



# **WORLD ALLIANCE**

of International Financial Centers

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*WAIFC facilitates cooperation between financial centers,  
exchange of best practices and communication with the general public.*

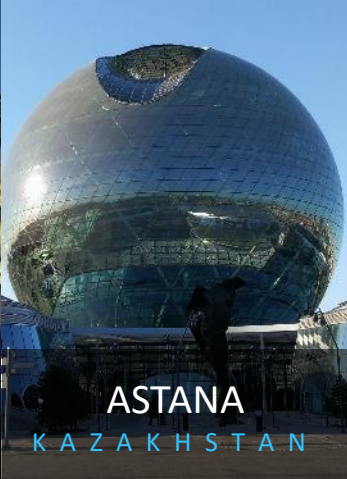
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## **ESG and Sustainable Finance Conference**

PolyU, 28 November 2022



ABU DHABI  
U.A.E.



ASTANA  
KAZAKHSTAN



BRUSSELS  
BELGIUM



BUSAN  
SOUTH KOREA



CASABLANCA  
MOROCCO



DOHA  
QATAR



DUBAI  
U.A.E.



FRANKFURT  
GERMANY



HONG KONG  
CHINA



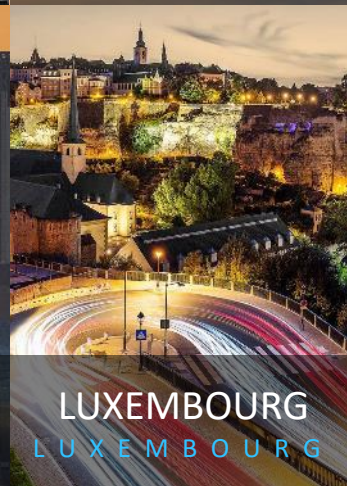
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JERSEY



KIGALI  
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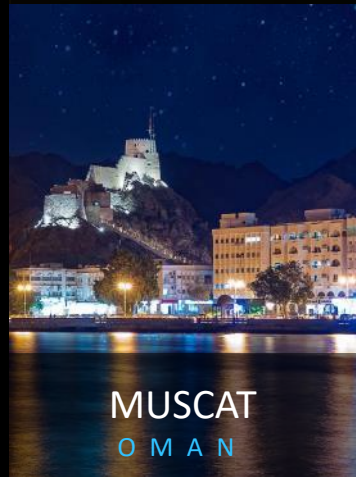
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UNITED KINGDOM



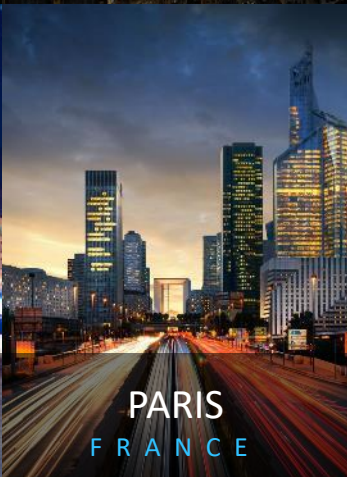
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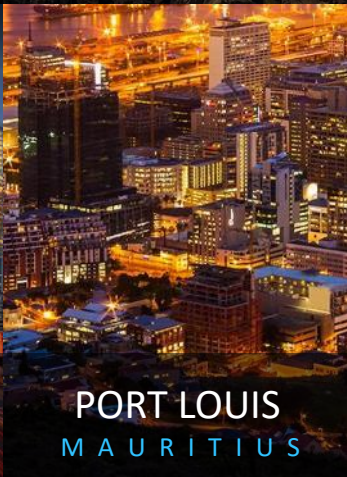
MALTA  
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MUSCAT  
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PARIS  
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PORT LOUIS  
MAURITIUS



ROME  
ITALY



STUTTGART  
GERMANY

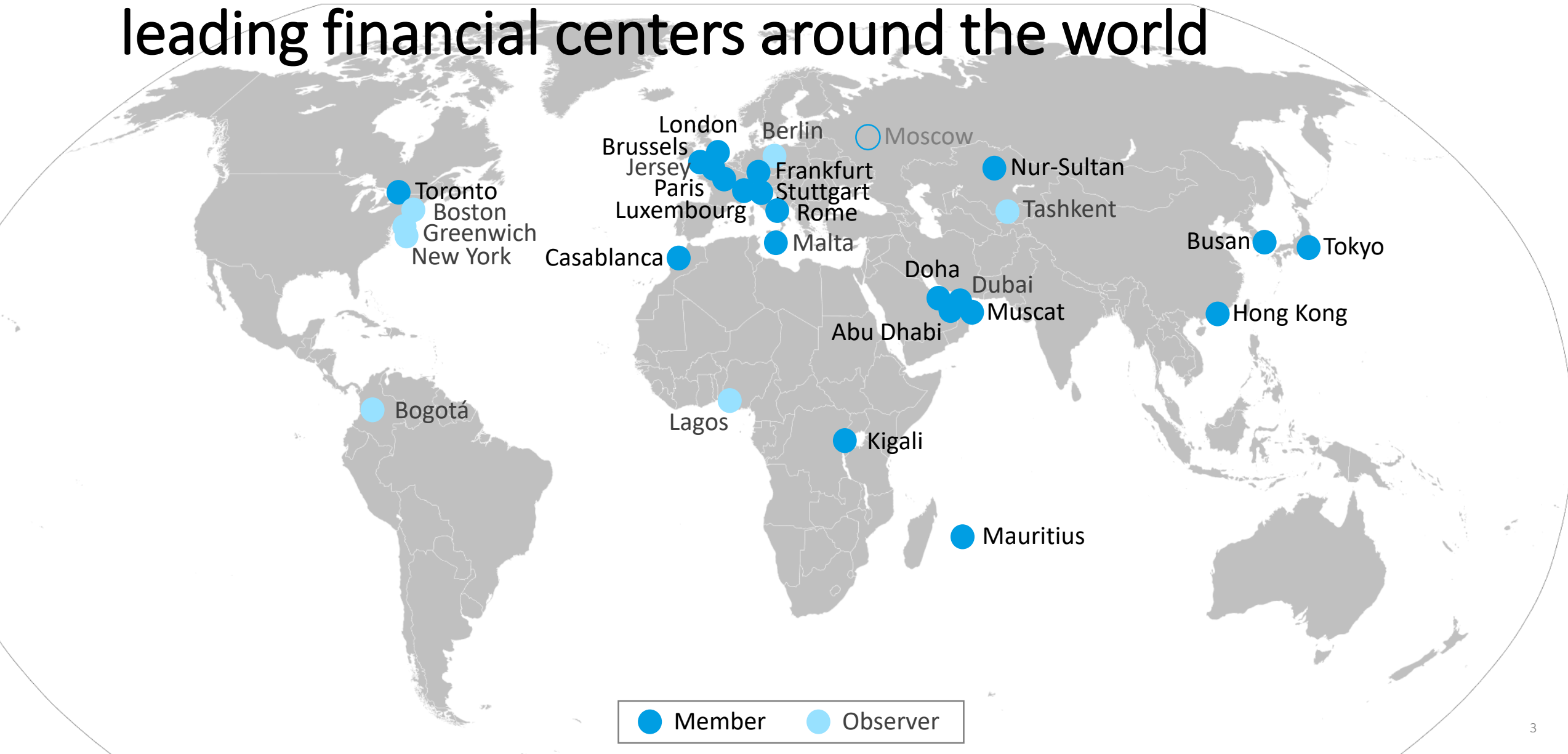


TOKYO  
JAPAN



TORONTO  
CANADA

# We organize the collaboration between leading financial centers around the world



# Our Members in Numbers

**19 MEMBER COUNTRIES\***

**\$43 trn**

**TOTAL GDP**  
(nominal)

**8,000**

**BANKS**

**20,000**

**FINTECHS**

**60,000**

**INVESTMENT  
FIRMS**

**\$55 trn**

**TOTAL VALUE OF  
STOCKS TRADED**

**\$40 trn**

**MARKET CAPITALIZATION OF  
LISTED DOMESTIC STOCKS**

\* WAIFC has two members each in Germany and the U.A.E.  
Value of Stocks Traded and Market Capitalization as of 2020. All other figures as of 2021.  
Sources: World Bank, IMF, WFE, national statistics, own research.



# Young Academic Award



## Young Academic Award

Award for the best three academic research papers globally on financial centers, the future of finance, or key topics like sustainable finance.

The winner is awarded € 3,000, the runners-up €2,000 and €1,000.

Furthermore, we invited the winner and the runners-up to present their paper at our Annual General Meeting 2022 in Casablanca in October, with travel expenses being paid.



# We will be back in 2023



OCTOBER 21, 2022 – CASABLANCA, MOROCCO

## Celebration of the WAIFC Young Academic Award winners

# Future of Financial Centers

In 2030, financial centers will be green, smart, innovative, customer-centric, and inclusive.



## The Future of Financial Centres: White Paper

A collective response by financial centres on addressing the big questions facing society today and sharing a vision for 2030.



By invitation of the DIFC, WAIFC members and observers met in Dubai for a roundtable discussion on the future of financial centers.

The results have been published in a joint whitepaper with DIFC and Z/Yen Group on 27 June 2022.

# Role of Financial Centers

- Financial centres are places with an intense concentration of financial activity involving an interlocking set of financial sectors and transactions.
- Bring together three groups of people or entities, along with their advisors – consultants, lawyers, accountants, etc.
  - Investors, who commit funds to activities or products with the expectation of financial returns.
  - Guarantors, defined as entities insuring or re-insuring projects or companies' operations and risks.
  - Traders and other risk bearers - those buying, selling, and making markets in securities and those issuing securities, and receiving loans
- Financial centers create clusters of expertise and data to support this activity

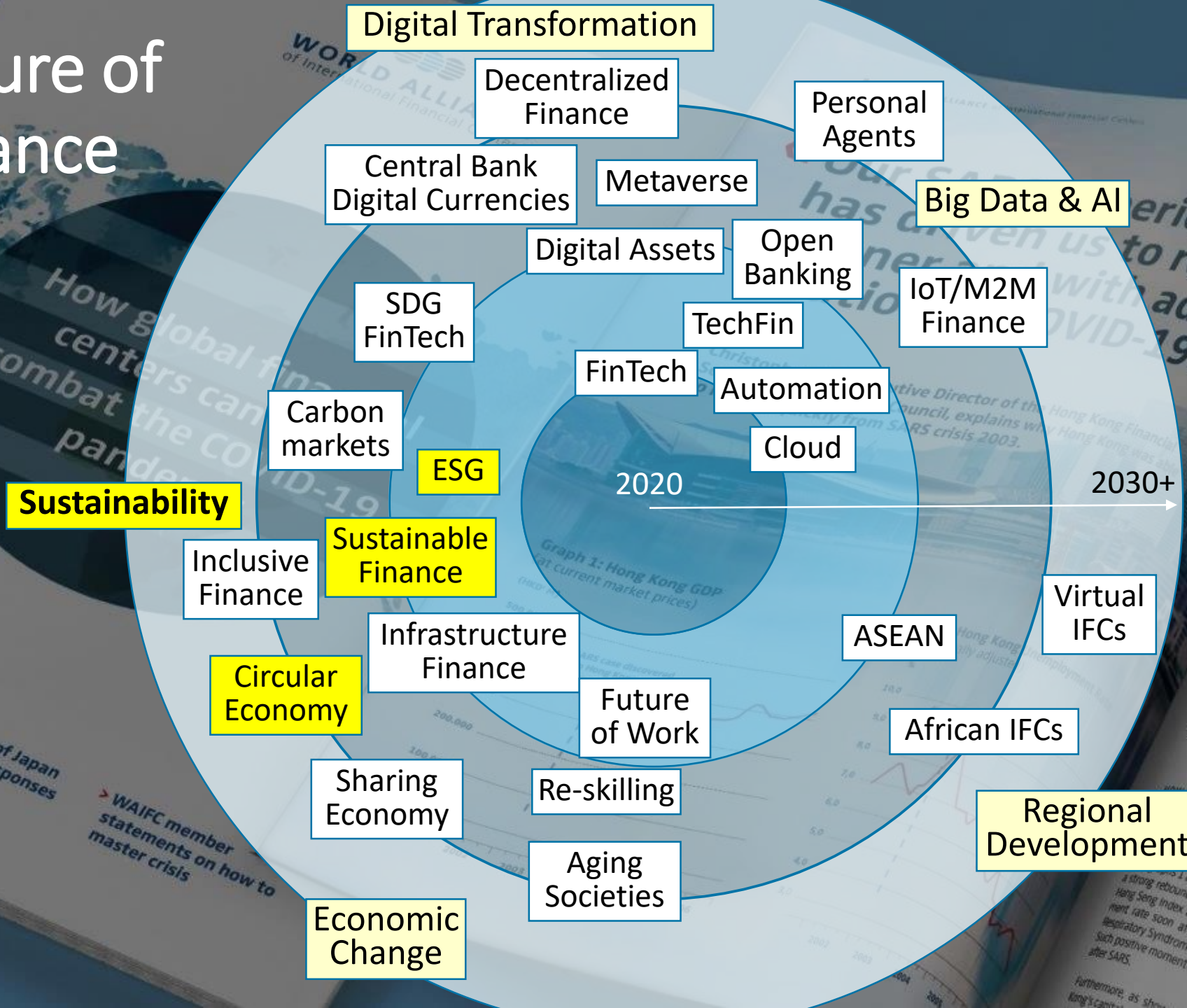


# Impact of Financial Centers

- Clustering
- Financial centers influence the city and state economy directly through
  - Higher GDP growth,
  - Increased investment and tax revenues,
  - New jobs in the financial and related professional sectors
- Indirect benefits from a financial center's activities are
  - Financial market development
  - Higher quality of business environment
  - Better institutions
  - Macroeconomic stability
  - Urban development



# Future of Finance



# Sustainable Finance

Our recommendations for financial centers

Talent development is key

## Take

Take the lead on ensuring **collaboration and cooperation** across different participants in the sustainable finance ecosystem.

## Develop

Develop and build **sustainable finance expertise, capacity and knowledge** across the financial industry.

## Leverage

Leverage the **digitization of financial services** to ensure that sustainable finance will be fully embedded in the financial industry.

## Foster

Foster the supply of **new financial instruments** that direct capital towards sustainable assets and investment.

## Translate

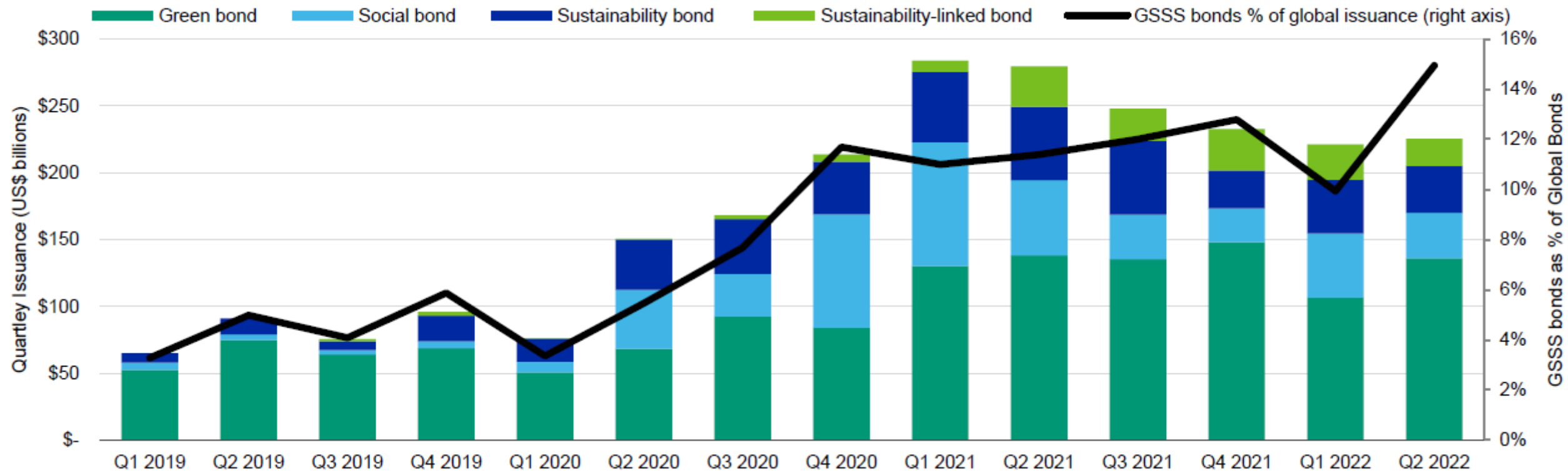
Translate different international and national **frameworks, principles and standards** into practical and implementable guidance.

## Facilitate

Facilitate dialogue on **carbon finance**, - the role that carbon markets can play in driving the transition to a decarbonized economy.

# Sustainable Investments

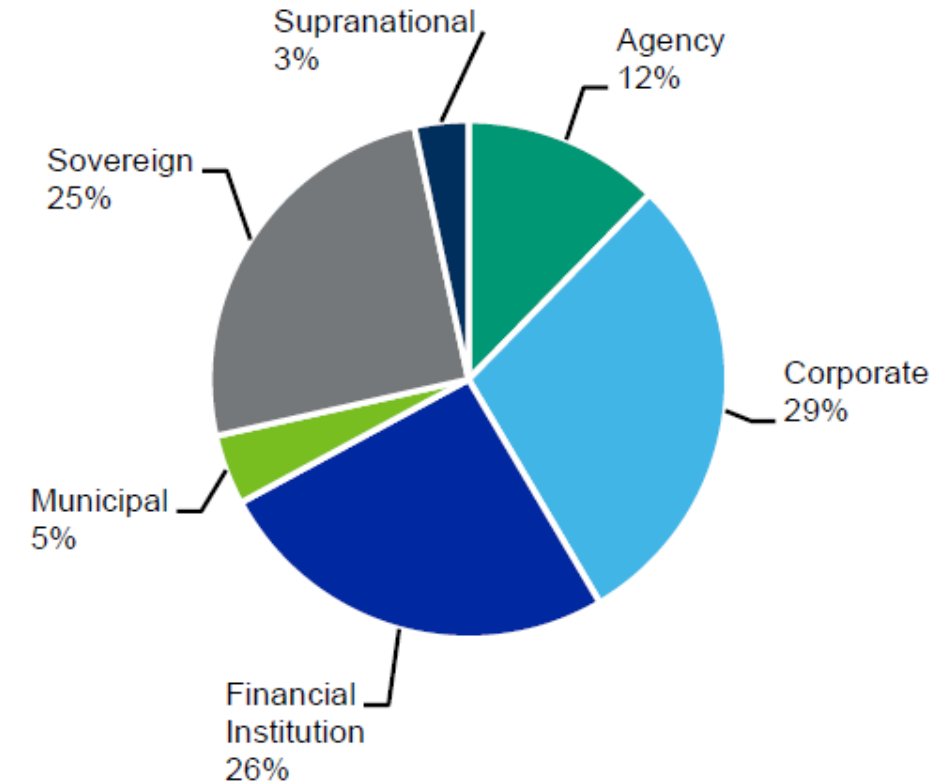
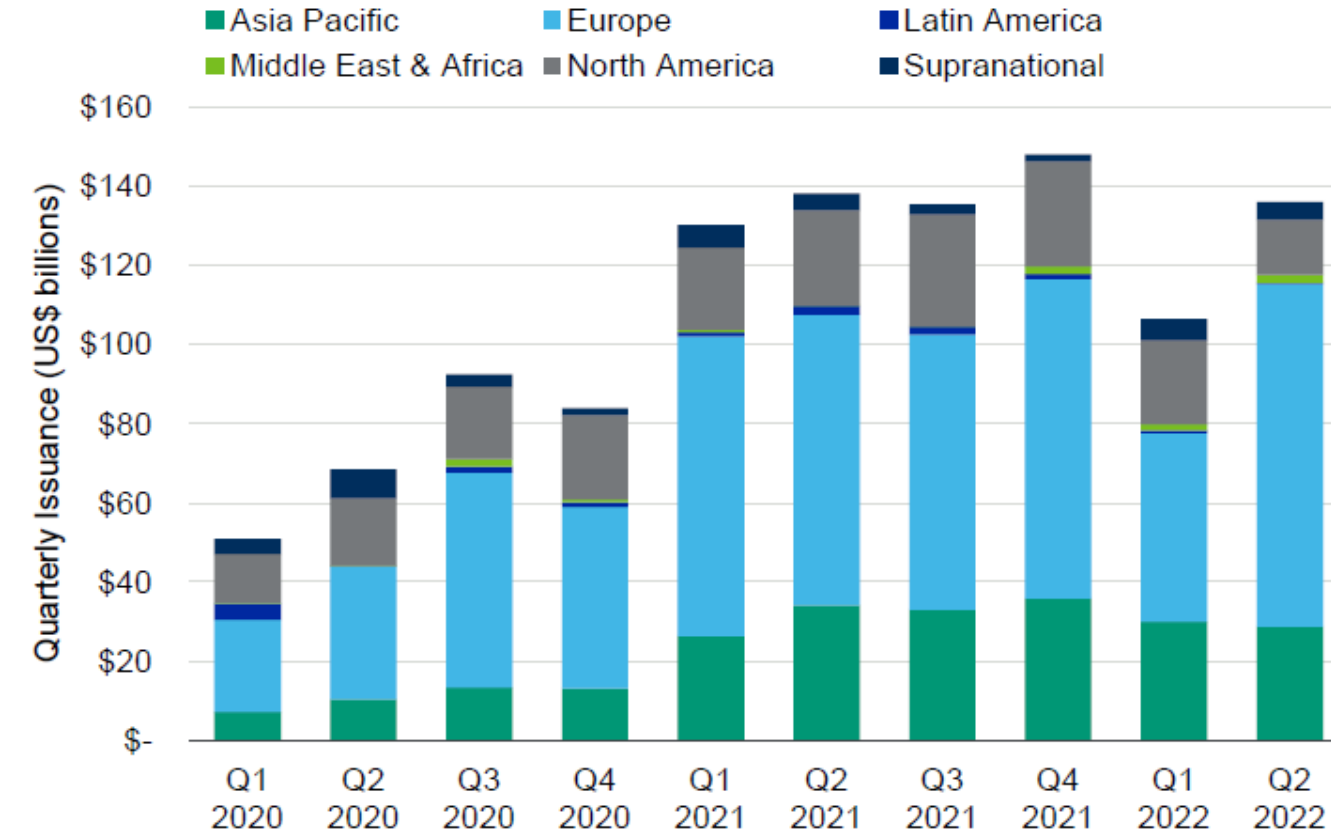
Global issuance of **green**, **social**, **sustainability**, and **sustainability-linked** (GSSS) bonds shows resilience amid geopolitical headwinds



Source: Moody's ESG Solutions, Environmental Finance Data, Dealogic

# Sustainable Investments

Green bond issuance rebounded in Europe in Q2



Source: Moody's ESG Solutions, Environmental Finance Data

# EU Sustainable Finance Strategy

## Green Taxonomy, SFDR, and CSRD

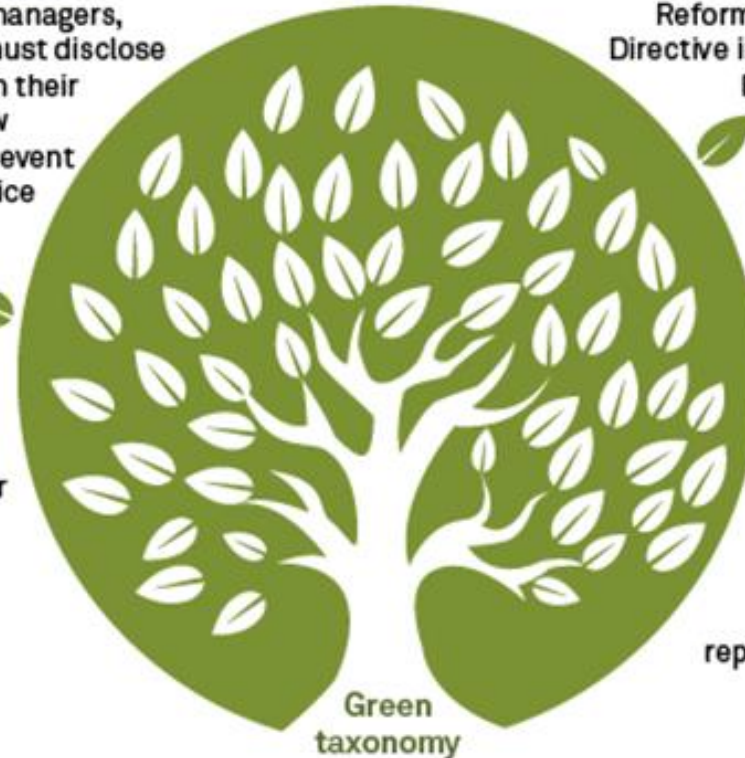
### Sustainable Finance Disclosure Regulation, or SFDR

Under the SFDR rules, asset managers, pension funds, and insurers must disclose how they consider ESG risks in their investment decisions. The new regulations are designed to prevent greenwashing of financial advice and provide a common set of rules on sustainability risks.

Funds have to include information on their websites as well as in their fund documentation and tell investors, for the first time, where the ESG risks lie in their portfolio. Investors have to use the taxonomy to meet the disclosure requirements of the SFDR.

### Corporate Sustainability Reporting Directive, or CSRD

Reform of the Non-Financial Reporting Directive into the Corporate Sustainability Reporting Directive. The number of companies impacted by the legislation will rise to nearly 50,000 companies from around 12,000 currently subject to the NFRD. Firms need to think of reporting not just in financial terms, but also in how their business affects the environment and the people they employ or their customers. Companies will have to disclose what percentage of their revenues is in line with the taxonomy. The CSRD also introduces tougher reporting requirements, and audits of ESG-related information.



The taxonomy is simply a dictionary, which defines what is sustainable and what is not.

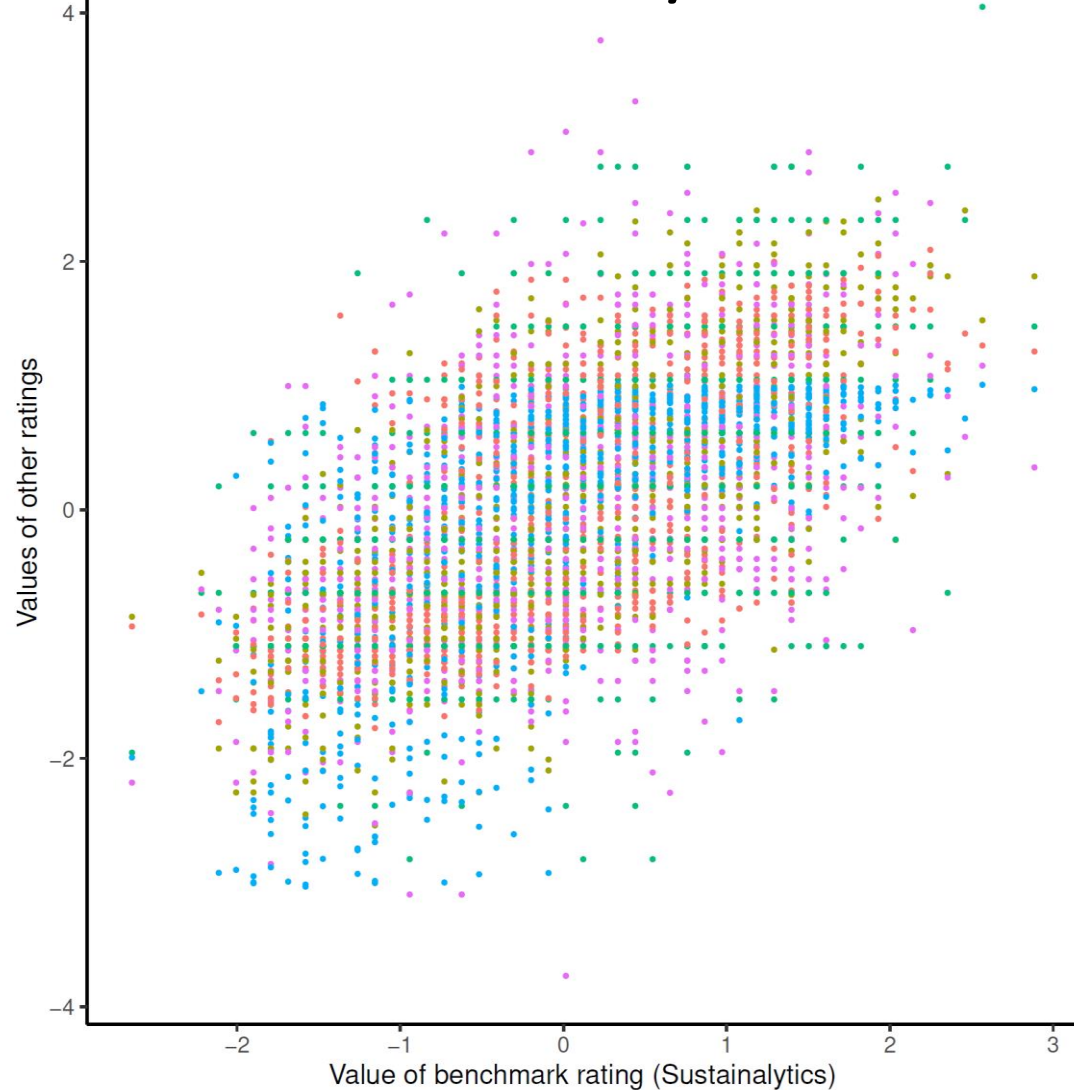
It has six environmental objectives:

- Climate change mitigation
- Climate change adaptation
- The sustainable use and protection of water and marine resources
- The transition to a circular economy
- Pollution prevention and control
- The protection and restoration of biodiversity and ecosystems

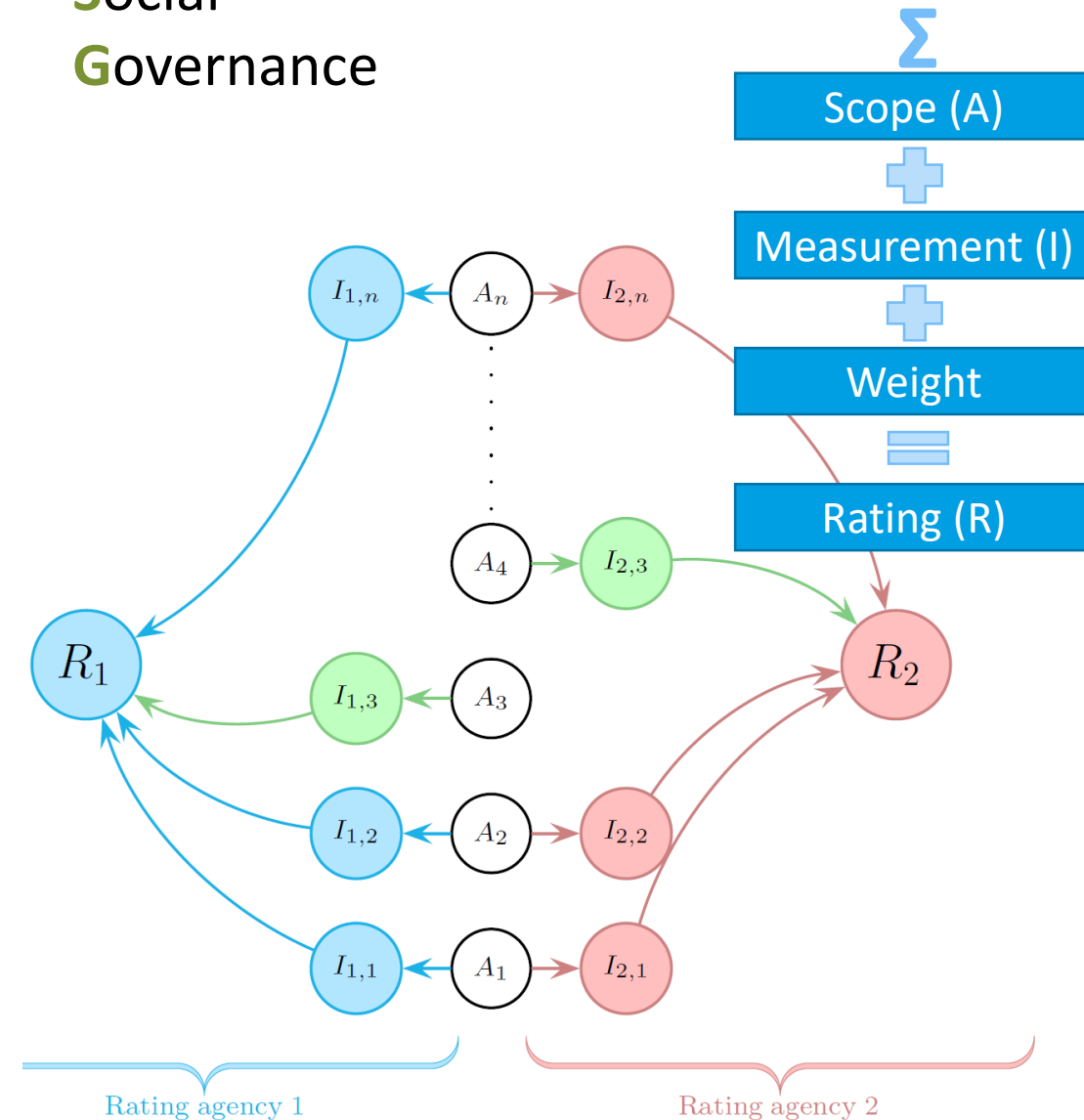
Environment  
Social  
Governance

# Divergence of ESG Ratings

“ESG Data is noisy”

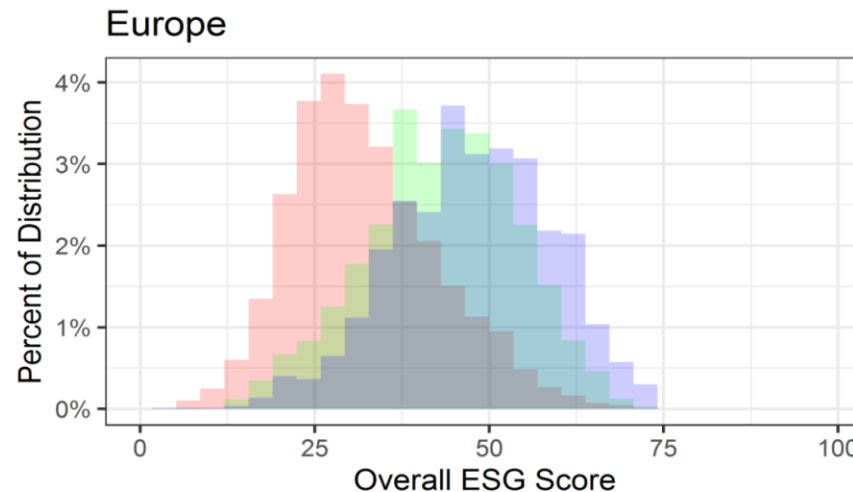
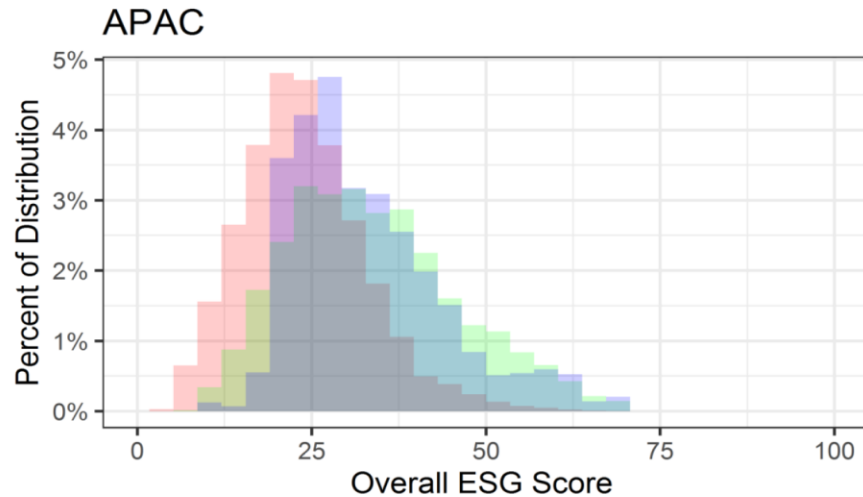
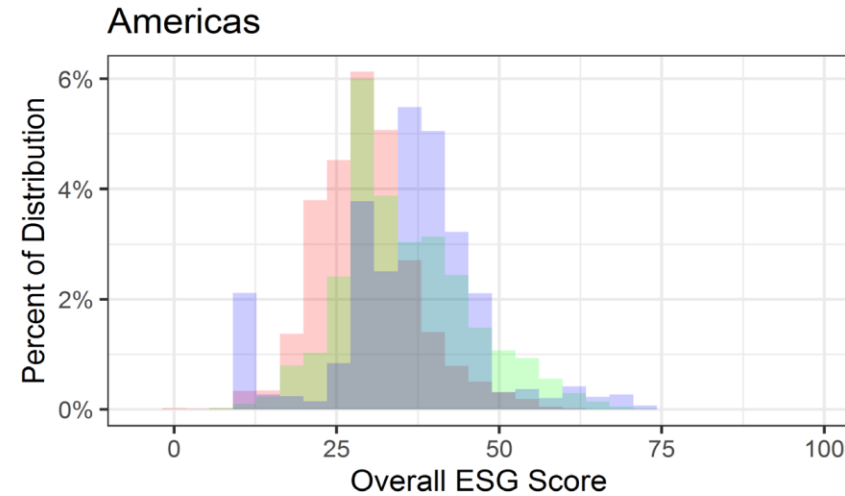
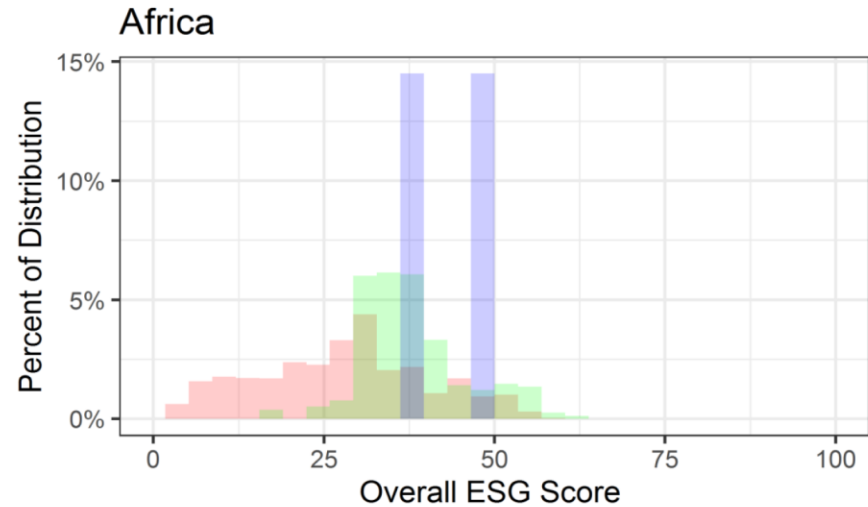


Environment  
Social  
Governance



# Lower ESG Scores for Small Businesses

## A Challenge for the Financial Sector



### Business Size

- >2.6 Billion USD
- 2.6M – 206 Billion USD
- <2.6 million USD

# Financing the Circular Economy

## Why we should care

1. We already consume more natural resources and raw materials than the earth can provide – and resource use is likely to increase.
2. Nature's absorption capacity of synthetic materials, both quantitatively and qualitatively, is limited (e.g., plastic in the oceans).
3. The linear economy – or *take-make-waste* approach – uses resources in a highly inefficient manner. Climate and biodiversity are negatively impacted.
4. Market imperfections: Positive and negative externalities (GHG emissions, related health hazards, pollution) are not, or only partially, reflected in market prices. The real costs - incl. environmental or, more broadly, social costs of economic activities - are to be assumed by society, neither by consumers nor by producers.



Only 8.6 %  
of the global  
economy  
is circular

## Financial centers are encouraging growth in sustainable finance by

- Leading multi-stakeholder groups to develop sustainability strategies
- Developing, publishing, and socializing regulatory roadmaps
- Raising awareness of green transition dynamics domestically and internationally
- Supporting the development of new financial instruments
- Contributing to national policy development
- Supporting international cooperation around green taxonomies and green finance disclosure standards

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### **World Alliance of International Financial Centers (WAIFC) - AISBL**

International non-profit association

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