



THE CITY OF NEW YORK  
OFFICE OF THE MAYOR



UNITED STATES SENATE

# Bloomberg/Schumer Financial Services Competitiveness Report Fact Sheet

## Background/Introduction

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Financial services are of paramount importance to the US economy: the sector represents 8% of US GDP and more than 5% of all US jobs; these proportions are far higher in several important US economic centers, of which New York City is the largest.

In this context, Mayor Bloomberg and Senator Schumer asked McKinsey & Company to work with the New York City Economic Development Corporation (NYCEDC) to develop a better understanding of current trends in financial services and produce an integrated set of recommendations that will enable New York and the US to remain a global leader in financial services.

In preparing this report, a McKinsey team interviewed more than 50 financial services industry CEOs and business leaders; captured the views of more than 300 other leading financial services CEOs and senior executives through two separate surveys; solicited the opinions of other constituencies including leading investor, labor, and consumer groups; collaborated with subject matter experts in the regulatory, legal, and accounting fields; and leveraged significant proprietary financial services industry knowledge.

## Key Findings

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US financial markets remain the largest in the world across many dimensions: America possesses the world's largest financial stock, the largest insurance and reinsurance markets, and the deepest revenue pool from financial services.

Financial services are also critical to the US economy, as the industry is among the largest and most dynamic economic sectors. Financial services are even more important to a number of states and cities across the country where the industry represents a particularly large share of the local economy, employment, and tax revenue. No fewer than seven states, including New York (as well as Connecticut, Delaware, Massachusetts, North Carolina, Rhode Island, and South Dakota) count on financial services for 10% or more of their real gross product.

Financial services also represent a central cog in America's economic machinery, as sound and efficient capital markets facilitate access to funding, and therefore promote economic growth, to the benefit of the US economy as a whole.

America's global leadership across most areas of financial services is currently under significant threat, as a number of internal and external factors are combining to undermine US competitiveness.

- External factors include: a higher growth rate in financial services abroad, albeit from a lower base, particularly in Europe (lower historical financial stock penetration is prompting faster growth today) and Asia (high rates of internal economic growth and rapid capital markets liberalization are fueling an intense expansion in financial services); the introduction of market-oriented regulations increasing investor confidence in foreign markets; and the development of technology and communication infrastructures undermining the co-location advantages traditionally enjoyed by dominant financial centers.
- Leading financial services executives also indicated in interviews and surveys that three internal factors, which are within the power of domestic policymakers to influence, were key to deciding where to locate businesses: access to a skilled workforce, a fair and predictable legal environment, and a sophisticated and responsive regulatory framework. In addition, research findings also indicated that the legal environment and regulatory framework in particular were critical to potential issuers considering whether to enter the US markets.

Although there is relatively little that American policymakers can do to influence the external forces that are affecting US financial services, the US still operates from a position of such strength that addressing the three internal issues highlighted above may well suffice to ensure America's continuing global preeminence in financial services. The recommendations on the next page are aimed at achieving this outcome.

# Recommendations to Sustain the Nation's and New York's Global Financial Services Leadership

## National Agenda

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### Critically important near-term national priorities

1. Provide clearer guidance for implementing the Sarbanes-Oxley Act, in support of efforts already begun by the Securities and Exchange Commission and Public Company Accounting Oversight Board (PCAOB).
2. Implement securities litigation reform with particular short-term emphasis on leveraging the SEC's existing authority.
3. Develop a common vision and a supporting set of shared regulatory principles.

### Initiatives to level the playing field with international competitors

4. Ease immigration restrictions facing skilled non-US professional workers and alleviate difficulties encountered by foreign business visitors coming to the US.
5. Recognize International Financial Reporting Standards (IFRS) without reconciliation for listing purposes and promote convergence of accounting and auditing standards.
6. Protect US global competitiveness in implementing Basel II, an international accord on capital requirements for banks.

### Important longer-term national issues

7. Form an independent, bipartisan National Commission on Financial Market Competitiveness to resolve long-term structural issues.
8. Modernize financial services charters and holding company structures.

## New York agenda to promote financial services competitiveness

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Establish a public/private joint venture with highly visible leaders focused exclusively on financial services competitiveness

- This joint venture would execute a city-level agenda balancing business competitiveness, consumer protection, and broad economic growth, including by:
  - More actively managing attraction and retention for financial services.
  - Establishing a world-class academic center for applied global finance.

- Potentially creating a special international financial services zone.
- Enhancing New York's ability to promote its financial services profile and its agenda as a leading financial center.
- The joint venture's Chief Executive would promote New York's local agenda by acting as the high-level liaison between individual industry participants and the city, as well as by driving forward the joint venture's broader strategic plan for New York's financial services development.
- The joint venture's Chairman, appointed by the Mayor in consultation with financial services industry leaders, would assume a broader mandate, promoting New York's financial services interests at the national and international levels.
- It is important to recognize that, when it comes to financial services, New York's economic interests are largely aligned with those of the broader Tri-State area. Because the aggregate benefits to the region of a thriving US financial services sector are such as to demand that local authorities present a common front on issues affecting financial services competitiveness, the joint venture and its leadership, along with the Mayor's office and other New York governmental authorities, will actively seek to collaborate with Connecticut and New Jersey authorities to provide the most effective advocacy possible for a robust and efficient financial services industry regionally.

## Conclusion

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The combination of internal and external pressures on US financial services has left New York and the nation as a whole vulnerable to competition from increasingly sophisticated foreign competitors. Nevertheless, it is not too late for policymakers at the national, regional, State and City levels to intervene and stem the tide. A number of improvements to America's immigration, legal, and regulatory policies can be made that can sustain US leadership in financial services. The recommendations in this report should offer a starting point for the necessary debate as to how best to implement the necessary reforms.