including direct investment, portfolio investment, foreign exchange, credit, and others, as shown in Table 2-2.

Table 2- 2: Categories of Capital Account Transactions under the OECD

Category	Description
Direct Investment and Liquidation	Cross-border direct investment, including the establishment of enterprises and equity acquisitions, as well as the repatriation or liquidation of such investments
Real Estate Transactions	Acquisition and sale of real estate by non-residents in the domestic market and by residents abroad
Securities Market Investment	Issuance and purchase of equities and bonds, trading of money market instruments (e.g. short-term notes), and transactions involving other transferable securities and non-securitised debt instruments
Collective Investment Securities	Cross-border issuance and trading of units in mutual funds and investment funds
Cross-Border Credit and Lending	Trade credit, financial loans, and credit transactions related to international trade in goods or services
Guarantees and Contingent Financial Instruments	Includes cross-border provision of guarantees, sureties, and other contingent financial commitments related to investments or financial transactions
Deposit Accounts and Foreign Exchange	Covers activities such as non-residents opening and operating deposit accounts in the country, residents opening accounts abroad, and foreign exchange transactions, including the purchase and sale of foreign currencies and associated capital transactions
Insurance and Personal Capital Movements	Encompasses the transfer of capital and annuities under life insurance contracts, as well as personal capital transactions such as individual cross-border loans, gifts, dowries, inheritance, migration-related asset transfers, and remittances
Physical Capital Asset Transfers and Frozen Asset Disposal	Refers to the cross-border movement of capital in physical form—such as negotiable securities and cash—as well as the disposition and transfer of assets owned by non-residents that have been frozen

Note: Under specific circumstances, countries are permitted to retain or temporarily impose restrictive measures, including: Exceptions for Public Order and Security, Temporary Withdrawal or Suspension of Liberalization Obligations, Special Exceptions to the Non-Discrimination Principle

The greater the number of liberalized capital transaction items, the higher the degree of capital mobility. Varying levels of capital account openness among countries determine the functional capacity of financial centers at different tiers. Taking into account the potential existence of the aforementioned short-term restrictive measures, we adopt the following criteria:

Global Financial Centers: Fully liberalize all categories of capital transactions, enabling unrestricted cross-border capital flows.

International Financial Centers: Permit most capital transactions, with only limited restrictions in specific areas.

Regional Financial Centers: Liberalize capital flows primarily within regional boundaries, with selective openness to global markets.

Emerging Financial Centers: Retain significant capital controls, with limited liberalization in a few transaction categories.

2.1.2 Rule of Law in Finance

The level of rule of law in finance determines the transparency of capital flows, the fairness of markets, and the confidence of investors. Key components include the presence of an independent financial legal system, compliance with international financial regulatory standards, the robustness of anti-money laundering (AML) and counter-terrorism financing (CFT) frameworks, and alignment with the standards of the Financial Action Task Force (FATF). These elements are detailed in Table 2-3.

Table 2- 3: Evaluation Criteria for Rule of Law in Finance

Core Element	Key Evaluation Content	International Standards/Reference Indicators
Completeness of Legal Framework	Whether a sound and stable financial legal system is in place; whether it complies with international regulatory standards	OECD, FSB (Financial Stability Board), IOSCO (International Organization of Securities Commissions)
Independence of Financial Regulation	Whether central banks and securities/banking regulators operate independently; degree of government intervention	IMF, BIS (Bank for International Settlements), Basel III Accords
Anti-Money Laundering & Compliance	Whether anti-money laundering and counter-terrorism financing regulations are comprehensive; supervision of cross-border capital flows	FATF (Financial Action Task Force) AML/CFT evaluations

Consider the following criteria:

Global Financial Centers: Fully aligned with standards set by organizations such as the OECD, IMF, and FSB; central banks and securities regulators operate with complete independence, and the government does not interfere with market operations; meet the highest FATF standards, ensuring transparency and traceability in cross-border capital transactions.

International Financial Centers: Possess a relatively comprehensive legal framework, generally aligned with international financial regulatory standards, though certain sectors may still be subject to government policy influence.

Regional Financial Centers: Partially comply with international financial regulatory standards but suffer from weak enforcement and limited institutional capacity.

Emerging Financial Centers: Lack a sound rule-of-law framework in finance; regulations are unstable and prone to frequent changes, undermining investor confidence and transparency.

2.2 Market Dimension

The core of international financial center (IFC) competition has always centered on two key capacities: the ability to allocate global resources and the ability to attract and concentrate global resources. These capacities rely on a well-developed system of financial markets, financial institutions, financial products, and financial infrastructure.

2.2.1 Market Depth and Breadth

An IFC requires strong global resource allocation capabilities, and at the heart of this lies the depth and breadth of financial markets.

Market Depth refers to the liquidity and price stability under large-scale transactions, serving as the foundation for a financial market's capacity. It is crucial for improving the efficiency of global resource allocation, enhancing risk-hedging capabilities, and maintaining market stability.

Market Breadth reflects the diversity of asset classes, trading instruments, and market participants. It is essential for expanding capital allocation boundaries and enhancing cross-border resource integration.

Based on this, standards for market depth and breadth can be set from two dimensions: market size and product coverage.

(a) Market Size:

Stock market is measured by the number of listed companies and total market capitalization. Bond market is measured by the volume of bond issuance and bond trading turnover. Derivatives market is measured by trading volume and open interest of futures and options.

(b) Product Coverage:

Coverage of Major Asset Classes: Evaluates the financial center's supply of underlying assets such as equities, bonds, foreign exchange, and commodities.

Completeness of Product Series: Assesses the diversity of financial product types, including the coverage of product series in the derivatives market—such as stock indices, government bonds, foreign exchange, agricultural products, energy and chemicals, and metals.

These metrics form a comprehensive evaluation system to judge whether a financial center possesses the depth and breadth necessary to support international capital operations and become a true global financial hub.

Table 2- 4: Evaluation Criteria for Market Depth and Breadth

Core Element	Specific Domain	Key Evaluation Content
Market Size	Stock Market	Number of listed companies
		Total Market Capitalization
	Bond Market	Volume of bond issuance
		Bond trading turnover
	Derivatives Market	Futures and options trading volume
		Futures and options open interest
Product Coverage	Major Asset Class Coverage	Coverage of equities, bonds, FX, and commodities
	Product Series Completeness	Coverage of derivative product categories

According to the following standards:

Global financial centers possess fully developed financial factor markets with substantial trading volumes. They also comprehensively cover various financial asset classes, with complete product series across all types.

International financial centers cover most financial factor markets and have relatively large market trading volumes. They include a wide range of major financial assets, with relatively complete product series.

Regional financial centers cover some financial markets with trading volumes of a certain scale. They include some major financial assets, focusing only on key product types.

Emerging financial centers have a few specific financial factor markets with nascent trading activity. They cover only limited asset types and lack comprehensive product series.

2.2.2 Internationalization of Institutions

International financial centers require a high degree of global resource aggregation capacity, the core of which lies in the internationalization of financial institutions. This internationalization includes both "bringing in" and "going out" and empowers international financial centers in both directions.

On one hand, the agglomeration of international financial institutions brings multiplier effects through capital attraction and technological spillover. The entry of high-level foreign financial institutions leads to direct cross-border capital inflows. Large capital pools and client bases help boost market liquidity. Moreover, these institutions play a demonstrative role with their advanced management practices, product innovation, and risk control, intensifying local market competition and driving domestic institutions to narrow their technological gaps through spillover effects.

On the other hand, the international expansion of domestic financial institutions enhances their global influence, enabling them to gain pricing power over financial assets and expand the international financial center's outreach. This better supports outbound enterprises, facilitating capital export and industrial synergy.

Given this, the internationalization of financial institutions can be assessed from two dimensions: "bringing in" and "going out."

The "bringing in" dimension refers to the agglomeration of international financial institutions and can be detailed through: The number of regional headquarters established by leading financial institutions; And the asset proportion held by licensed foreign-funded financial institutions.

The "going out" dimension refers to the international layout of domestic financial institutions and can be detailed through: The number of overseas branches of domestic financial institutions; And the proportion of revenue from overseas operations.

Table 2- 5: Evaluation Indicators for the Internationalization of Financial Institutions

Core Element	Specific Area	Key Evaluation Content
Bringing In	Degree of Agglomeration of International Financial Institutions	Number of regional headquarters established by leading international financial institutions
		Asset share held by licensed foreign-funded financial institutions
Going Out	Internationalization of Domestic Financial Institutions	Number of overseas branches established by domestic financial institutions
		Share of revenue from overseas business operations of domestic financial institutions

Consider the following standards:

Global Financial Centers attract a large number of leading foreign financial institutions to establish regional headquarters, while a significant number of domestic financial institutions actively engage in cross-border business expansion.

International Financial Centers host some leading foreign financial institutions and have a portion of top domestic financial institutions pursuing internationalization strategies.

Regional Financial Centers attract only a few leading foreign financial institutions to establish regional headquarters, and only a small number of domestic institutions are involved in cross-border operations.

Emerging Financial Centers host few foreign financial institutions, with no regional headquarters present, and domestic financial institutions are limited to domestic business operations only.

2.2.3 Financial Infrastructure

Financial infrastructure forms the foundation of international financial centers, playing a core supporting role in global resource allocation. Its significance can be summarized in three key functions:

(1) Facilitating cross-border capital flows: Payment and settlement systems reduce settlement times and increase capital efficiency, thereby promoting international capital mobility.

(2) Providing a digital foundation for financial innovation:Technologies such as blockchain allow financial infrastructure to reshape technical frameworks and enable the digitalization and automation of financial services through data elements, supporting the evolution of financial products and services.

(3) Enhancing financial stability through technological support:Financial infrastructure collects real-time data from trading and settlement activities, enabling timely monitoring of capital flows and enhancing the precision and effectiveness of macroprudential regulation. Its digital capabilities also allow full-chain tracking of complex financial products, enabling look-through supervision and stronger cross-market risk control.

The assessment of financial infrastructure can be divided into three key systems. First, the trading systems that are evaluated from horizontal scale---the number of cross-border interconnections and vertical capacity---average daily trading volume. Second, the clearing systems that are evaluated by scale---the number of transactions cleared daily and timeless---average settlement delay. Third, the payment systems that is evaluated by currency coverage---the number of currencies supporte and institutional reach---the number of participating financial institutions.

These indicators together reflect the infrastructure's capability to support high-frequency, multi-currency, cross-border financial transactions—key traits of a mature international financial center.

Table 2- 6: Evaluation Framework for Financial Infrastructure

Core Element	Domain	Main Criteria
Trading System	Breadth	Number of cross-border interconnections
	Depth	Average daily trading volume
Clearing System	Scale	Average number of transactions cleared daily
	Timeliness	Average settlement delay
Payment System	Currency	Number of currencies supported
	Institutions	Number of participating institutions

Consider the following Evaluation Standards:

A global financial center operates a trading system with extensive cross-border interconnections, a clearing system with virtually no settlement delay, and a payment system that covers multiple currencies.

An international financial center maintains cross-border connectivity with major markets and selected emerging markets, has a clearing system with relatively short settlement delays, and a payment system that supports major currencies and a few from developing countries.

A regional financial center has cross-border connectivity primarily with major markets, a clearing system with noticeable settlement delays, and a payment system that supports only major currencies.

An emerging financial center engages in limited cross-border trading, experiences longer settlement delays in its clearing system, and lacks full coverage of major currencies in its payment system.

2.3 Currency Dimension

The internationalization of a domestic currency is closely linked with, and mutually reinforcing to, the development of an international financial center. This study proposes a two-step evaluation approach. First, international currencies are classified based on five objective dimensions: Status as a reserve currency (including inclusion in the SDR basket and share in IMF-reported global foreign exchange reserves）, Cross-border payment and clearing capacity (such as usage in SWIFT transactions, and participation in systems like CIPS and CHIPS), share in international debt issuance (measured by the currency composition of international debt securities reported by the BIS), proportion in trade settlement (indicated by the share of global exports settled in the currency) and development of offshore markets (including the scale and depth of offshore bond markets and offshore banking systems.

Table 2- 7：Evaluation Criteria for International Currency Classification

Currency Tier	Criteria
Core International Currency	1. Included in the IMF SDR basket; accounts for ≥15% of global official foreign exchange reserves
	2. ≥30% share of global payments via SWIFT
	3. ≥50% share in global cross-border debt denomination
	4. ≥50% share in global trade invoicing
	5. Possesses the most developed offshore markets, with wide circulation across major global financial centers
Major International Currency	1. Included in the IMF SDR basket; accounts for 5%–15% of global official reserves
	2. 5%–10% share of global SWIFT payments, with an independent clearing system

	3. 5%–10% share in international debt denomination
	4. 5%–10% share in trade invoicing, primarily used in inter-regional trade
	5. Active offshore markets, though less liquid than core currencies
Regional/Emerging International Currency	1. Included in the SDR basket; accounts for 1%–5% of global foreign exchange reserves
	2. 1%–5% share in SWIFT payments, with a regional clearing network
	3. <5% share in international debt denomination, mainly used in regional markets
	4. <5% share in trade settlement, but relatively high usage within the region
	5. Developing offshore market with limited international accessibility
Limited International Currency	1. Not included in the SDR basket; accounts for <1% of global official reserves
	2. <1% share in SWIFT payments; relies on higher-tier currencies for settlement
	3. Negligible or near-zero share in international debt denomination
	4. Minimal share in trade invoicing; primarily used domestically or in limited bilateral trade
	5. Lacks mature offshore markets; restricted cross-border usability

Based on this currency classification, financial centers are then mapped to corresponding tiers, establishing a framework for evaluating their level.

Global financial centers primarily support core international currencies. These centers serve as the key platforms for transactions and settlements in globally accepted currencies and foster an enabling environment for their international circulation.

International financial centers are capable of handling major international currencies to meet global investment and trade needs, and they also facilitate the broader international use of key regional currencies.

Regional financial centers support currencies that circulate mainly within specific regions and have yet to achieve global usage. These centers contribute to the offshore development of such regional currencies.

Emerging financial centers primarily operate in their local currency or in a limited number of internationally marginal currencies. The degree of internationalization of their domestic currency is relatively low, and they heavily depend on higher-tier centers for cross-border payments, debt issuance, and trade settlement.

In essence, the latter two categories of financial centers lack the capacity to independently handle complex transactions in major international currencies and must rely on global or international financial centers to complete large-scale or sophisticated financial operations.

2.4 Distinctive Dimension

Amidst profound global changes unseen in a century, technological finance, green finance, and inclusive finance are reshaping the foundations, values, and boundaries of international financial centers.

2.4.1 Technological Finance

In the wave of technological revolution, the development of international financial centers must deeply integrate with technological transformation, fully leveraging the mutual empowerment between finance and innovation. To this end, the advancement of technological finance is essential. This involves providing funding to tech enterprises through equity investment, venture capital, and other means, accelerating R&D and facilitating the commercialization of innovations—thereby achieving industrial upgrading on a systemic level.

At the same time, technology-driven finance promotes a synergy between financial development and technological innovation, fostering coordinated progress between international financial centers and international innovation hubs, and enhancing their global influence.

Based on this logic, the evaluation of technological finance can be structured around two key aspects: innovation investment and technology transformation. On the one hand, innovation investment reflects the financial sector's support for tech firms, which can be measured by the volume of venture capital invested in tech companies and their loan accessibility (e.g., tech firms' loan approval rates). On the other hand, technology transformation assesses the reverse impact of technology on finance and can be evaluated from both stock and flow perspectives. Specifically, the total market capitalization of tech firms captures the stock dimension, while the number of fintech patents reflects the dynamic innovation capacity in the sector.

Table 2- 8：Technological Finance Evaluation Indicators

Core Dimension	Specific Area	Key Evaluation Metrics
Innovation Investment	Financing Scale	Scale of Venture Capital Investment in Tech Firms
	Financing Accessibility	Loan Approval Rate for Tech Enterprises
Technology Transformation	Stock	Total Market Capitalization of Tech Enterprises
	Flow (Increment)	Flow (Increment)

A potential classification standard suggests that global financial centers are characterized by exceptionally high levels of financing accessibility and volume for technology firms, along with substantial total market capitalization and a large number of fintech patents. International financial centers generally display relatively strong capabilities in both innovation investment and technology transformation. Regional financial centers tend to operate at a moderate scale in terms of innovation funding and technological application. In contrast, emerging financial centers remain at an early stage, with only initial progress observed in both financing support for innovation and related technological outcomes.

2.4.2 Green Finance

Green finance is reshaping the competitive landscape of international financial centers by directing capital flows, mitigating climate risks, and facilitating structural transformation.

First, in terms of capital allocation, green finance steers investment toward environmentally friendly industries through a combination of market mechanisms, fiscal incentives, and regulatory frameworks, thereby reinforcing the role of international financial centers as green finance hubs.

Second, in managing climate-related risks, carbon derivatives help hedge against carbon price volatility and lock in carbon costs, while climate stress testing and ESG rating systems support the mitigation of transition risks.

Third, green finance drives structural economic transformation by promoting the research, innovation, and application of green technologies. This fosters the low-carbon development of traditional industries, supports the scaling-up of emerging sectors, and enables the transition toward cleaner energy systems. The resulting green transformation of the real economy creates new sources of financial demand and growth opportunities for international financial centers.

In light of this, green finance can be assessed from two dimensions: financing scale and climate risk-hedging instruments. On the demand side, financing scale reflects market appetite for green finance and can be measured by outstanding green loans and the issuance volume of green bonds. On the supply side, the availability and diversity of climate risk-hedging instruments indicate the maturity of the green finance market and can be evaluated by the variety and trading volume of carbon derivatives.

Table 2- 9：Green Finance Evaluation Indicators

Core Dimension	Specific Area	Key Evaluation Metrics
Demand Side	Financing Scale	Green Loan Balance
		Volume of green bond issuance
Supply Side	Risk-Hedging Instruments	Variety of carbon derivatives
		Trading volume of carbon derivatives

According to this standard, global financial centers typically exhibit massive green financing volumes and offer a wide array of climate risk-hedging instruments with high trading activity. International financial centers maintain substantial green financing levels and host several major climate hedging instruments with relatively active markets. Regional financial centers have achieved a moderate scale of green financing and list only a subset of the main climate risk-hedging tools. Emerging financial centers show early-stage development, with initial offerings of green finance and climate hedging instruments.

2.5 Summary

Based on the criteria across the four dimensions outlined above, we have developed a comprehensive framework for evaluating the development of international financial centers. The integrated classification standards are presented in Table 2-10.

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Table 2- 10：Evaluation Criteria for the Development of International Financial Centers

Level	Function	Institutional dimension		Market dimension			Currency dimension	Distinctive dimension	
		Capital Mobility	Rule of Law in Finance	Market Depth and Breadth	Institutional Internationalization	Financial Infrastructure		Technological finance	Green finance
Global Financial center	Possesses global influence and leads international financial markets	Fully liberalized capital account transactions	Fully aligned with OECD, IMF, and FSB standards; independent central bank and securities regulators; complies with the highest FATF standards	Comprehensive financial factor markets with large transaction volumes; wide coverage of financial assets with a complete product lineup	Attracts major international financial institutions to set up regional headquarters; domestic institutions actively engage in cross-border operations	Trading systems are broadly interconnected across borders; clearing systems operate with minimal delay; payment systems support multiple currencies	Primarily supports core international currencies, using the most widely accepted global currencies for transactions and settlements; also provides a platform and market environment to facilitate global circulation of major international currencies	Extremely high financing accessibility and large funding volumes for tech firms; large total market capitalization of tech firms and significant number of fintech patents	Substantial scale of green financing; wide variety of climate risk hedging instruments with high trading volumes

Level	Function	Institutional dimension		Market dimension			Currency dimension	Distinctive dimension	
		Capital Mobility	Rule of Law in Finance	Market Depth and Breadth	Institutional Internationalization	Financial Infrastructure		Technological finance	Green finance
International Financial Center	Highly internationalized and functions as a global capital flow hub	Allows partial capital account openness	legal framework is relatively sound, though some sectors remain subject to government policies	Covers a broad range of financial factor markets with substantial transaction volumes; includes various major financial assets with a relatively complete product offering	Attracts some leading foreign financial institutions, while some top domestic institutions are expanding internationally	Engages in cross-border connectivity with major and selected emerging markets; clearing systems operate with minimal delays; payment systems support major currencies	Capable of handling major international currencies to meet global investment and trade needs; also supports broader international use of key regional currencies	Relatively high levels of innovation investment and technology transformation	Large-scale green financing: multiple major climate risk hedging instruments are listed and actively traded
Regional Financial Center	Primarily influences regional financial markets, lacking global core influence	Liberalization limited to the regional level	Partially aligned with international financial regulatory standards, but enforcement remains weak	Covers selected financial markets with moderate trading volumes; includes some major financial assets but only key categories	Attracts a small number of leading foreign financial institutions to establish regional headquarters; only a few top domestic institutions engage in cross-border operations	Cross-border connectivity exists mainly with major markets; clearing systems experience some delays; payment systems support only	Primarily supports currencies circulated within a specific region that have not achieved global circulation; contributes moderately to the development of offshore markets	Innovation investment and technology transformation reach a moderate scale	Green financing has achieved a certain scale; only a few major climate risk hedging

Level	Function	Institutional dimension		Market dimension			Currency dimension	Distinctive dimension	
		Capital Mobility	Rule of Law in Finance	Market Depth and Breadth	Institutional Internationalization	Financial Infrastructure		Technological finance	Green finance
						major currencies	for regional currencies		instruments are listed
Emerging Financial Centers	Rapid development in international financial markets, but still holds a secondary position	Retains extensive capital controls	Underdeveloped legal and regulatory system; regulations are prone to frequent changes	Hosts limited financial factor markets with initial market scale; covers only specific types of financial assets	Few foreign financial institutions, with no regional headquarters; domestic institutions operate primarily within national boundaries	Limited cross-border connectivity; clearing systems experience long delays; payment systems do not yet fully support major currencies	Primarily use domestic currency or a small number of currencies with limited international use; low level of currency internationalization; heavily reliant on higher-tier financial centers for cross-border payments, debt issuance, and trade settlement	Innovative investment and technological transformation are at an early stage	Green financing is at an early stage, with some climate risk hedging instruments listed

Part III. Comparative Analysis of Shanghai and Leading International Financial Centers

Building on the foundational achievement of establishing an international financial center by 2020, Shanghai has, in recent years, actively responded to multiple external shocks—including international financial turbulence. Through the steady implementation of the 14th Five-Year Plan, Shanghai has continued to enhance its international financial center status, with its role in supporting China's high-quality economic development becoming increasingly prominent. However, when benchmarked against the goal of becoming a globally influential financial center, Shanghai still exhibits certain gaps compared to leading international hubs such as New York and London—particularly in areas such as market scale, degree of internationalization, financial innovation, and overall business environment.

New York has become the world's preeminent allocator of financial resources, benefiting from the economic dominance of the U.S. dollar, mature international financial markets, and robust financial infrastructure. London, with its flexible regulatory environment and highly developed foreign exchange market, maintains its leading position as a global financial center. Meanwhile, Hong Kong and Singapore, by leveraging their highly open economies, strategic geographic locations, and strong policy support, have become major financial hubs in the Asia-Pacific region and globally. Benchmarking against the advanced standards of these leading centers—New York, London, Hong Kong, and Singapore—helps clarify Shanghai's key weaknesses and areas for improvement, thereby providing strategic guidance for advancing Shanghai's development into a high-level international financial center.

3.1 Distinctive Strengths of Leading Global Financial Centers

The competitiveness of a financial center is typically determined by factors such as market scale, institutional concentration, capacity for innovation, and the overall business environment. Together, these elements shape the stability and appeal of its financial markets. Leading global financial centers—such as New York, London, Hong Kong, and Singapore—have each developed with distinct priorities, yet all maintain longstanding leadership in areas including financial market depth, regulatory frameworks, and innovation in financial services.

According to data from institutions such as the International Monetary Fund (IMF) and the Bank for International Settlements (BIS), the world's major developed financial centers exhibit notable strengths across the following dimensions:

3.1.1 Financial Market Size

The size of the financial market is one of the key indicators of a financial center's global influence. A mature financial center is expected to possess a large and well-developed capital market, a diversified range of financial products, and broad participation from global investors.

Table 3-1： Comparison of Financial Market Size in Major Financial Centers

Financial Center	Equity Market	Bond Market	Derivatives Market
New York	Home to the world's largest equity markets, including the New York Stock Exchange (NYSE) and NASDAQ. As of August 31, 2024, NASDAQ had a total market capitalization of $28.15 trillion, while NYSE reached $28.04 trillion	Hosts the world's largest bond market. U.S. Treasury securities are considered the most important safe assets in the global financial system	New York and Chicago are global hubs for derivatives trading. The Chicago Mercantile Exchange (CME) and Intercontinental Exchange (ICE) dominate global markets for commodities, interest rates, and foreign exchange derivatives
London	The London Stock Exchange (LSE) is the largest stock market in Europe, with numerous international companies listed. As of June 18, 2024, the total market capitalization of the LSE was $3.18 trillion.	The core of the European bond market. UK government bonds (Gilts) hold significant influence in global markets.	The London Metal Exchange (LME) serves as the global pricing center for metal futures.
Hong Kong	The Hong Kong Stock Exchange (HKEX) is the largest global financing platform for Chinese companies, with a high share of international capital. As of November 29, 2024, the total market capitalization of Hong Kong stocks reached HKD 34.03 trillion.	A leading center for offshore RMB bond issuance in Asia, with a well-developed dim sum bond market.	Both Hong Kong and Singapore have developed a wide range of Asia-focused derivative products, though their market size still lag New York and London.
Singapore	The Singapore Exchange (SGX) plays a central role in Southeast Asia, particularly in derivatives and commodity trading. As of October 2024, the total market capitalization of Singapore's stock market was around $630 billion.	A key hub for Southeast Asian bond markets, with strong government support for the development of green bonds.	

3.1.2 Concentration of Financial Institutions

The concentration of international financial institutions is a key indicator for assessing a city's status as a financial center. The presence of headquarters and regional offices of top-tier commercial banks, investment banks, asset management firms, insurance companies, and other major financial institutions directly influences the city's role and competitiveness as a financial hub.

Table 3-2：Comparison of Financial Institution Concentration in Major Financial Centers

Financial Center	Banking	Asset Management
New York	Home to many of the world's largest banks, including JPMorgan Chase, Goldman Sachs, Citibank, and Bank of America; these institutions dominate global investment and financing activities	The world's largest asset management hub, hosting the headquarters of global giants such as BlackRock and Vanguard, with assets under management reaching tens of trillions of dollars
London	Center of European banking; home to major global banks like HSBC, Barclays, and Standard Chartered. It is a core location for investment banking in Europe	A major asset management center in Europe, home to renowned firms such as Aberdeen and Schroders
Hong Kong	A key banking center in Asia; hosts a dense network of foreign banks including HSBC, Standard Chartered, and Bank of China (Hong Kong), playing a vital role in offshore RMB business.	A traditional asset management hub in Asia, attracting a large number of fund management firms
Singapore	Southeast Asia's financial hub; many global banks have set up their Asia-Pacific headquarters here, including UBS and Deutsche Bank	A traditional asset management hub in Asia, attracting a large number of fund management firms

3.1.3 Financial Innovation Capacity

Financial innovation is a key indicator of a financial center's competitiveness, encompassing areas such as financial technology (FinTech), digital currencies, and green finance.

Table 3-3：Comparison of Financial Innovation Capabilities in Major Financial Centers

Financial Center	FinTech	Digital Currency	Green Finance
New York	New York and Silicon Valley serve as twin engines of global FinTech innovation. Companies like Stripe, Square, and Robinhood are leading innovations in payments, trading, and investment technologies	Implements strict regulation of digital currencies; home to major stablecoin company Circle	Holds a leading position in green bonds and ESG investment
London	Europe's FinTech hub, with rapid growth of companies like Revolut and Wise	Leading in the development of crypto-financial products	
Hong Kong	Strong government support for FinTech innovation, including virtual banks, digital payments, and blockchain technology	Actively supports the development of virtual asset trading platforms	
Singapore			

3.1.4 Business Environment

The business environment of a financial center is largely determined by its legal system, tax policies, and ability to attract talent.

Table 3-4：Comparison of Business Environment in Major Financial Centers

Financial Center	Legal System	Tax Policy	Talent Attraction
New York	New York and London have mature financial legal systems that provide strong protection for investors	Taxes are relatively high, but the market depth compensates for this disadvantage	Attracts top global financial talent and hosts world-class business schools such as Harvard, Wharton, and London Business School
London		Offers favorable financial tax policies to attract multinational corporations	
Hong Kong	Adopts a common law system, attracting international financial institutions		Offers low tax rates and a high-quality living environment, attracting international financial talent
Singapore	Friendly legal environment with flexible financial regulation		

3.2 Comparison of Strengths and Weaknesses between Shanghai and Financial Centers of New York, London, Hong Kong, and Singapore

3.2.1 Shanghai vs. New York

As the world's most mature financial center, New York boasts a vast market scale, global currency dominance, and a well-established capital market system. Shanghai, meanwhile, is in a rapid development phase and still needs to improve in areas such as market internationalization, capital liquidity, and innovative financial products.

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Table 3-5: Comparison Between Shanghai and New York

Comparison Area	New York	Shanghai
Financial Market Scale	New York hosts the world's largest and most liquid capital market, serves as the core of the global bond market, and ranks as the second-largest foreign exchange trading center globally	1. Among the top three global capital markets by size, but significantly smaller than New York and dominated by domestic Chinese firms; low degree of internationalization. 2. Bond market size is expanding steadily, but participation by international investors remains limited. 3. Due to RMB's limited convertibility, Shanghai's FX market lacks global liquidity and international depth.
Capital Market Openness	It is highly internationalized, attracting the world's largest listed companies and global investors, and features a well-established, transparent regulatory framework that ensures fair competition.	1 Foreign investor access is still restricted. While QFII and RQFII regimes have eased somewhat, restrictions remain tighter than in New York. 2 Listing rules lack international alignment. Despite the STAR Market adopting a registration-based system, broader market rules still diverge from global standards. 3. Capital mobility remains limited. Capital account controls persist, reducing foreign investor participation.
Currency Internationalization	The U.S. dollar, accounting for approximately 58.36% of global forex reserves as of February 2025, remains the dominant global reserve currency, with New York serving as a key hub for global capital flows.	While the RMB's role in global trade settlements is growing, its share in global reserves remains limited, highlighting the need for further capital flow liberalization to enhance convertibility and support its internationalization.

Financial Product Innovation and Derivatives Market	A global leader in financial derivatives, New York hosts NYMEX and CME, offering the world's most comprehensive and liquid futures and options markets	Shanghai's derivatives market is still developing—while SHFE has advanced in commodities trading, financial derivatives remain limited and foreign participation is restricted due to market access barriers
Regulatory System and Legal Environment	With a mature legal system, strong investor protection, and high transparency, New York offers a stable environment that attracts global capital	Shanghai's legal environment and investor protection mechanisms require further improvement, as concerns persist among foreign investors regarding market transparency and legal safeguards
Financial Talent and Innovation Capacity	As a global hub for financial technology innovation, New York attracts a vast pool of interdisciplinary talent across finance and technology	Shanghai is emerging as a rising player in fintech, particularly leading in the development and application of digital currency, with expanding use cases for the digital RMB. Home to leading fintech firms like Ant Group, Shanghai still lags behind major U.S. fintech giants in terms of global influence

3.2.2 Shanghai vs. London

London has long maintained its position as a top global financial center thanks to its rich financial history, comprehensive legal system, and globalized capital markets. In comparison, Shanghai still has gaps to close in terms of internationalization, regulatory framework, and the openness of its foreign exchange market.

Table 3-6: Comparison Between Shanghai and London

Comparison Area	London	Shanghai
Foreign Exchange Market	London is the world's most important foreign exchange trading center, consistently leading in global FX trading volume. It hosts the major global FX institutions such as Citi, JPMorgan, and HSBC, and plays a pivotal role in FX settlement, clearing, and pricing	Shanghai's foreign exchange market remains relatively closed. Although home to the China Foreign Exchange Trade System (CFETS), participation by foreign institutions is limited due to capital controls. The RMB is not yet fully convertible, and liquidity in the FX market still lags significantly behind London
Legal System and Regulatory Standards	London follows the common law system, widely accepted by international financial institutions and offering strong legal protection for cross-border investments. It has a highly transparent financial regulatory framework overseen by the Financial Conduct Authority (FCA), the Bank of England (BoE), and the Prudential Regulation Authority (PRA). London also has deep expertise in financial arbitration and dispute resolution, with the London Court of International Arbitration (LCIA) being a key global institution in this domain	Shanghai's financial legal system is still under development. While various reforms have been introduced in recent years, alignment with international standards remains limited. Foreign financial institutions face legal uncertainties in China, including rapid regulatory changes and insufficient transparency. Shanghai lacks internationally recognized arbitration institutions for financial disputes, limiting its appeal to global capital
Asset Management and Insurance Market	As Europe's asset management hub, London oversees more than $10 trillion in assets. The city is also home to the world-renowned Lloyd's of London, the center of the global insurance and reinsurance market. London attracts significant long-term capital, including global pension funds and sovereign wealth funds, and serves as a vital hub for global wealth management	Shanghai's asset management industry is growing rapidly but still falls short of London in terms of scale and internationalization. The insurance market is predominantly domestic, with limited competitiveness in global reinsurance and corporate insurance. Foreign asset managers hold a relatively small share of the Chinese market, and entry into the market remains challenging for international institutions

Global Financial Center Influence and Talent Competitiveness	London has long been recognized as one of the world's most developed financial centers, with global influence. The UK government and its financial institutions maintain strong ties with international financial organizations, and London is an active participant in institutions like the IMF and BIS. The City of London gathers top-tier global banks, investment firms, law firms, and accounting firms, forming a well-established financial ecosystem	Shanghai's international financial center status is steadily rising, but it still lags behind London in terms of global influence and the number of multinational headquarters. The internationalization of Shanghai's financial talent remains limited, and policies to attract foreign financial professionals need improvement. Shanghai's role in global financial decision-making bodies remains relatively weak
Regulatory System and Legal Environment	Renowned for its transparency and stability, London offers a mature legal system and robust investor protection mechanisms, making it a magnet for global capital	Shanghai's legal environment still needs improvement. Investor protection mechanisms fall short of international standards, and some foreign investors remain concerned about the transparency and legal safeguards of the Shanghai market
Financial Talent and Innovation Capacity	As a global hub for fintech innovation, London attracts a large pool of interdisciplinary talent in technology and finance. Numerous fintech companies like Stripe and Robinhood have emerged, supported by world-class educational institutions such as Harvard, Stanford, and Wharton	Shanghai is emerging as a leader in financial technology, particularly in the field of digital currency. The application of the digital RMB continues to expand. Leading fintech firms such as Ant Group have originated in Shanghai, though their global influence remains below that of U.S. fintech giants

3.2.3 Shanghai vs. Hong Kong

Hong Kong, as a leading global offshore financial center, leverages its free market mechanisms, international regulatory environment, and ease of capital flow to attract global capital and enterprises over the long term. The development of Shanghai and Hong Kong as financial centers is complementary, jointly supporting the modernization of China's financial system and the goal of building a "financial powerhouse."

Table 3-7：Comparison Between Shanghai and Hongkong

Comparison Area	Hongkong	Shanghai
Capital Market Liberalization	Hong Kong operates under a free capital flow regime, allowing funds to move in and out globally without restriction. The Hong Kong Stock Exchange (HKEX) is one of the world's leading capital markets, attracting numerous international	Shanghai's capital account is not yet fully liberalized, and capital flows are still subject to certain controls. The A-share market remains dominated by domestic enterprises and is notably less internationalized than Hong Kong. Capital market

	company listings. Mechanisms such as Stock Connect make Hong Kong a key gateway for international capital to access the Chinese market, enabling global investors to invest in A-shares via Hong Kong	liquidity and investment accessibility are relatively low, and foreign investors must enter through designated mechanisms, making investment freedom in Shanghai more limited than in Hong Kong
RMB Internationalization and Offshore RMB Business	Hong Kong is the world's largest offshore RMB trading and clearing center, with a mature RMB cross-border settlement system. It plays a significant role in international trade and investment using RMB. The city offers a wide range of RMB-denominated financial products, such as dim sum bonds, RMB deposits, and RMB foreign exchange transactions. Hong Kong's RMB clearing services have strong international influence	Shanghai has made progress in promoting RMB internationalization, including piloting Free Trade Accounts (FTAs) and establishing the Cross-border Interbank Payment System (CIPS). However, the RMB's share in global payments remains relatively low compared to the US dollar and euro. RMB financial product offerings in Shanghai are limited, and the city still cannot compete with Hong Kong in terms of offshore RMB business
Financial Regulatory System and Degree of Internationalization	Hong Kong adopts the common law system, which provides strong legal stability and is trusted by international investors. Its regulatory institutions are relatively independent and transparent, aligned with international standards. The market is highly open to foreign institutions, allowing foreign banks, asset managers, and insurers to operate with minimal barriers, fostering a high degree of market freedom	Shanghai's regulatory system is undergoing reforms and still needs improvement in transparency and policy consistency. Participation by foreign firms remains limited, with access to the Chinese market still restricted for many foreign financial institutions. The legal environment is less compatible with international norms, and global investors tend to prefer the more familiar legal framework of Hong Kong
Acceptance by International Firms and Investors	Hong Kong has a highly internationalized capital market. International companies are more familiar with its listing rules and investment environment, making it a preferred platform for financing. Foreign funds, hedge funds, and sovereign wealth funds are highly active, and Hong Kong enjoys a mature financial ecosystem and a stable investment environment that earns strong confidence from international investors	Shanghai remains less accepted by international firms, and enhancing the stability and maturity of its financial ecosystem is necessary to build confidence among global investors

3.2.4 Shanghai vs. Singapore

Singapore, with its open market, flexible regulatory policies, low tax rates, and advantageous geographic location, attracts a large number of foreign institutions and high-net-worth individuals, becoming a financial hub in Southeast Asia and globally. Compared to Singapore, Shanghai still faces objective gaps in foreign participation, fintech development, and talent attraction.

Table 3-8: Comparison Between Shanghai and Singapore

Comparison Area	Singapore	Shanghai
Position as an International Financial Hub	Singapore serves as a critical hub for trade, investment, and financing across Southeast Asia, South Asia, and Oceania. It hosts the Asian headquarters of many of the world's top banks, with foreign banks playing a dominant role in the local banking sector. Singapore is also a major global center for oil, gas, and commodities trading, with extensive participation from international financial institutions in commodity financing and derivatives trading	Shanghai wields significant influence within China's domestic market but has yet to emerge as a primary global capital allocation hub. The presence of foreign banks remains limited, with market share significantly lower than in Singapore. While the Shanghai Futures Exchange (SHFE) holds some influence in global commodities markets, it has yet to establish itself as a global price-setting center
Asset Management and Private Banking Services	With over $ 4 trillion in assets under management, Singapore is home to numerous global hedge funds, private equity firms, and sovereign wealth funds. It is a major global center for private banking, hosting the Asian wealth management operations of institutions like UBS and Credit Suisse. Its low-tax regime and multiple tax incentives for the asset management industry attract high-net-worth individuals and family offices worldwide	Shanghai has become the core of China's asset management industry but still lags in global integration. Foreign asset managers have a much lower market penetration compared to Singapore. Its private banking sector developed relatively late, and high-net-worth international clients tend to favor Singapore or Switzerland. Compared to Singapore, Shanghai's higher tax environment makes it less attractive to international capital
Fintech Development	Singapore leads in digital banking, having introduced digital bank licenses that allow tech firms like Grab and Sea Group to offer innovative financial services. The country actively promotes the development of blockchain, digital currency, and smart contracts to drive fintech innovation. The government provides substantial financial support to fintech startups and collaborates with global institutions to advance emerging technologies in finance	Shanghai's fintech sector is growing rapidly but is subject to relatively strict regulatory policies. It has not yet opened the market to independent digital banking licenses. Although Shanghai has made progress through pilot programs for the digital RMB, developments in blockchain and digital currency remain constrained by regulation, and its level of market-oriented innovation still trails that of Singapore

3.3 Major Gaps Between Shanghai and Leading International Financial Centers

Regarding the definition of an international financial center, the most widely recognized standards come from the International Monetary Fund (IMF) and the Global Financial Centres Index (GFCI). According to the IMF, an international financial center serves as a key hub in the global financial system, where the boundaries between onshore and offshore business are blurred, capital flows freely, and regulatory policies treat domestic and foreign capital equally. This definition highlights the importance of capital liberalization and regulatory fairness, providing a critical benchmark for evaluating international financial centers.

The GFCI assessment criteria are largely aligned with those of the IMF. Top-ranked financial centers such as New York, London, and Hong Kong are all characterized by highly open financial markets and the ease of cross-border capital flows. Other international organizations, such as the World Bank, support these evaluations by offering standardized economic indicators through initiatives like the International Comparison Program (ICP) and Purchasing Power Parity (PPP) statistics.

Shanghai, as an emerging international financial center, has made significant progress in areas such as financial market scale, RMB internationalization, the presence of foreign financial institutions, and fintech development. However, to advance to a higher level, Shanghai must further enhance its market openness and attract more international capital and financial institutions. Compared with major global financial centers, Shanghai still faces notable gaps in terms of internationalization, the caliber of financial institutions, connectivity of financial infrastructure, and the legal and regulatory environment.

3.3.1 Low Level of Internationalization

Compared to world-class standards, Shanghai as an international financial center still has many shortcomings, the most prominent being its relatively low level of internationalization. The core of an international financial center is its international character, which includes: (1) Foreign financial institutions accounting for more than 50% of market participants; (2) Domestic financial assets having international pricing power, with asset prices aligning closely with international markets; (3) Financial products being freely tradable in global markets; (4) Financial institutions capable of “going global” and offering services internationally. From these perspectives, Shanghai still faces significant gaps.

Currently, the number of multinational financial company headquarters in Shanghai is less than one-third of London’s; foreign financial institutions account for less than half of those in London and New York. The Shanghai Stock Exchange (SSE) has no overseas-listed companies;

average daily foreign exchange turnover is only 3.8% of London's; and RMB accounts for only around 4% of global payment currencies—far behind the top three: the US dollar, euro, and British pound. In global trade finance, RMB ranks second but only takes about a 6% market share, compared with the US dollar's 80%.

First, foreign financial institutions account for around 30% in Shanghai, indicating a low level of internationalization among financial institutions. Due to restrictions on capital account and financial market openness, along with factors like taxation and talent, foreign financial institutions make up only around 30% of Shanghai's total, significantly lower than the ~70% in New York or London. For example, by the end of 2024, foreign bank assets in Shanghai accounted for only 10.1% of total banking assets—far lower than over 70% in New York and over 50% in London.

Second, the participation of foreign capital in Shanghai's financial market remains low. In the stock market, foreign participation remains low. By the end of 2024, only 866 institutions had QFII (Qualified Foreign Institutional Investor) status; foreign capital held about RMB 3 trillion in A-shares via QFII and Stock Connect; foreign investors' holdings and trading accounted for only 4% and 14% respectively on the SSE, much lower than in New York or London. In the bond market, the allocation of Chinese bonds by global institutional investors remains relatively low. As of the end of 2024, foreign investors held RMB 4.29 trillion worth of onshore Chinese bonds, accounting for only 2.5% of the total outstanding bond market in China. Additionally, in October 2024, Chinese government bonds surpassed Japanese government bonds in weighting within the World Government Bond Index (WGBI), making China the second-largest market in the index. However, by the end of November 2024, China's weight in the WGBI was only 10.17%, significantly lower than the U.S. share of 33.8%. In the public REITs market, as of the end of September 2024, a total of 31 REITs products had been issued and listed on the Shanghai Stock Exchange, with increasing participation from domestic medium- and long-term capital. However, foreign capital has yet to gain access to invest in China's public REITs market.

Third, the international pricing power and bargaining power of "Shanghai prices" remain weak. The influence and acceptance of financial asset prices are critical indicators of an international financial center's strength. At present, Shanghai lacks strong international pricing and bargaining power. On the one hand, "Shanghai prices" have limited global reach and weak influence in setting international market prices. International recognition of Shanghai's pricing benchmarks remains low, with the city still largely acting as a price taker rather than a price maker. For example, in the stock market, all listed companies are domestic, and there has been no breakthrough in international issues. Although the scale of IPOs and trading volumes has reached top global levels, the share of international investors remains low. This causes the A-share market to operate independently from global trends, limiting investors' ability to hedge risks across borders. In the futures and derivatives markets, commodity prices from major exchanges in the U.S. and U.K. are more widely accepted internationally—for instance, agricultural products are priced primarily via the Chicago Board of Trade (CBOT), while oil and gas are benchmarked by the WTI futures on the New York Mercantile Exchange (NYMEX) and the Brent futures on the Intercontinental Exchange (ICE) in London. On the other hand, Shanghai still offers a limited variety of financial derivative products, and trading volumes fall short compared to major Western markets. For example, the Chicago futures exchange offers around 50 types of futures and options, whereas the Shanghai Futures Exchange (SHFE) offers only about half that number. In 2024, the trading volumes of WTI and Brent crude oil futures reached 74.4 million and 73.85 million contracts respectively, while Shanghai's crude oil futures only reached 29.77 million contracts—less than half of the volumes traded on NYMEX and ICE.

Fourth, China's domestic capital, financial products, and institutions are still unable to freely access international markets.

(1) GDR issuance by domestic companies abroad is limited. By the end of 2024, only 14 companies listed on the Shanghai Stock Exchange had issued Global Depositary Receipts (GDRs) through connectivity schemes, and the listing venues were limited to the London and Swiss exchanges.

(2) QDII quotas remain insufficient. The Qualified Domestic Institutional Investor (QDII) program provides a channel for domestic institutions and individuals to allocate global assets. However, data from the State Administration of Foreign Exchange show that as of the end of January 2025, the cumulative approved investment quota stood at only USD 167.7 billion—insignificant compared to the more than RMB 30 trillion in domestic public fund assets.

(3) Cross-border ETFs in Shanghai remain limited in number and scale. Although most cross-border ETFs listed on the Shanghai Stock Exchange now track major global broad-based indices, there are only 75 such funds with a combined scale of just RMB 250 billion. This is far below the over 1,000 domestic ETFs with a total scale exceeding RMB 3 trillion.

3.3.2 Insufficient Caliber of Financial Institutions

Financial institutions form the backbone of a financial center. Compared to New York and London, Shanghai's institutional strength remains a key weakness in its quest to become a global financial center.

First, Shanghai's ability to attract top global financial institutions is significantly weaker than that of New York and London. In terms of the concentration of global financial group headquarters, none of the 30 global systemically important banks are headquartered in Shanghai. In 2024, 11 Fortune Global 500 financial institutions were based in New York and 7 in London, whereas only 3 were based in Shanghai (Bank of Communications, SPD Bank, and China Pacific Insurance), with none being globally influential institutions such as JPMorgan Chase, Citibank, or HSBC. Regarding asset management institutions, none of the world's top 50 asset managers are headquartered in Shanghai, while 10 are headquartered in New York and 6 in London.

Second, Shanghai's ability to attract leading domestic financial institutions is also weaker than Beijing's. Among the 30 global systemically important banks, Beijing hosts 4 (Bank of China, China Construction Bank, Industrial and Commercial Bank of China, and Agricultural Bank of China), while Shanghai hosts none. In 2024, 11 Fortune Global 500 financial institutions were based in Beijing (6 banks and 5 insurance companies), compared to only 3 in Shanghai. Among China's "Big Five" state-owned commercial banks, only one is headquartered in Shanghai; the remaining four are in Beijing. Of the top 10 largest commercial banks in China, only 2 are headquartered in Shanghai, while 6 are in Beijing. In terms of asset management, among the top 5 largest fund management companies in China, only one is based in Shanghai (ranked fifth), while two are based in Beijing, ranked second and fourth respectively.

Third, Shanghai lacks foundational and critical financial institutions. Key foundational institutions such as the Deposit Insurance Fund, one of the core components of the banking system, is in Beijing. The National Association of Financial Market Institutional Investors (NAFMII), a key self-regulatory organization in the interbank market, is also headquartered in Beijing. Additionally, the National Council for Social Security Fund, which manages the country's social security fund, is based in Beijing. None of the three policy banks or the four major asset management companies have headquarters in Shanghai.

Fourth, Shanghai-based financial institutions have limited presence abroad. Most Chinese securities firms rely on their Hong Kong subsidiaries for overseas operations. Few institutions have established branches in Belt and Road Initiative (BRI) countries. In the RCEP region, only a few institutions—such as SPD Bank, Bank of Communications, Guotai Junan Securities, and E Fund Management—have established branches.

3.3.3 Underdeveloped international markets and limited product diversity

A true international financial center must have a well-developed financial market and a wide array of financial products. Capital markets, money markets, insurance markets, bill markets, futures markets, foreign exchange markets, gold markets, and derivatives markets must all be fully developed. This is essential to realize economies of scale and the agglomeration effect, thereby enhancing the depth and breadth of the financial center's influence.

At present, Shanghai's international financial market remains underdeveloped, and its range of international financial products is limited, resulting in a weak global resource allocation function. For example, listed companies are still primarily domestic, and aside from a few red-chip firms returning to the mainland, there has been no breakthrough in attracting true international issues. The interbank and exchange bond markets still operate with relatively independent infrastructures and systems, lacking connectivity and unified regulations. The level of openness of exchange-traded bonds with foreign investors remains low. Additionally, innovation in financial futures and options products—which are essential for risk management remains weak.

3.3.4 Financial Infrastructure Needs Optimization and Improvement

The development and growth of an international financial center heavily rely on the support of a robust financial infrastructure system. By forming integrated and coordinated financial market clusters, it can achieve resource aggregation and radiation effects.

First, the international competitiveness of financial infrastructure is weak, and its cross-border service capability and efficiency are relatively limited.
An advanced, secure, efficient, and interoperable financial infrastructure system is a key component of an international financial center. For example, by introducing blockchain technology, a U.S. clearing company and a custodian trust achieved tokenization of government bond collateral, significantly improving settlement efficiency. Another example is the London Clearing House, which, as a qualified central counterparty clearing house (QCCP) for the global major foreign exchange markets, is interconnected with multiple international mainstream FX trading platforms (such as 360T). Through certification of qualified central counterparties worldwide and multiple trading data sources, the London Clearing House greatly enhances netting efficiency and reduces market costs.

Second, the interoperability of financial infrastructure faces regulatory challenges.
China's financial market follows a principle of segmented regulation, where different regulatory authorities manage different financial infrastructures, each with its own management approach and regulatory standards. Taking the bond market as an example, China implements segmented and multi-headed supervision based on market and bond types, with bond issuance approval and trading regulated by different authorities. The People's Bank of China, the National Development and Reform Commission, the China Securities Regulatory Commission, and the Ministry of Finance each oversee short-term financing bills, medium-term notes, enterprise bonds, corporate bonds, and government bonds, respectively. Currently, China's

bond market operates with three parallel and divided custody and settlement backends: China Central Depository & Clearing Co., China Securities Depository and Clearing Corporation, and Shanghai Clearing House. The fragmentation of custody and settlement creates technical barriers for participants and reduces market efficiency.

3.3.5 The Financial Legal Environment Still Needs Further Improvement

An international financial center must possess a regulatory framework that is both flexible and stringent. On the one hand, strict government regulation is needed to prevent financial risks; on the other hand, a relatively relaxed regulatory environment is essential to foster financial innovation. In recent years, affected by global pandemics, U.S. decoupling efforts, China-U.S. trade and tech frictions, and the reshaping of global industrial chains by frontier technologies, the external environment of Shanghai as an international financial center has become increasingly complex, urgently requiring adjustments and improvements in the supporting legal and regulatory framework.

On the one hand, there is room for improvement in fostering financial innovation. Currently, China's sector-based regulatory model, centered on institutional oversight, still has limitations in nurturing financial innovation. Taking futures and options as examples, financial derivatives in China must first be approved by relevant ministries before product development can proceed. The timing of product launches must also be carefully coordinated, and missing the optimal window may significantly prolong the entire listing cycle, dampening market enthusiasm for innovation. In particular, emerging entities such as wealth management subsidiaries of commercial banks and joint-venture wealth management companies involve different regulatory authorities for establishment and business operations, making it even more necessary for financial regulators to enhance conduct-based supervision capabilities to create a conducive environment for financial innovation.

On the other hand, financial innovation requires a relatively flexible regulatory environment. A sound regulatory environment can effectively stimulate the proactive role of financial institutions. As intermediaries between the real economy, financial markets, and regulatory authorities, financial institutions are well-positioned to detect changes in economic demand and respond with targeted financial innovations. However, China's financial market still exhibits various degrees of fragmentation. For instance, asset securitization is overseen by multiple bodies including the People's Bank of China, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission, and the National Association of Financial Market Institutional Investors. The rules issued by different regulators vary, making it difficult to fully cover the cross-market and cross-industry nature of many financial products. Since financial innovation often involves pushing the boundaries of existing rules, a relatively flexible regulatory environment is essential.

3.3.6 Further Efforts Are Needed to Advance Emerging Financial Sectors

In the field of green finance, although China's national carbon emissions trading market has been in operation for four years, it currently covers mainly thermal power enterprises, with a limited scope of participating entities. Derivative products such as carbon futures, which could help boost market activity, are yet to be introduced. In addition, green finance standards need to be further aligned with international norms, the ESG investment ecosystem is still underdeveloped, and information disclosure remains a weak link in the entire ecosystem.

In the field of innovative finance, although many banks have optimized their organizational structures and promoted specialized services tailored to technology enterprises, the alignment between credit management mechanisms and the need of technological innovation still needs improvement. Moreover, Shanghai's venture capital scale remains relatively small, and its operational mechanisms need further optimization. According to a report by Innovate Finance, a leading UK fintech authority, global fintech investment reached USD 51.2 billion in 2023, involving 3,973 deals. Of this, the U.S. accounted for USD 24.2 billion (1,530 deals), the UK for USD 5.1 billion (409 deals), while China recorded only USD 1.8 billion across 76 deals. As a major city for venture capital, Shanghai still lags New York and London.

In the field of fintech, emerging technologies such as big data, cloud computing, blockchain, and artificial intelligence are reshaping the financial development landscape to a certain extent, becoming a key factor in the global competition among financial center cities. Compared with cities at the forefront of fintech development, both domestically and internationally, Shanghai still faces several shortcomings. For example, its fintech entities lack strong innovation capacity—Shanghai had 241,400 valid invention patents in 2023, a figure significantly lower than those of innovation-active cities such as Beijing, Shenzhen, and Hangzhou. The maturity of Shanghai's fintech ecosystem and its external influence are still far from sufficient. The city also lacks major fintech leaders and does not offer strong enough appeal to fintech startups. As a result, it has yet to form a virtuous cycle of competition and collaboration or a strong network agglomeration effect between leading and emerging fintech players.

3.3.7 Lack of internationally competitive financial professionals

In Shanghai, foreign financial professionals account for only 7.2% of the total. The number of internationally recognized professional qualifications stands at just 62, significantly lower than London's 38% and 218 as well as Singapore's 45% and 189. Among judges in Shanghai's

Financial Court, only 37% have experience handling cross-border cases, compared to 89% in Hong Kong.

Part IV. Objectives, Development Path, and Indicator System for the High-Standard Development of Shanghai as an International Financial Center

The overarching goal of advancing the development of Shanghai as a high-level international financial center is to build, by 2035, a top-tier global financial hub that leads the Asia-Pacific region and has global reach—standing shoulder to shoulder with New York and London. By then, Shanghai will serve as a central hub for global capital flows, providing more diversified, stable, and efficient financial services to international markets, and becoming an indispensable part of the global financial system.

4.1 Objectives

The high-standard development of Shanghai as an international financial center is a systematic undertaking that requires the pragmatic advancement of a series of key objectives:

(1) Establish Shanghai as a critical hub for financial resource allocation in Asia and beyond, with world-class competitiveness in financial market scale, international capital flows, financial technology innovation, and green finance.

(2) Promote the internationalization of the renminbi, integrating it into the global mainstream currency system and significantly increasing its share in global trade, investment, and reserve assets.

(3) Attract foreign financial institutions to deeply integrate into the Shanghai market, making the city the primary bridge and preferred entry point for international financial firms accessing China.

(4) Expand the openness of financial markets, forming a highly dynamic international financial ecosystem.

(5) Foster the development of emerging financial sectors such as fintech and green finance, building a globally leading system of financial innovation.

4.2 Development Path

Considering Shanghai's current shortcomings and challenges, the city should integrate international standards with local realities as it advances the development of an international financial center. It should pursue a high-level development path that reflects Shanghai's distinctive characteristics.

4.2.1 Short-term Objective: Expanding High-Level Institutional Opening-Up

In 2023, the central government issued three key policy documents: the Implementation Plan for the Comprehensive Reform Pilot Program in Pudong New Area (2023–2027), the Opinions on Supporting Shanghai in Accelerating the Development of the "Five Centers", and the Overall Plan for Advancing High-Level Institutional Opening-Up in the China (Shanghai) Pilot Free Trade Zone through Full Alignment with High International Standards in Trade and Economic Rules. These documents represent concrete measures by the CPC Central Committee and the State Council to support Shanghai in expanding high-level institutional opening-up.

Although more than a year has passed since their release and implementation, many provisions have yet to be fully carried out.

First, accelerate the opening-up of financial markets and reduce transaction costs for foreign investors participating in China's domestic financial markets, thereby facilitating their holdings of renminbi-denominated financial assets.

(1) Develop a high-standard international financial asset trading platform to facilitate participation by qualified foreign investors in domestic financial markets.

(2) Continue to innovate renminbi-denominated financial products for global markets, expand the range of domestic financial instruments available for offshore renminbi investment, and further open-up access to credit assets, bills, insurance, and other financial elements. Efforts should also be made to ensure the smooth expansion and implementation of open-access programs for stock index futures and options, government bond futures, nickel futures, and other key instruments.

(3) Promote the internationalization of the public Real Estate Investment Trusts (REITs) market.

Second, enhance the accessibility and openness of cross-border financial services, through optimizing foreign exchange management processes, enhancing service capacity for headquarters economies and refine policies for the centralized operation and management of cross-border funds, and strengthening financial support for offshore trade and economic activities.

Third, take the lead in adopting regulatory frameworks aligned with international standards. Actively draw on best practices from high-standard international trade and economic rules in the financial sector and implement pilot programs in areas such as cross-border finance and offshore finance.

4.2.2 Medium-Term Objective: Enhancing the Strategic Capacity of the Four Core Systems of the International Financial Center

First, enhance the capacity of the financial market by the following actions: (1) Improve the quality of listed companies. Overall, the quality of A-share listed companies remains insufficient, particularly in terms of profitability and growth potential. (2) Strengthen the influence of the "Shanghai Price". Continuously expand the product lineup under the "Shanghai Price" brand and advance the development of products such as RMB foreign exchange futures and the STAR 50 stock index futures. (3) Deepen the REITs pilot program and position Shanghai as a new internationally competitive hub for REITs development.

Second, deepen the reform of Shanghai's state-owned financial assets and enterprises, and enhance the capacity of the city's financial institution system by fostering more internationally competitive financial institutions through market-driven mergers and reorganizations. Actions to implement are as follows:

(1) Strengthen the international competitiveness of local financial institutions by cultivating world-class investment banks and asset management firms.

(2) Seek national support to relocate one to three large-scale financial institutions to Shanghai or establish their business management headquarters in the city.

(3) Attract international financial institutions and organizations to operate in Shanghai, and accelerate the implementation of key projects aimed at opening the market further to foreign participation.

Third, improve the financial products and services system. Increase the supply of financial derivatives, enrich the product lineup and improve the futures product system to achieve full coverage of internationally mainstream products. Accelerate the launch of futures and options such as Shenzhen 100, CSI 1000 stock index futures, and RMB foreign exchange futures, covering various types of equity, interest rate, and foreign exchange derivatives.

Moreover, expand channels for various funds—including bank wealth management, public funds, insurance asset management, and corporate pensions—to participate in the financial derivatives market. Under the premise of controlled risk, promote the comprehensive opening of the financial futures market to foreign investors, facilitating the efficient participation of overseas funds in trading.

Fourth, optimize the financial infrastructure system. Accelerate the implementation of bond market interconnectivity between the interbank and exchange-traded markets, while continuously enhancing mechanisms such as Bond Connect, Swap Connect, Shanghai-Hong Kong Stock Connect, and China-Europe Connect. Strengthen the development of the CIPS (Cross-Border Interbank Payment System) by increasing the number of participants and expanding its network coverage. Expedite the upgrading of Free Trade Account functionalities and optimize management based on these accounts.

4.2.3 Long-Term Objective: Promote Renminbi Internationalization and Capital Account Convertibility, Establishing Shanghai as a Global Financial Center

Capital account convertibility is a key direction for expanding financial openness, but achieving this goal requires the Renminbi to attain its rightful status. A certain level of Renminbi internationalization is a necessary condition for capital account convertibility. Therefore, multiple measures should be taken to advance Renminbi internationalization and accelerate the development of the offshore Renminbi market including but not limited to:

(1) Continue promoting the use of the Renminbi for pricing and settlement in China's cross-border trade.

(2) Further improve services to facilitate cross-border Renminbi settlement for emerging business models, such as cross-border e-commerce.

(3) Continue expanding openness to provide more convenient investment and financing services for both inbound and outbound activities.

(4) Accelerate the development of the offshore Renminbi market by maintaining Hong Kong's role as an offshore Renminbi center, further diversifying Renminbi products, offering better instruments for offshore Renminbi investment and financing, and promoting the use of Renminbi within the RCEP region.

4.3 Indicator System

To ensure the effective realization of the stated goals and tasks, a comprehensive set of quantifiable indicators should be established to benchmark and monitor the progress of Shanghai's development into an international financial center.

4.3.1 Renminbi Internationalization

Quantitative Indicator 1: Raise the Renminbi's share in global payment markets to over 15%. According to data released by SWIFT, as of November 2024, the top five global payment currencies were the U.S. Dollar (47.68%), Euro (22.29%), British Pound (7.27%), Renminbi (3.89%), and Japanese Yen (3.44%). These figures highlight the significant gap between the Renminbi and the leading currencies—particularly the U.S. Dollar and Euro—as well as the British Pound. Furthermore, the Renminbi's status as the fourth most used global payment currency remains unstable: in both September and October 2024, the Japanese Yen temporarily surpassed the Renminbi to regain fourth place.

Quantitative Indicator 2: Elevate the Renminbi to one of the world's top three reserve currencies. The goal is for the Renminbi to surpass the British Pound and Japanese Yen, becoming the third-largest global reserve currency after the U.S. Dollar and the Euro. Currently, the Renminbi accounts for about 3% of global foreign exchange reserves, well behind the U.S. Dollar (58%) and the Euro (20%).

Quantitative Indicator 3: Increase the Renminbi's share of global foreign exchange (FX) trading to over 10%. Currently, the Renminbi ranks fifth in global FX trading volume. The goal is to boost trading activity and expand the offshore Renminbi market to enhance its global position and influence in the currency market.

4.3.2 Proportion of Foreign Financial Institutions

Quantitative Indicator 4: Increase the market share of foreign banks, insurance companies, and asset management firms to 40%. Currently, the market share of foreign financial institutions in Shanghai is significantly lower than that in Hong Kong and Singapore. The goal is to attract more global banks and asset management firms to operate in Shanghai.

Quantitative Indicator 5: Attract global top-tier financial institutions to establish their headquarters or regional centers in Shanghai. Currently, New York, London, and Hong Kong are major hubs for multinational financial institutions. The goal is to position Shanghai as a key hub for global financial institutions in Asia.

Quantitative Indicator 6: Increase the shareholding ratio of foreign investors in the A-share market to over 15%. Currently, foreign investors hold about 5% of the A-share market, and there is a need to expand the participation of international capital.

4.3.3 Diversity of Financial Products

Quantitative Indicator 7: Introduce a broader range of internationally recognized financial derivatives. Currently, Shanghai's financial derivatives market remains in a developmental stage. The objective is to diversify the product offerings accepted by international investors, including stock index futures, foreign exchange options, interest rate swaps, and other derivatives.

Quantitative Indicator 8: Diversify green financial products. Vigorously develop green bonds, carbon emissions trading, ESG funds, and other related products to establish Shanghai as a major global center for green finance.

Quantitative Indicator 9: Strengthen innovation in cross-border financial products by promoting the development of new services such as the Cross-Border Wealth Management Connect, international renminbi bonds, and cross-border payment and settlement systems.

4.3.4 Global Financial Market Influence

Quantitative Indicator 10: Further narrow the market capitalization gap between the

Shanghai securities market and the New York market, and enhance market depth. Currently, the total market capitalization of the Shanghai Stock Exchange is approximately USD 8 trillion, ranking third globally, but there remains a significant gap compared to the New York Stock Exchange and Nasdaq.

Quantitative Indicator 10: Improve capital market liquidity by attracting more global companies to list in Shanghai, thereby enhancing the market's appeal to international investors. Currently, there are relatively few foreign enterprises listed on the Shanghai securities market. The goal is to attract more international companies to choose Shanghai for listing by optimizing listing rules and lowering entry barriers.

Part V. Key Measures and Policy Recommendations

To fully establish itself as a leading global international financial center by 2035, Shanghai must focus on key areas including Renminbi internationalization, capital market internationalization, financial technology innovation, optimizing the business environment, and developing green finance. Through deepening reforms, expanding openness, and strengthening international cooperation, Shanghai is expected to surpass Singapore and Hong Kong in the future and advance toward world-class financial centers such as New York and London, becoming a vital hub for global financial resource allocation.

5.1 Key Measures

5.1.1 Deepen the Internationalization of the Renminbi

The internationalization of the Renminbi (RMB) is a core task in Shanghai's journey to becoming a world-class international financial center. The goal is to elevate the RMB's role in global trade, investment, and foreign exchange reserves.

On the one hand, efforts should focus on expanding the use of the Renminbi (RMB) in cross-border settlements. This includes deepening financial cooperation under the Belt and Road Initiative, and increasing the proportion of RMB-denominated transactions in infrastructure investment, trade, and direct investment. Promoting the use of the RMB in pricing major commodities—such as oil, natural gas, and iron ore—is also critical. In addition, the development of offshore RMB markets should be reinforced by strengthening connectivity between Shanghai and key offshore hubs such as Hong Kong, Singapore, and London, thereby enhancing the RMB's global liquidity and influence.

On the other hand, the convertibility of the RMB must be further advanced. This involves expanding pilot programs for capital account convertibility, progressively relaxing market access restrictions for foreign investors in Shanghai, and improving the efficiency of cross-border capital flows. The internationalization of the Cross-Border Interbank Payment System (CIPS) should also be accelerated to enhance global RMB settlement capabilities. Finally, the offering of RMB-denominated financial products—such as international bonds, futures, and exchange-traded funds (ETFs)—should be broadened to strengthen the RMB's presence and competitiveness in global capital markets.

5.1.2 Enhance the Internationalization of Capital Markets

First, optimize the listing mechanism for international companies by drawing on the experiences of Hong Kong and Singapore. This includes introducing listing rules better suited for multinational enterprises, such as allowing companies with Variable Interest Entity (VIE) structures to go public and lowering listing thresholds.

Second, establish an international board to encourage multinational corporations to list on the Shanghai Stock Exchange or the STAR Market, thereby offering more RMB-based financing options. Efforts should also be made to attract overseas Chinese enterprises to return by streamlining the process for red-chip companies to relist in Shanghai, thereby increasing the willingness of Chinese firms currently listed in the U.S. or Europe to consider a domestic listing.

Third, expand the quotas for QFII (Qualified Foreign Institutional Investor) and RQFII (RMB Qualified Foreign Institutional Investor), including lowering entry barriers for foreign investors and broadening the investment scope for qualified institutions. Encourage more foreign institutions to hold A-shares and Chinese bonds. Additionally, strengthen the Shanghai-Hong Kong/Shenzhen Stock Connect and Bond Connect programs to improve trading convenience for overseas investors and enhance Shanghai's appeal as an international financial hub.

Fourth, promote the inclusion of RMB-denominated assets in global indices. This includes raising the weighting of Chinese bonds and A-shares in major international benchmarks such as MSCI and FTSE Russell, to attract more passive investment inflows.

5.1.3 Accelerate the Development of Financial Technology

Fintech represents the core competitiveness of the future financial system. Shanghai must drive technological innovation and build a globally leading digital finance ecosystem.

First, advance the adoption of the digital renminbi by expanding its use in cross-border payments and international trade settlements, thereby enhancing the RMB’s global competitiveness.

Second, deepen the integration of blockchain technology in the financial sector by promoting applications such as supply chain finance, cross-border transactions, and smart contracts. Encourage the use of artificial intelligence and big data for risk management to improve the resilience and efficiency of financial institutions.

Third, build world-class financial infrastructure by upgrading trading systems for securities, bonds, and futures, accelerating settlement speeds, and reducing the time required for cross-border payments and clearing.

Fourth, strengthen international payment network connectivity by enhancing the interoperability of CIPS with global systems such as SWIFT, Visa, and MasterCard, reinforcing Shanghai's role in the international payment ecosystem.

Fifth, foster the development of intelligent investment advisory services and digital asset management by encouraging financial institutions to harness AI and big data to elevate the quality and personalization of wealth management offerings.

5.1.4 Optimizing the Financial Business Environment

To become a truly influential global financial center, Shanghai must cultivate a legal, internationalized, and business-friendly financial environment. This is not only essential for attracting global capital and financial institutions, but also foundational for ensuring the city's long-term financial sustainability.

First, improving the legal and regulatory framework is fundamental to optimizing the business environment. Shanghai should draw on the mature regulatory practices of developed financial centers and establish a legal system aligned with international norms. For example, it can adopt the regulatory principles of the International Organization of Securities Commissions (IOSCO), strengthen information disclosure requirements, and mandate greater transparency and timeliness in financial and operational reporting by listed companies and financial institutions. Additionally, Shanghai should establish an international commercial court and introduce a hybrid adjudication system that combines elements of common and civil law, providing efficient and impartial solutions to cross-border financial disputes.

Second, international cooperation in anti-money laundering (AML) and financial regulation must be enhanced. Shanghai should join the global network of the Financial Action Task Force (FATF) and establish data-sharing mechanisms with institutions such as the U.S. Financial Crimes Enforcement Network (FinCEN) and the European Union Anti-Money Laundering Authority. By leveraging AI-driven algorithms to monitor cross-border capital flows in real time, Shanghai can position its financial regulatory system as more intelligent than London's and more transparent than New York's—an advantage that will inevitably influence global capital allocation.

Third, Shanghai should actively attract, retain, and cultivate global financial talent. The city could position itself as a "Global Financial Talent Zone" by introducing a points-based residency system for financial professionals, recognizing international qualifications such as CFA and FRM to facilitate local integration. In addition, leveraging the global academic influence of institutions like Shanghai Jiao Tong University, Fudan University, and CEIBS, Shanghai should collaborate with top universities in Western financial centers to develop global finance education programs. The city could also establish "Belt and Road" financial scholarships to train local financial experts from participating countries, using talent development and educational outreach to strengthen the city's financial soft power.

5.1.5 Promoting Green Finance Development

By building a multi-tiered and broadly inclusive green finance ecosystem, Shanghai can not only inject green momentum into China's economic transformation but also seize both the moral and technological high ground in the reshaping of the global financial landscape.

First, expand the green bond market. Shanghai can draw on the experience of the Luxembourg Green Exchange to establish the world's first blockchain-enabled "Climate Bond Certification Center," leveraging smart contract technology to track fund flows in real time and ensure that capital is accurately directed to green projects such as wind and solar energy. A dedicated "Belt and Road Green Bond Fund" could also be created to attract capital from major financial hubs like Singapore and the UAE, building a cross-border pool of green assets denominated in Renminbi.

Second, promote the development of ESG funds. Shanghai should take the lead in establishing an internationally recognized ESG data framework and align its standards with the EU's Sustainable Finance Disclosure Regulation (SFDR). Local public funds should be encouraged to develop "carbon-neutral index ETFs," utilizing satellite remote sensing technology to monitor changes in the carbon footprint of their investment portfolios.

Third, encourage green enterprise financing. The Shanghai Stock Exchange can draw on Nasdaq's "Sustainable Listing Rules" to develop a differentiated disclosure framework that allows technology-leading but currently unprofitable green companies to go public after completing technology verification. This innovative regulatory approach will position Shanghai as the premier capital market for the commercialization of global green technologies.

Fourth, build a global carbon trading market. Actively explore the establishment of an "Asia-Pacific Carbon Pricing Center" by achieving mutual recognition of MRV (Monitoring, Reporting, and Verification) standards with the EU carbon market and issuing global "cross-border carbon futures" contracts. When European companies can trade carbon allowances during Shanghai's night trading session, the complementary time zones will effectively break down regional barriers in the carbon market.

Fifth, strengthen international cooperation. Collaborate with ASEAN countries to establish a "Regional Green Finance Standards Laboratory" to promote the localization of the Equator Principles. Work with the European Union to develop a "China-EU Common Green Taxonomy," addressing the current challenges of greenwashing in the global green finance market. Shanghai can take the lead in setting up an "Asia-Africa Renewable Energy Project Financing Guarantee Fund," leveraging risk-sharing mechanisms to attract private capital into green infrastructure projects in developing countries.

5.1.6 Strengthen Global Financial Cooperation

To become a true international financial center, Shanghai must deepen and broaden its international cooperation, building an open, inclusive, and mutually beneficial global financial ecosystem.

First, support the international expansion of Chinese financial institutions by promoting the overseas development of Chinese banks, securities firms, and insurance companies. As the city with the highest concentration of financial resources in China, Shanghai should serve as the core hub for the internationalization of Chinese financial institutions. Through policy support, resource integration, and risk management, Shanghai can encourage more financial institutions to establish branches and subsidiaries in countries and regions along the Belt and Road Initiative. This will enable them to compete effectively in international capital markets. Chinese banks can expand their cross-border financial services by acquiring local banks or setting up branches; securities firms can collaborate with international investment banks to participate in global asset allocation; and insurance companies can innovate products to meet the diverse needs of overseas markets.

Second, enhance Shanghai's influence within international financial organizations by striving for a greater role in institutions such as the International Monetary Fund (IMF) and the Bank for International Settlements (BIS).

As China's financial center, Shanghai should actively participate in the decision-making processes of these key global financial governance platforms. By supplying expert talent, offering policy recommendations, and engaging in collaborative projects, Shanghai can secure a more prominent position in the formulation of international financial regulations and standards.

Third, promote the formulation of international financial regulations by spearheading reforms and setting standards in key areas such as cross-border payments, digital currencies, and green finance. As the global financial system undergoes profound transformation, enhancing the efficiency of cross-border payments, broadening the adoption of digital currencies, and accelerating the development of green finance are critical future directions for the financial sector. Shanghai should seize these opportunities and leverage both technological and institutional innovations to assume a leading role in shaping international financial standards.

5.1.7 Promote Synergistic Development of Shanghai and Hong Kong Financial Centers

The coordinated development of the Shanghai and Hong Kong financial centers is a crucial pillar in China's dual circulation strategy. By leveraging both institutional innovation and enhanced market connectivity, the two cities can establish a complementary "offshore–onshore" development model. This synergy will improve the efficiency of financial resource allocation across the two hubs, strengthen their combined competitiveness, and help position China's financial system more advantageously in the global market.

First, develop an "Upgraded Version" of Financial Market Connectivity.

Efforts should focus on expanding the scope and depth of Shanghai–Hong Kong financial market connectivity by introducing a broader range of financial instruments, increasing transaction quotas, and lowering entry barriers for investors. Potential enhancements include incorporating infrastructure REITs, carbon-neutral bonds, and equity of tech firms into the Shanghai–Hong Kong Stock Connect program, as well as exploring new channels such as "Derivatives Connect" and "Insurance Connect."

The "Cross-boundary Wealth Management Connect" mechanism should be optimized by lowering the entry threshold for Southbound investors and allowing qualified individual investors in the Shanghai Free Trade Zone to directly participate in Hong Kong's derivatives market. Deeper integration of bond markets—especially for RMB-denominated bonds—should be pursued, alongside further opening of the bond market in both directions.

To enhance liquidity and market functionality, the "Bond Connect" collateral recognition system should be expanded. Building on the current arrangement that allows onshore government bonds to serve as margin collateral in Hong Kong's derivatives market, the range of eligible collateral should be broadened.

Additionally, stronger technological infrastructure and secure cross-border data flow mechanisms are essential. A "Shanghai–Hong Kong Cross-Border Data Zone" could be established to pilot a whitelist mechanism for financial data transfer within the Free Trade Zone, allowing certain categories of data—such as credit profiles and green certifications—to be exempt from approval, provided they pass security assessments.

Second, Promote Synergistic Development of Cross-Border RMB Businesses.

Efforts should be made to expand and innovate cross-border RMB cash pooling services, enhancing the flexibility of capital management and further extending the functionality of Free

Trade (FT) accounts in the Shanghai Free Trade Zone. A dedicated RMB international clearing platform should be established to accelerate institutional collaboration between Shanghai and Hong Kong in cross-border RMB settlement and clearing, thereby improving the efficiency and security of international RMB transactions.

Integrating cross-border payment systems is also essential to enhance transaction efficiency and reduce currency exchange risks for enterprises. In particular, with the growing importance of digital currency, Shanghai and Hong Kong should work together to upgrade their digital RMB settlement infrastructure. Pilot applications of digital RMB in areas such as cross-border e-commerce and financial product transactions should be explored, promoting seamless interoperability in payment and settlement between the two financial centers.

Third, foster Collaborative Innovation in Financial Technology.

Shanghai and Hong Kong should jointly advance the application of cutting-edge technologies in cross-border financial markets, with a focus on blockchain integration to enhance transparency and reduce manual intervention in areas such as trade finance, asset securitization, and derivatives trading. By leveraging technology, both cities can significantly improve the precision and efficiency of financial supervision.

Regulatory technology (RegTech) should be employed to build intelligent regulatory systems that enhance anti-money laundering (AML) measures, data protection, and compliance monitoring. This will help ensure the stable and sustainable operation of both financial markets. Additionally, a joint financial risk information-sharing mechanism should be established. Through big data analytics and machine learning, authorities can track market volatility, liquidity risks, and other key indicators to enable early warning and proactive risk management.

Fourth, Jointly Develop Green Standards and an Innovative Product Ecosystem.

Shanghai and Hong Kong should collaborate to establish a unified green finance standards system and promote its adoption across ASEAN and globally. By deepening innovation in green financial products and attracting more green capital, the two cities can achieve greater market integration and drive the growth of sustainable finance.

To elevate their global visibility, a “Shanghai-Hong Kong Joint Pavilion” could be established at major international expos or multilateral institution headquarters, showcasing success stories in green finance innovation. Moreover, mechanisms for cross-border green capital circulation should be streamlined. One promising model could be piloting joint climate financing by banks in Shanghai and Hong Kong, using a “Shanghai-based pricing + Hong Kong-based credit enhancement” structure to reduce financing costs.

Fifth, strengthen Financial Talent Cooperation and Exchange.

Shanghai and Hong Kong should deepen collaboration on financial talent through two key dimensions: cross-border talent mobility and joint talent development. By optimizing mechanisms, integrating resources, and introducing supportive policies, the two cities can jointly build a full-cycle talent ecosystem that connects training, mobility, and practical application.

This "train–circulate–practice" model will not only deepen professional exchanges but also support the long-term competitiveness and innovation capacity of both financial centers.

Sixth, enhance policy coordination and regulatory alignment between Shanghai and Hong Kong.

The two cities should work toward building a differentiated yet compatible regulatory framework, using “equivalence recognition” to reduce duplicative compliance costs. Tax coordination reforms could include launching a “Shanghai–Hong Kong Dual Headquarters Tax Incentive Package,” offering corporate income tax relief to companies that establish functional headquarters in both cities, while enabling real-time tax data sharing to avoid double taxation. A cross-border regulatory coordination mechanism should also be established, creating communication channels between the Hong Kong Monetary Authority and Shanghai’s financial regulators. Additionally, a Shanghai–Hong Kong Financial Data Exchange Center could be set up, utilizing AI to build cross-border capital flow monitoring models and a transparent, integrated regulatory information platform.

5.2 Policy Recommendations

5.2.1 Significantly Enhance the Quality of Listed Companies on the Shanghai Stock Exchange

The capital market lies at the heart of any financial center and serves as a "barometer" for broader economic and social development. As one of the most critical pillars of Shanghai's capital market, the Shanghai Stock Exchange (SSE) plays a pivotal role in elevating the city's financial strength. While the SSE has already achieved considerable scale, it remains "big but not strong." By the end of 2024, the SSE hosted 2,278 listed companies—ranking second globally after NASDAQ (3,246) and ahead of the New York Stock Exchange (NYSE, 1,907). The total market capitalization of the SSE reached RMB 52.4 trillion (approximately USD 7.3 trillion), placing it behind NYSE (USD 41 trillion) and NASDAQ (USD 35 trillion). However, this figure represents only one-eighth of NYSE's and one-seventh of NASDAQ's market capitalization, highlighting the pressing need to shift focus from quantity to quality.

The capital market's role in serving the real economy and optimizing resource allocation remains insufficient in Shanghai. Several structural challenges persist:

First, the growth in the Shanghai Stock Exchange's (SSE) total market capitalization has been driven primarily by an increase in the number of listed companies rather than by the performance or profitability of those companies. This contrasts sharply with the New York Stock Exchange and Nasdaq, where market cap growth is more closely tied to corporate earnings and innovation capacity.

Second, the SSE has experienced prolonged market stagnation. This has limited its effectiveness in key functions such as stabilizing domestic asset prices and supporting household wealth accumulation through equity investments. As a result, the capital market has yet to become a strong pillar for national economic development and social wealth growth.

To address these issues, Shanghai must shift focus from quantitative expansion to quality-driven development, enhancing the capital market's ability to support innovation, stabilize investor expectations, and boost long-term returns.

A key reason why the Shanghai Stock Exchange (SSE) remains large but not strong, with underwhelming market functionality, lies in the low overall quality of listed companies, particularly in terms of profitability and growth potential. Over the years, the threshold for IPO approval has been continuously lowered, allowing hundreds of companies to go public each year. However, the number of delistings has remained relatively low—only a few dozen annually—meaning that many underperforming or non-competitive firms remain in the market.

This imbalance has led to a gradual decline in the average quality of listed firms, weakening the SSE's ability to serve as a platform for capital formation, innovation financing, and value discovery. Without a robust exit mechanism, poor performers dilute market credibility, suppress investor confidence, and reduce the market's long-term attractiveness.

The fundamental strategy to improve the quality of listed companies is to strictly enforce a delisting mechanism, ensuring that "zombie firms" and underperforming "junk stocks" are removed from the market. This is essential for restoring market integrity and boosting investor confidence. Second, liberalizing mergers and acquisitions (M&A) is critical to encouraging firms to scale up and strengthen their competitive position. Third, companies should be encouraged to divest loss-making or non-core businesses, allowing them to focus resources on their core competencies and enhance operational efficiency. Fourth, relaxing restrictions on long-term institutional holdings will help attract patient capital—such as pensions, endowments, and sovereign wealth funds—to play a more active role in corporate governance, promoting sustainable value creation.

5.2.2 Cultivate and Establish Mega Financial Institutions, Financial Holding Platforms, or New Financial Infrastructure to Build Shanghai's "National Financial Team".

The strength of an international financial center largely depends on the number and quality of its large-scale financial institutions, and more importantly, on these institutions' ability to allocate global financial resources. In March 2025, the successful merger of Guotai Junan and Haitong Securities marked a milestone in China's capital market and securities industry. It stands as the largest A+H market consolidation in China's capital market history, and the most significant integration case among A+H listed securities firms.

This merger will enable the newly formed entity to sharpen its strategic focus, better serve

China's ambitions to become a financial powerhouse, and support the development of Shanghai as an international financial center. By benchmarking against top global investment banks, the company is expected to accelerate its transformation into a world-class institution with international competitiveness and market leadership.

While this merger sets a positive precedent in SOE reform and the cultivation of globally competitive investment banks in Shanghai, the city still lacks ultra-large financial institutions or consolidated financial holding platforms. Building such entities will be critical to reinforcing Shanghai's global financial influence and advancing its status as a world-class financial hub.

First, SPD Bank (Shanghai Pudong Development Bank) can be developed into a financial holding platform by integrating Shanghai Trust, Shanghai Rural Commercial Bank, and other financial assets under Shanghai International Group. This strategic consolidation would help build a mega financial institution, significantly strengthening Shanghai's position as a global financial center and enhancing its ability to allocate financial resources at scale.

Second, SAIC Motor, SIPG (Shanghai International Port Group), and SPD Financial Holdings could be integrated into Shanghai International Group, transforming it into a sovereign investment company modeled after Temasek.

Third, promote the establishment of new financial infrastructure institutions such as a Leasing Exchange and a Yangtze River Delta Regional Equity Market. A dedicated Leasing Exchange would help alleviate liquidity constraints and financing difficulties faced by the leasing industry, thereby supporting key sectors such as aviation and shipping, advanced manufacturing, new energy, medical devices, and semiconductors in their transformation and high-quality development. Meanwhile, a regional equity market for the Yangtze River Delta—allowing enterprises from the three provinces and one municipality to list in any or multiple regional markets—would facilitate cross-regional capital flows and resource integration, fostering a more interconnected and dynamic equity financing ecosystem.

Fourth, establish the Shanghai Shipping Finance Holding Group and a Yangtze River Delta Marine Insurance Company. Currently, many major ports hold financial licenses such as microloan and leasing companies, but these are underutilized and lack strong control over financial resources. It is recommended to form a shipping finance holding group—led by entities like Shanghai International Group, SPD Bank, and Bank of Shanghai—guided by global supply chain strategies and leveraging the region's port logistics strengths. This group would integrate services such as warehouse receipt financing, trade finance, settlement, and credit, positioning itself as a comprehensive provider of shipping-related financial services, underpinned by third-party payment and financing platforms. In addition, Shanghai lacks a specialized marine insurance institution. In contrast, mature international markets—such as London, the global marine insurance hub—are home to numerous specialized insurers. The Yangtze River Delta, with its advantages in trade openness, shipping activity, financial infrastructure, and talent, is well-positioned to build a regional marine insurance company to fill this gap.

5.2.3 Improve the financial service system that supports technological innovation, and promote the integrated development of the financial and sci-tech innovation centers.

Enhancing the effectiveness of technology finance and accelerating its development are of great significance for fostering synergy between Shanghai's international financial center and its science and technology innovation center.

First, promote innovation in financial products and services by commercial and investment banks. Encourage commercial banks to tailor credit products that account for the longer R&D cycles of tech enterprises—such as offering 2- to 3-year loan terms and tolerating delayed financial returns. Banks should also be guided to integrate intellectual property (IP) pledge loans with other credit solutions like performance-guaranteed loans, guarantee fund-backed loans, batch loans for industrial parks, talent-based loans, and operational loans.

Investment banks should explore innovative financing tools such as private convertible bonds and lifecycle-linked corporate bonds, while further leveraging instruments like convertible bonds and "dual innovation" bonds. Securities firms are encouraged to engage in asset securitization through over-the-counter (OTC) markets to support financing for small and medium-sized tech enterprises. They may also facilitate debt-to-equity swaps for unlisted and non-public firms in the interbank market and support greater interconnectivity with regional equity markets.

Second, promote the establishment of a “technology valuation standard” to expand direct financing channels for enterprises. Encourage collaboration among key government agencies—such as the Ministry of Science and Technology and the China National Intellectual Property Administration—to jointly formulate and publish a standardized framework for technology valuation. This would help address the “first mile” gap between finance and technology by enabling accurate, consistent assessments of intangible assets, thereby improving access to capital for innovation-driven enterprises.

Third, establish and improve incentive and risk-compensation mechanisms for sci-tech finance. Provide interest and fee subsidies for debt financing obtained by tech enterprises. Increase rewards for banks that maintain a high share of first-time tech borrowers, medium- to long-term tech loans, credit-based loans, and IP-backed financing. Expand fiscal subsidies for insurers offering sci-tech insurance products—such as coverage for first-of-its-kind equipment, patent insurance, R&D liability, and critical equipment development. Improve the risk-compensation system for sci-tech lending by setting up dedicated resolution funds and a pre-compensation mechanism. For tech firms with core technologies, introduce compensation—based on a set proportion—after 60 to 90 days of loan delinquency but before classification as non-performing.

Fourth, enhance innovation in intellectual property (IP) financing by establishing government-led policy technology evaluation agencies along with supporting guarantee and backstop mechanisms. Shanghai should draw on best international practices to set up government-backed technology evaluation firms that develop specialized evaluation systems, providing authoritative technology assessment certificates or certifications for tech enterprises.

For example, South Korea has established government-led guarantee platforms and IP management companies backed by national credit. These entities handle IP valuation, acquisition, and resale operations, effectively reducing market risks caused by information asymmetry around IP assets. South Korea’s Technology Finance Corporation and Credit Guarantee Fund provide re-guarantee services for IP financing. In 2013, the Korean Intellectual Property Office invested 50 billion KRW to jointly establish an IP management company with the Korea Development Bank to acquire IP from companies defaulting on loans. The bank has priority repayment from acquisition proceeds. This backstop acquisition mechanism strongly supports IP-backed loans, and the IP management company can profit by managing and disposing of the acquired IP assets.

Fifth, promote the integrated development of credit reporting and financial services for technology enterprises. Credit reporting plays a crucial role in enhancing the effectiveness of financial service platforms. It is recommended to actively advance the construction of credit reporting platforms such as the “Yangtze River Delta Credit Chain” and the “Greater Bay Area Credit Chain,” fostering interconnectivity in the credit reporting sector. This includes promoting the sharing and interoperability of credit data between banks, enterprises, and credit agencies, thereby addressing challenges such as difficulties in enterprise financing and banking risk control. Through such integration, the financing environment for tech companies can be significantly improved, facilitating smoother access to credit and reducing information asymmetry.

Sixth, establish a multi-tiered fund exit and financial property transfer market. Improving the financial property transaction market is a crucial prerequisite for expanding investment fund businesses and increasing the financing scale. Even in highly developed capital markets like the United States, only about 20% of private equity investments exit through IPOs. Therefore, it is essential to overcome the development bottleneck of over-reliance on IPOs as the primary exit channel.

It is recommended to accelerate the construction of a secondary market for fund share transactions and appropriately simplify transfer procedures among state-controlled enterprises to enhance the exit efficiency of sub-funds or projects. This will provide diversified exit channels, improve liquidity, and support the sustainable growth of investment funds.

5.2.4 Actively pursue the establishment of the “Shanghai Free Trade Port” to promote the integrated development of the financial center and the shipping hub.

From historical experience, Hong Kong, Singapore, Rotterdam, and Dubai have leveraged free trade ports and bonded zone policies to develop international processing trade. The transshipment trade facilitated by free trade ports has driven the growth of shipping, finance, insurance, and related industries, thereby promoting the establishment of international shipping and financial centers. Lingang enjoys unique advantages in terms of institutional frameworks, policies, geographic location, and spatial capacity for gathering shipping and financial resources, making it well-positioned to actively apply for free trade port pilot status.

Free Trade Ports (FTPs) differ from Free Trade Zones (FTZs) in several fundamental ways. The primary function of FTZs is to serve as experimental grounds for reform and opening-up policies, aiming to develop replicable and scalable models. In contrast, FTPs focus less on replicability and more on aligning with the highest international standards. Compared to FTZs, FTPs cover a broader scope of openness and operate at a higher level of liberalization:

(1) Geographical Scope: FTPs typically encompass larger areas, often covering entire port cities (sometimes including airports), whereas FTZs are generally confined to designated zones on the outskirts of cities.

(2) Scope of Freedoms: FTPs grant broader freedoms beyond trade, including investment freedom, labor mobility, business operations, and free entry and exit of personnel.

(3) Offshore Trade and Services FTPs allow offshore trade activities and, based on this foundation, further open up high-end service sectors and develop offshore financial services and related industries.

5.2.5 Develop the Offshore Renminbi Financial System to Promote Renminbi Internationalization

Shanghai's development of offshore Renminbi trading marks a significant breakthrough in the internationalization of the RMB. It addresses the financing needs of non-residents in RMB, thereby promoting offshore capital investment into China's domestic real economy. By leveraging Shanghai's unique position as an onshore market with offshore capabilities, the central bank is better able to regulate liquidity in the offshore RMB market and facilitate seamless connectivity with Hong Kong's offshore market.

First, leverage the Lingang New Area as a pilot zone to establish an "Offshore Financial Innovation Practice Zone," driving institutional innovation in offshore finance through the free trade zone's pioneering reforms.

The recently revised Article 44 of the International Financial Center Regulations stipulates that “in handling foreign-related civil and commercial cases in cross-border finance and offshore finance, relevant international treaties and practices shall be applied according to law.” The "Action Plan for Accelerating the Development of New Financial Industries in Lingang New Area (2022–2025)" outlines key tasks including supporting banks to enhance offshore business capabilities; conducting offshore finance in line with international practices; maximizing the role of FTN (Free Trade Network) accounts; supporting the issuance of free trade zone bonds and offshore bonds; and researching offshore tax policies. These policies provide a solid foundation for institutional innovation related to offshore finance.

Under this policy framework, it is recommended to explore appropriately relaxing regulatory requirements on Financial Transaction Units (FTUs) of financial institutions engaged in offshore finance, aligning with international norms; to fully leverage the FTN accounts’ service functions for non-resident enterprises and Chinese enterprises’ overseas entities, encouraging financial institutions to increase FTN usage in building their offshore finance platforms; and to remove institutional barriers to data transmission in offshore service trade and digital trade.

Second, explore enabling cross-border capital transactions and payments in local currency, allowing the local currency to achieve free convertibility between Shanghai’s onshore and offshore RMB centers, with limited two-way permeability between offshore and onshore markets. This approach aims to reduce capital outflow risks and promote the use of the RMB Cross-border Payment System (CIPS).

Actively promote the use of RMB in cross-border capital transactions, gradually realizing free convertibility of the currency within Shanghai’s onshore and offshore centers. Strengthen connectivity with international financial markets and improve the infrastructure supporting RMB’s cross-border usage, ensuring the RMB is “usable and convenient” in international trade and investment. Support more foreign institutions in issuing RMB-denominated bonds domestically to enhance the liquidity of RMB financial assets and meet the asset allocation needs of global investors.

Third, based on China’s national conditions and capabilities, set quantitative targets aligned with international standards and accelerate capital account convertibility by piloting reforms in the Lingang New Area.

This can be achieved by expanding the functions of Free Trade Accounts (FTAs) to allow orderly and free capital flows between the Lingang New Area and overseas markets, creating a favorable institutional environment for capital account convertibility. It is advisable to explore the removal of the requirement for dedicated RMB capital accounts for foreign direct investment, and to pilot unified domestic and foreign currency cross-border cash pooling systems, thereby further enhancing the convenience of cross-border capital management. Shanghai should also explore a more inclusive and prudent regulatory model aligned with international financial systems, build a robust financial risk monitoring system, and strengthen coordination between central and local authorities to ensure capital account liberalization proceeds steadily under effective risk control.