

# Busan, Towards the Global Financial Hub

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## Financial Center ecosystem as MSP(Multi-sided Platform) and implications for BIFC

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# Global Financial Center Map

Globally, Over 120 Financial Centers are operating

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## Global Financial Center Overview

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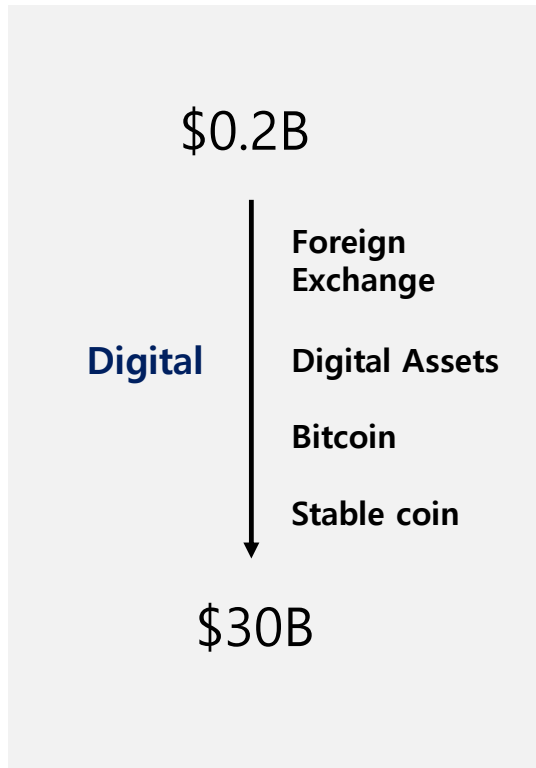


# Growth in International Finance Center(IFCs)

“I think over the next, call it 20ish years, probably **the entire eurodollar market is moving to stablecoins**”

NYU Stern Business School, Prof. Austin Campbell

## IFC Scale



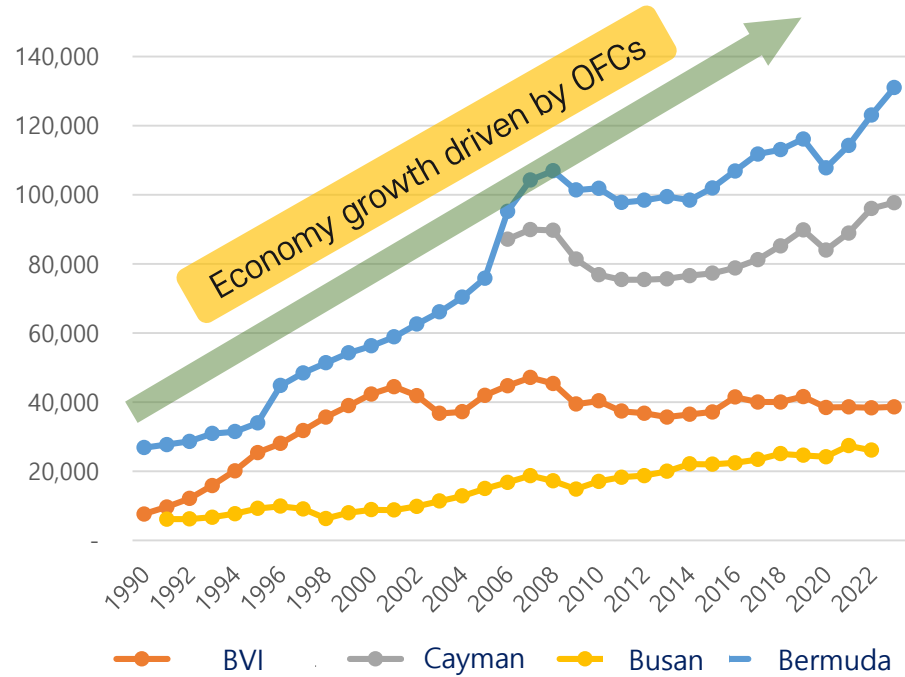
## IFC development Trend

Trend	Period	Offshore Financing	Finance Center Development
<b>1</b> IFC's Eurodollar Market	1950~	<p>Increase in demand for offshore markets to avoid the Cold War and geopolitical crises, and domestic regulations.</p> <p>Development of fund procurement and fund deposits, as well as foreign exchange trading markets, centered around offshore markets (Eurodollar markets) in each major hub</p>	<p><b>London, Singapore, Hong Kong, Panama's [offshore financing]</b></p> <p><b>Luxembourg, Ireland - Niche Finance Center</b></p>
<b>2</b> Diversification In capitals	2008~	<p>Crypto currencies (E.g., Bitcoin)→ Offshore Financing</p> <p>Liquidities: Dollar Stable Coin ↑</p>	<p>Dubai, Zurich</p> <p>British Virgin Island</p>
<b>3</b> Shift from Physical to Digital Domain	2020 ~	<p>Integration of Bitcoin into the mainstream financial system by financial institutions, corporations, and governments</p> <p>Integration of stablecoins into the financial system (US GENIUS Act).</p>	<p>Finance Center</p> <p>Stable coin Development (New York, San Francisco)</p>

# Motivation for the research

Despite the significance for the national economic growth, research on finance center globally has been scarce

## Comparisons of GDP Per Capita between Busan and OFCs



## OFCs (Registered Companies and Fund)

Finance Center	IBC	Bank	Insurance	Trust	Mutual Fund	Total
Anguilla	1,876	1	18	6	-	
Antigua and Barbuda	8,000	22	-	6	-	
Dominica	7,536	5	2	5	-	
Grenada	3,400	44	6	11	-	
Saint Kitts and Nevis	22,450	1	-	2,020	-	24,471
Saint Vincent	10,075	38	1	896	5	11,015
Bahamas	100,092	415	-	-	600	101,107
Barbados	3,399	45	239	-	-	3,683
British Virgin Islands	314,158	-	395	-	2,013	316,566
Cayman	49,456	450	502	25,000	2,298	77,706
<b>Total</b>	<b>520,442</b>	<b>1,021</b>	<b>1,163</b>	<b>27,944</b>	<b>4,916</b>	<b>555,486</b>

# Literature Review on Finance Center & BIFC

Limitation	Lacks in analytical tools to advance International Finance Center ecosystem	Difficulty in prescribing growth and emergence of finance center?
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## Global Research

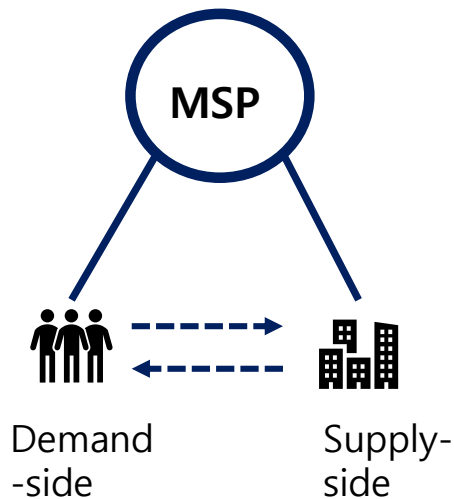
## Domestic Research on IFC(BIFC)

Kindleberg(1973)	Dominance in Power by countries (E.g., Netherland -> U.K) Finance Center as medium of exchange	Lee(2011, 2015)	Attraction/Creation of Global finance institutions ( <b>Supply-side</b> ) Attraction/Creation of Shipping funds( <b>Supply-side</b> )
Carlos and Neal (2011)	Technology, Innovation, Regulation	Kim et al., (2010) Kim & Park (2016) Kim (2021)	Attraction/Creation of Specialized Financial Institutions ( <b>Supply-side</b> ) Offshore Financing
Fratianni(2007)	Innovation, Institutional Mechanism, Presence of a public bank	Lee (2019) Kim et al., (2016)	Attraction/Creation of Shipping finance institutions ( <b>Supply-side</b> ) Attraction/Creation of Freight rate Exchange Maritime Clusters
		Ahn et al., (2022)	ESG Ecosystem Ecosystem growth in relation to Busan Port

# Applying MSP theory into Financial Center Growth/Development

- Analytical/Theoretical Tool: Research on Multi-sided Platform(MSP)
- Theory on MSP may prescribe growth and success of Financial Centers

## MSP(Multi-sided Platform )



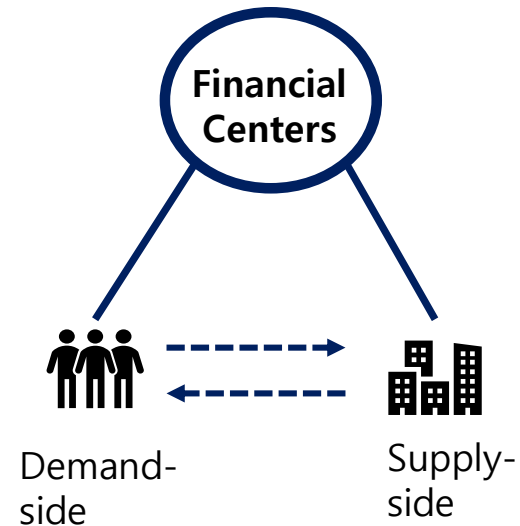
Jacobides et al., (2018)

McIntyre, D., Srinivasan, A., Afuah, A.,  
Gawer, A., & Kretschmer, T. (2021)

Ahn and Baden-fuller(2023)

- Network externalities between two-sides are key for MSP success

## Financial Center as MSPs



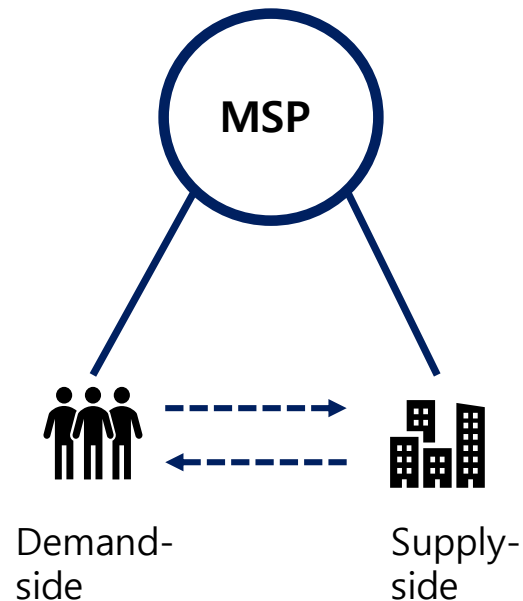
Ahn and Yun(2023)

Ahn(2024)

# Concept: MSP(Multi-sided Platform)

- Hallmarks of MSP - fundamentally different from traditional industry & value chain

## MSP(Multi-sided Platform )



- Value creation & Capture with more than one-side of customer
- **(Indirect) Network externalities** between two-sides are key for MSP success
- **Competitive dynamics:** Winner-take-all effect

# Past Research: Numerous stream of Research on MSP

## MSP(Multi-sided Platform )

- Platform can refer to technologies (technological architecture), products or services

### Technology and innovation perspective

Simons, 1962  
Wheelright and Clark, 1992  
Meyer and Lehnerd, 1997  
Baldwin and Clark, 2000  
Baldwin and Woodward, 2009



### Organizational perspective

Gawer and Cusumano, 2002  
Gawer and Philips, 2013  
Gawer, 2014  
Kapoor and Agarwal, 2017

### Economic perspective

Evans, 2003  
Rochet and Tirole, 2003  
Armstrong, 2006  
Rysman, 2009  
Hagiu and Wright, 2015



### Strategy perspective

Schilling, 2001  
Shanker and Bayus, 2003  
Venkatraman and Lee, 2004  
Eisenmann, 2006  
McIntyre and Subramaniam, 2009  
Kapoor and Lee, 2013  
Fuentelsaz, Garrido and Maicas, 2015  
Mcintyre and Srinivasan, 2017

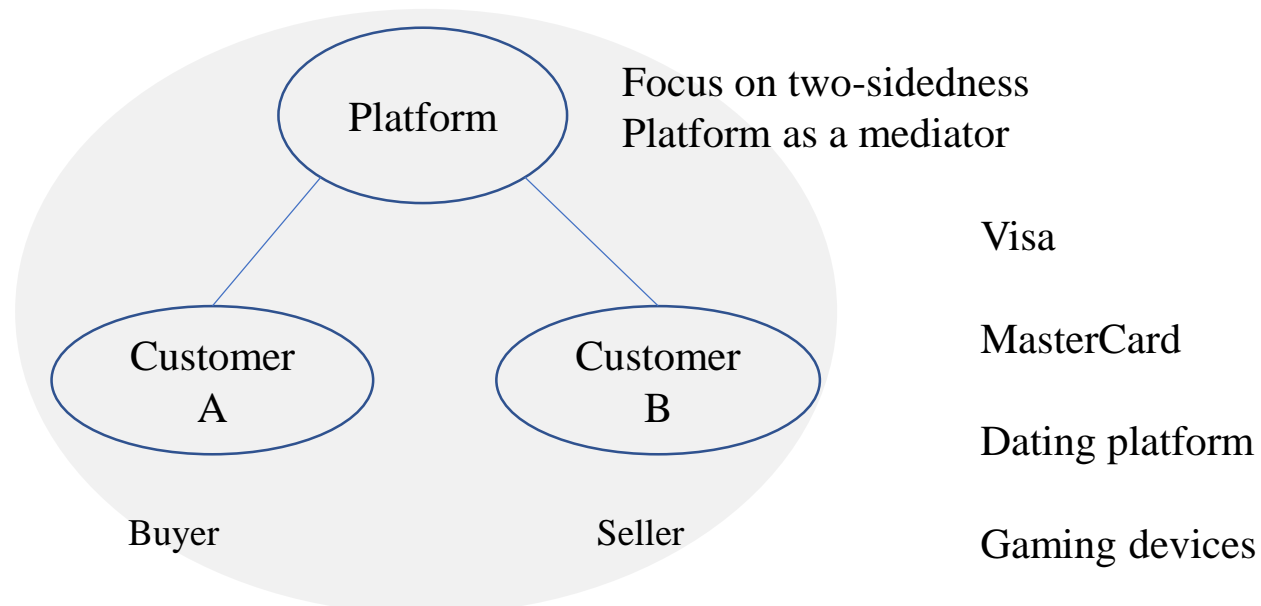
# MSP in Economic perspective

- MSP characteristic 1 – (more than) Two-sidedness

## MSP(Multi-sided Platform )

MSP create and capture values with more than one-group of customer

(Evans, 2003; Rochet and Tirole, 2003; Calliaud and Juillien, 2003; Armstrong, 2006; Julien, 2011)



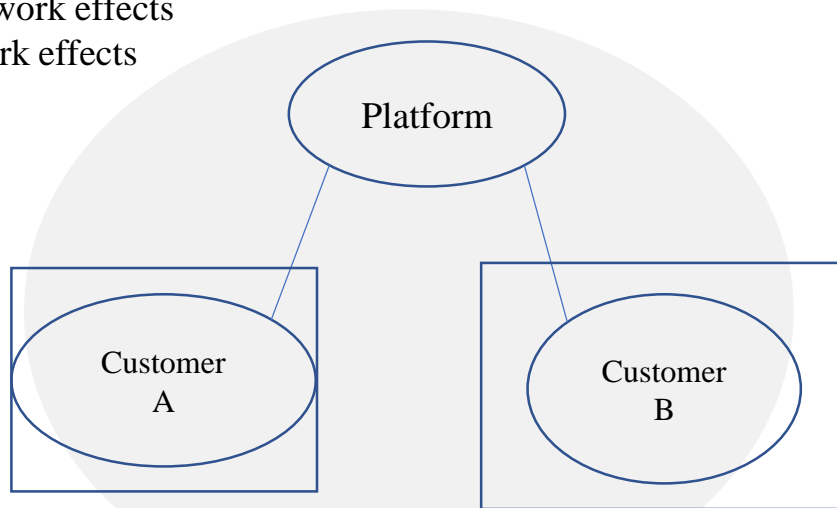
**Network externality, chicken and egg problem, and pricing structure**

# Network effects in economic perspective

- MSP characteristic 2 – network effects are crucial determinant for MSP Success

## MSP(Multi-sided Platform )

Same side network effects  
Indirect network effects  
(Gawer, 2014)



**Same side network effect:** telecommunication networks

**Indirect network effects:** auction site

A-> B: Participation of A attracts participation of B  
B-> A: Participation of B attracts participations of A  
One side attraction: cross network effect  
Both side: in-direct network effect

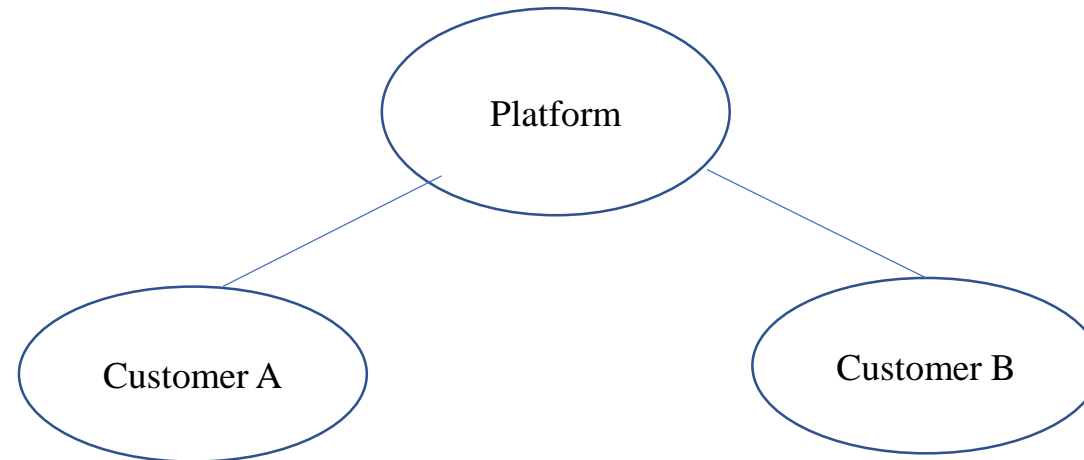


Chicken & Egg problem

# Strategy literature addressing MSP competition

- MSP characteristic 3 – Winner take-all driven by indirect network effects

## MSP(Multi-sided Platform )



Indirect network effects



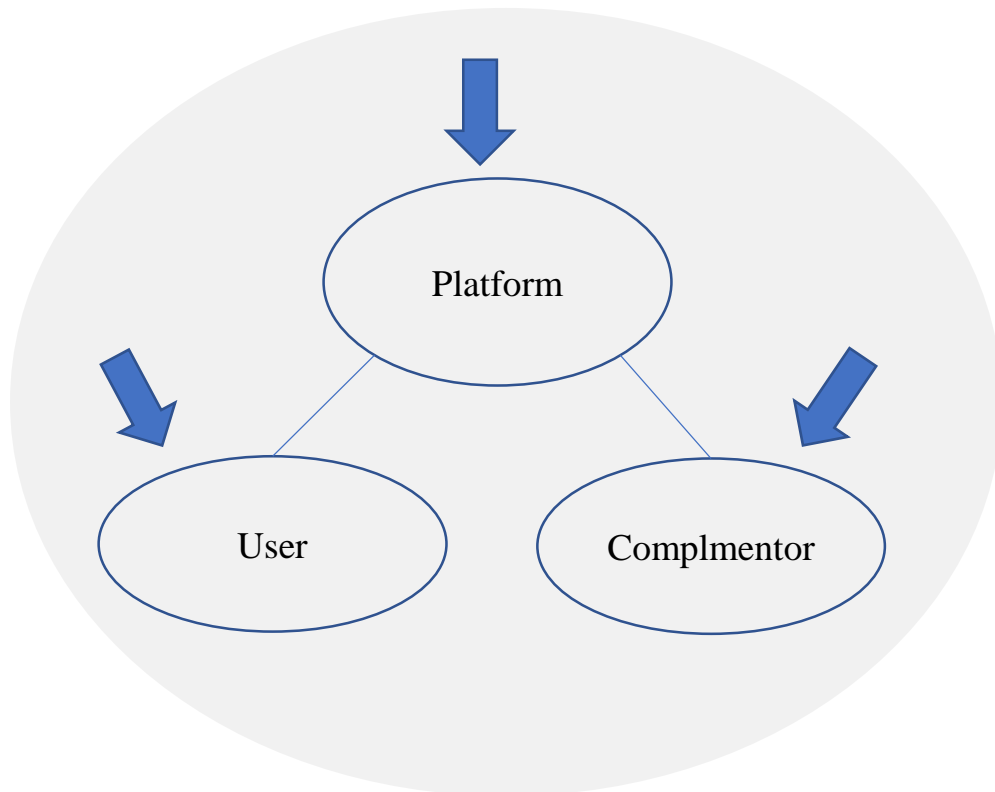
Strategy implication: Platform first mover's winner take all  
(Schilling, 2002; Eisenmann, 2006; McIntyre and Subramaniam, 2009)

Strategy literature: Whether and how to compete with platform first mover

# MSP's Strategic maneuverer

## MSP(Multi-sided Platform )

Firms' endogeneous strategic maneuvers to make differences in platform performances



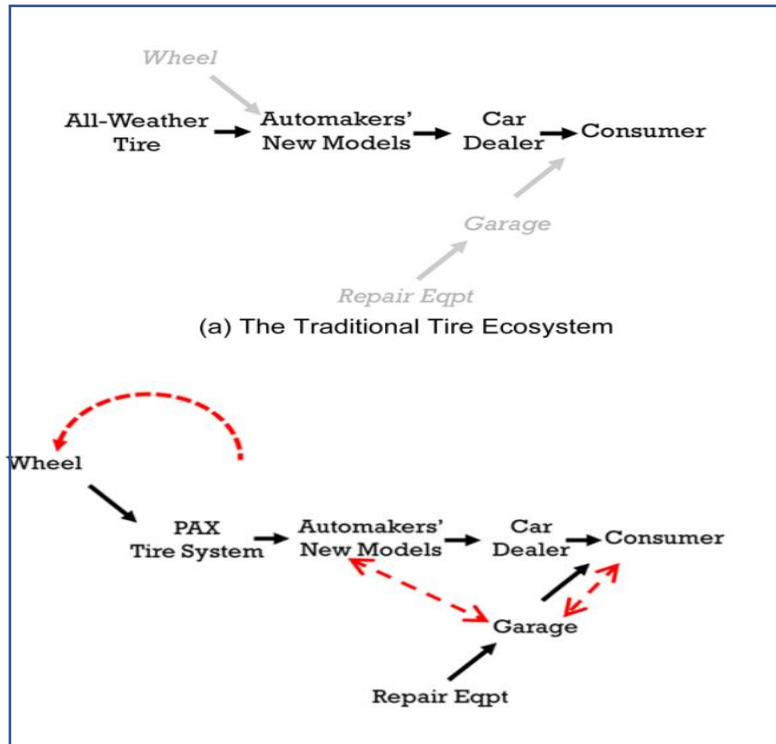
- Pricing (Casadesus-Masanell and Ghemawat, 2006)
- Quality (Sheremata, 2004; Zhu and Iansiti, 2012; Kapoor and Agarwal, 2017; Hossain and Morgan, 2012)
- Complementor (Tanriverdi and Lee, 2008)
- Business models (Casadesus-Masanell and Zhu, 2010; 2013)



Leads to multiple equilibrium – coexistences of different platforms

# MSP in Ecosystem perspective (Adner, 2017; Jacobides, Cennamo and Gawer, 2018)

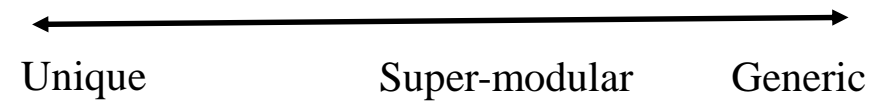
## MSP(Multi-sided Platform )



Adner, 2017

Focus on linkage between different agents and their varying complementarities

A's dependencies on B

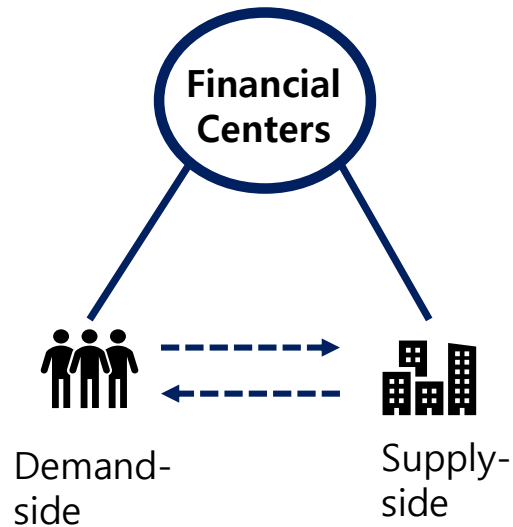


Same agents can be composed differently with different types of complementarities

# Applying MSP theory into Financial Center Growth/Development

- Global Finance center competition can be considered competition between MSP ecosystem
- Advancing a particular finance center ecosystem requires MSP strategies

## Financial Center as MSPs



Subjects to winner-take-all dynamics

MSP strategies to advance  
any particular Finance Center Ecosystem

- **Strategies to promote participation of both-sides**
- **Raise interoperability with other MSP**

# MSP perspective explains competitive dynamics

- MSP explains why and how some finance centers continue to dominate while late movers struggle

Chart 2 | The Top Five Centres - GFCI Ratings Over Time

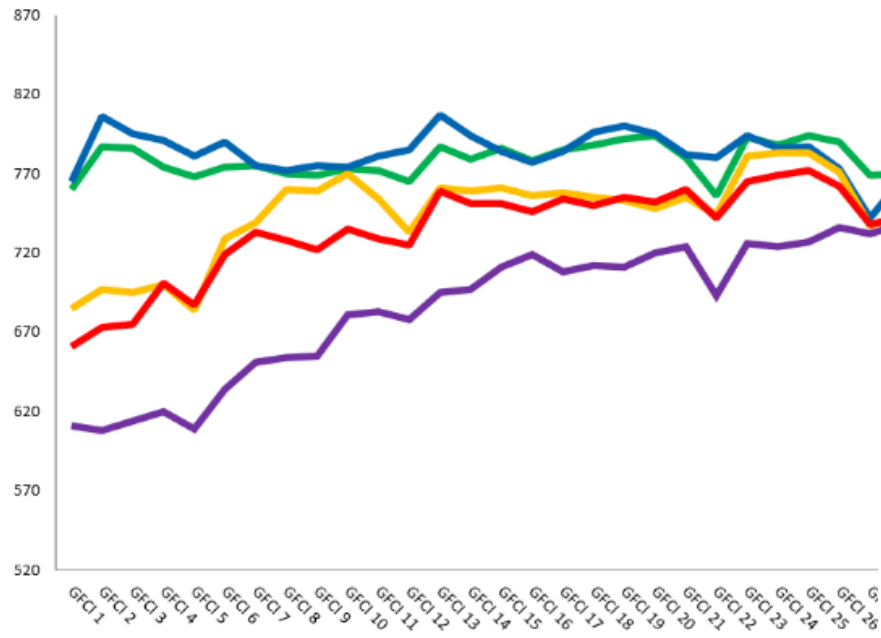


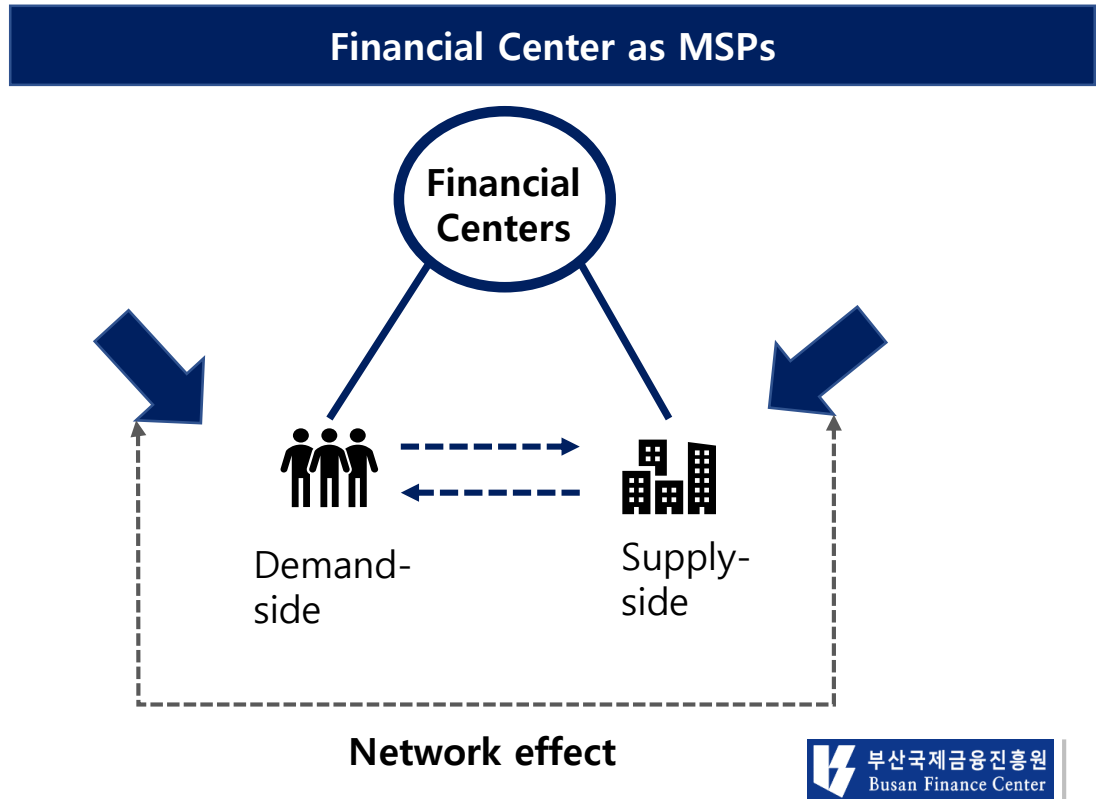
Table 4 | GFCI 37 Top 15 Centres By Area Of Competitiveness

Rank	Business Environment	Human Capital	Infrastructure	Financial Sector Development	Reputational & General
1	New York	New York	New York	New York	New York
2	London	Hong Kong	Hong Kong	Hong Kong	London
3	Hong Kong	London	London	London	Hong Kong
4	Singapore	Singapore	Singapore	Shanghai	Singapore
5	San Francisco	San Francisco	Shenzhen	Singapore	San Francisco

# Finance Center Strategies in MSP perspective

- MSP perspective addresses various strategies of finance center
  - promoting both demand & supply-side participation

- **Pricing Mechanism**
  - Tax deduction
  - Incentives(Subsidy)
    - \* Race to the bottom
    - Effective tax rate: 0%
- **Low Entry barriers**
  - Reduce regulatory burdens



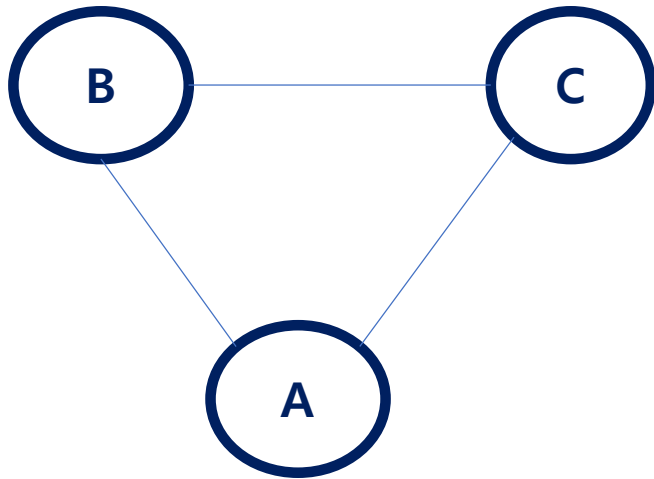
# Finance Center Strategies in MSP perspective

- MSP perspective addresses various strategies of finance center – promoting both demand & supply-side participation

- **Increase Interoperability Between MSPs(Hubs)**

## Adapt common standard

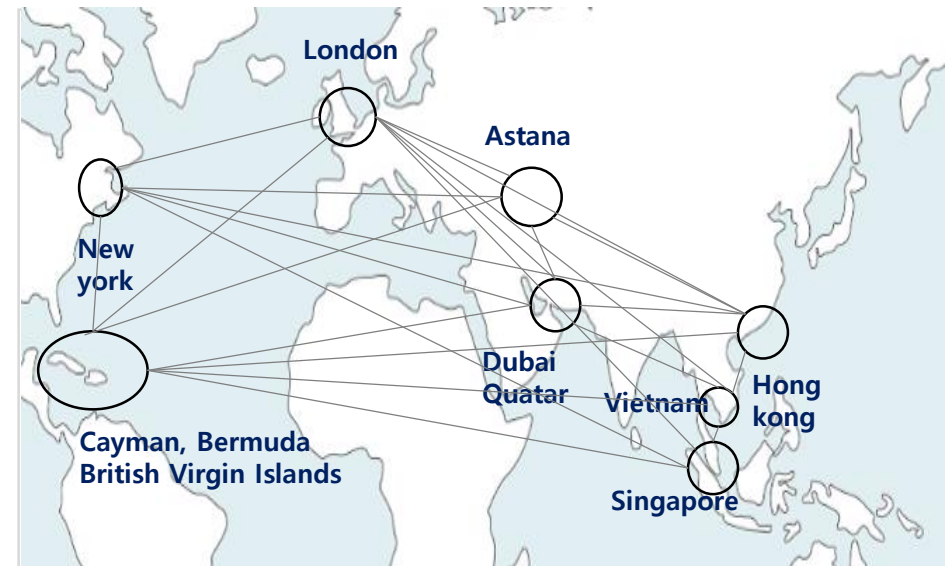
(Technology, Norms, Institutions)



➔ Facilitate value exchanges  
Promote the participation of both sides

- **Increasing Interoperability is the key for the IFC development**

➔ English Common Law, Low effective tax rate, etc.



# MSP strategies to promote IFCs



## Importance of English Common laws for Inter-operability

Reduce operational/cognitive barriers for flows of capitals and financial institution operations



## IFC's notable MSP Strategies

Strategies	IFC system	Mechanism
① <b>Minimum Effective Tax rate</b>	<b>OECD BEPS Standard</b> <b>Withholding Tax</b> (Dividend, Interest, etc)	Reduce Withholding Tax to ease entry barriers
② <b>Free Flow of Capital</b>	<b>Foreign Exchange Regulation ↓</b>	Reduce barrier → Facilitate flow of capital
③ <b>International Standard</b>	<b>Application of English Common Law</b> <b>Arbitration/Court system</b>	Increase interoperability between Hubs  Law/Court/Order acceptable to the MNCs



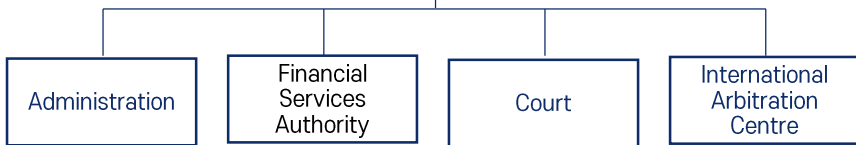
**Strategies to promote ecosystem participation**

# Notable Exemplars – DIFC/AIFC

## Structure of DIFC / AIFC

2005

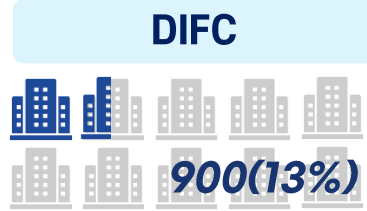
2014



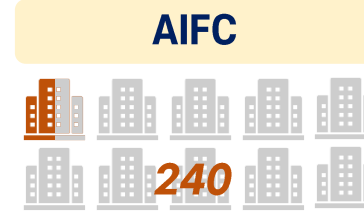
Constitutional Change to adapt English Common Law System

16.15km <sup>2</sup>	Domain	0.45km <sup>2</sup>
English Common law	Reg	English Common law

## Number of Financial Institutions

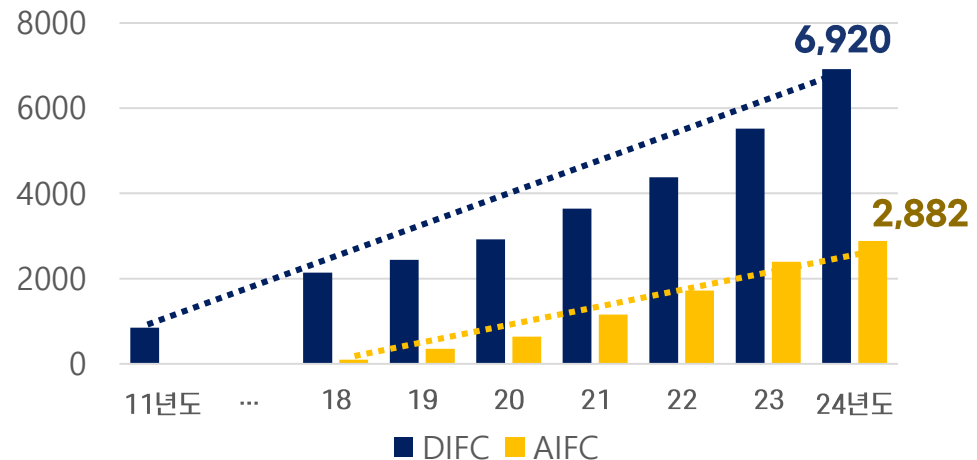


AUM: \$1,560B



Investment: \$16.1B

## Number of Registered Companies



# FT Article

The screenshot shows the top navigation bar of the Financial Times website. On the left, there is a hamburger menu icon and a search icon. The center of the bar features the 'FINANCIAL TIMES' logo. On the right, there is a 'My Account' link with a user icon. Below the navigation bar, a secondary bar contains a list of categories: HOME, WORLD, US, COMPANIES, TECH, MARKETS, CLIMATE, OPINION, LEX, WORK & CAREERS, LIFE & ARTS, and HTSI. To the right of these categories are links for 'FT Digital Edition', 'Portfolio', and 'myFT'. A red bar below this contains the text 'The Baby Gap' on the left and a 'Show articles' button with a dropdown arrow on the right. The main content area is a dark purple/black background. On the left side of this area, there is a sub-header 'Demographics and population' followed by a '+ Add to myFT' button. The main headline reads: '‘At risk of extinction’: South Korea’s second city fears demographic disaster'. Below the headline is a short paragraph: 'Busan is shrinking faster than any other metropolitan area in a country with the world’s lowest fertility rate'. On the right side of the main content area, there is a large image of a young man and a young woman in profile, facing each other. The man is on the left, wearing a grey shirt and a backpack. The woman is on the right, wearing a white shirt and has her hair in a ponytail. The background of the image is a purple world map with white and red lines overlaid, suggesting data or trends.

FINANCIAL TIMES

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## ‘At risk of extinction’: South Korea’s second city fears demographic disaster

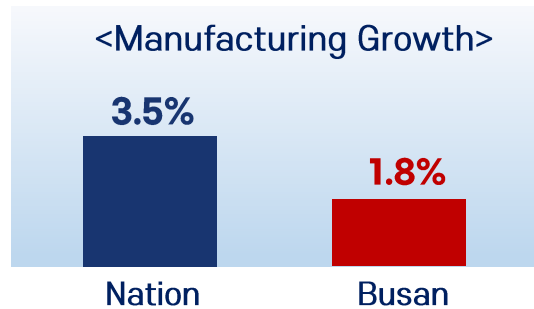
Busan is shrinking faster than any other metropolitan area in a country with the world’s lowest fertility rate

# Industrial Challenge - Busan

## Economy

### Manufacturing Industry

- Stagnant growth
  - Half of nation's manufacturing growth rate



### Export

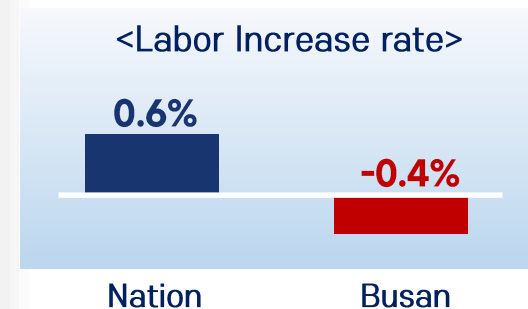
- City's Trade Balance Plunges



## Population decline

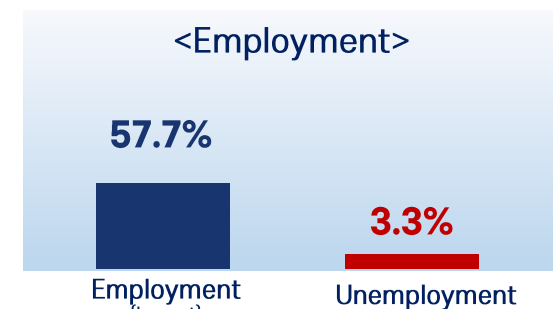
### Youth/young Migration

- Decline in Labor
- Youth migrate to Seoul and Satellite Cities



### Employment

- Record unemployment, nationally notorious

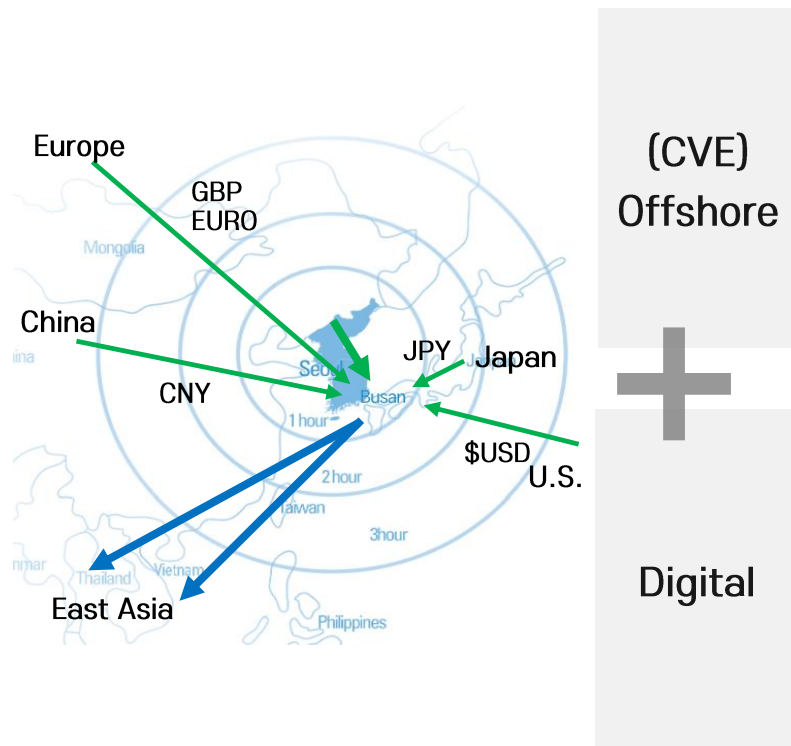


# MSP Strategy for BIFC - Offshore Financing

Offshore financial center meeting international standards, designate a special international (offshore) financial zone in Busan

- ✔ **International Financial Hub, intermediating between Japan, China, Europe, U.S., and etc.**
- ✔ **Creation of Digital Based Asia Dollar Market (ADM) and offshore financing industry**

## 1 Busan Asian Dollar Market(ADM)




- Banking
- Fund, Asset Management
- SPC
  - English Common Law
  - Independent FS
  - Court/Arbitration
- Stable Coin
- Digital Asset(Bitcoin)

## 2 Busan Offshore Financing Special Zone



## 2. Introduction to Busan International Finance Center : Incentives for entering into the BIFC

		Condition	Incentives	
<b>Tax Exemption</b>	Restriction of Special Taxation Act City Tax Exemption Ordinance		<b>Corporate Tax / Income Tax</b> 100% Exemption for 3 years 50% for the next 2 years	
<b>Office Space Subsidy</b>	City's Nam-gu Tax Exemption Ordinance		<b>Property Acquisition Tax: 100%</b>	
<b>Human Resources Subsidy</b>	City's Nam-gu Tax Exemption Ordinance		Operation in More Than 3 Countries <b>Hire at Least 10 Local Employees</b>	Subsidy Provisions of up to 50% for the Purchase or Rental of Office Spaces (within the Limits of 4.8 Million USD / 5 Billion KRW)
<b>Capex Subsidy</b>	City's Nam-gu Tax Exemption Ordinance		<b>Hire at Least 10 Local Employees</b> Regional H.Q/ Branch office	Subsidy provisions of approximately 600 USD per employee for 6 months (within the limits of 0.2 million USD, 200 million KRW)
			Provisions of up to one-tenth of capital expenditures (Capex) (within the limits of approximately 0.8 million USD, 1 billion KRW)	

// BIFC offers generous incentive programs for the operational stabilization of foreign institutions

//

# 3. Busan Finance Center: Towards the global financial Hub

- ▶ Aims to become a leading think-tank to realize Busan's vision of becoming a global financial hub

## International IR



## Finance Center Research (leading model & Ecosystem)

- 22** Research on Shipping Finance STO model - Financial Services Commission, KOBC, KMOU
- 23** Maritime ecosystem research in response to Digital-Decarbonization transition (BFC-KMOU)
- 24** Developments In Maritime Finance & Maritime Financial Centres (Z/Yen-BFC)
- 25** Korean Won based Shipping Finance  
Korea's Tax Lease in Shipping Finance  
Offshore Financing

## Finance Center Ecosystem

- Busan Finance Center Forum
- Finance Research Network (Digital·Maritime)
- Busan Maritime & Finance Week





THANK  
YOU