



GLOBALIZATION OF FINANCE

GROUP B12



INTRODUCTION

FROM LOCAL BANKS TO BORDERLESS TRANSACTIONS

Did You Know? In 2023, global financial assets surpassed \$500 trillion, with digital transactions alone exceeding \$15 trillion annually. (Source: BIS, 2023)

MORE THAN JUST CAPITAL FLOWS – FINANCIAL GLOBALIZATION ISN'T JUST ABOUT MONEY MOVING ACROSS BORDERS. IT'S ABOUT:

- **THE POWER STRUGGLE BETWEEN NATIONS AND CORPORATIONS**
- **AI-DRIVEN TRADING SHAPING GLOBAL MARKETS**
- **CRYPTOCURRENCIES DISRUPTING TRADITIONAL FINANCE**
- **BILLION-DOLLAR FINANCIAL DECISIONS HAPPENING IN MILLISECONDS**

CONTENT

- **Evolution of Financial Globalization**
- **Key Drivers of Financial Globalization**
- **Benefits of Financial Globalization**
- **Challenges & Risks**
- **Impact on Emerging Markets & Future Trends**

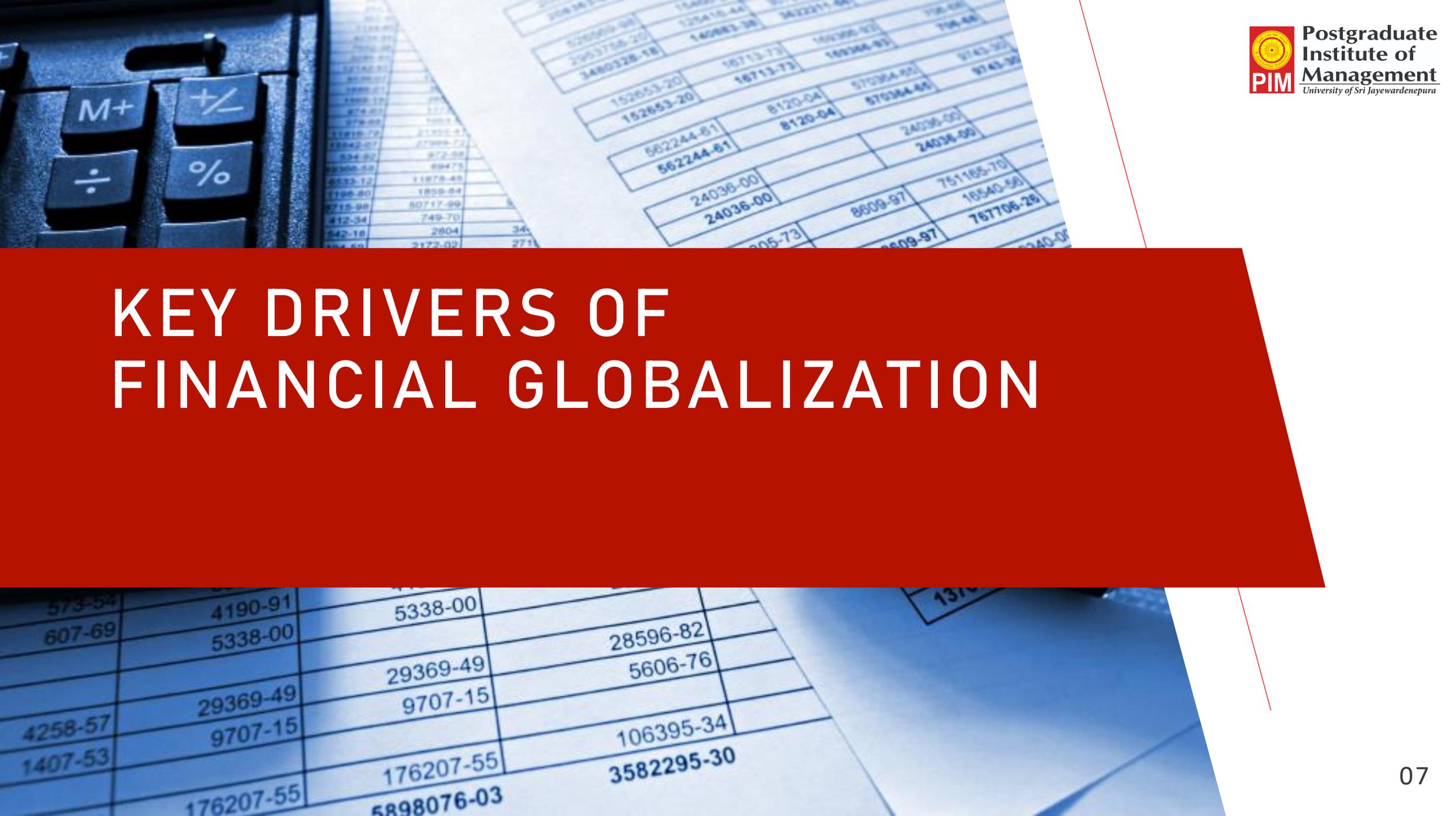




EVOLUTION OF FINANCIAL GLOBALIZATION

EVOLUTION OF GLOBAL FINANCE

- **EARLY STAGES OF INTERNATIONAL TRADE** → NO STANDARD
- **INDUSTRIAL REVOLUTION – 18TH CENTURY** → MASS PRODUCTION LED TO MARKET EXPANSION
- **GOLD STANDARD – 19TH CENTURY** → VULNERABILITY TO GOLD SUPPLY FLUCTUATIONS
- **BRETTON WOODS CONFERENCE AND AGREEMENT – 1944** → ESTABLISHMENT OF INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD) AND THE INTERNATIONAL MONETARY FUND (IMF)
- **MOVING TOWARDS A RAPID AND LIBERALIZED CROSS BORDER FINANCIAL TRANSACTIONS.**



KEY DRIVERS OF FINANCIAL GLOBALIZATION

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- **LIBERALIZATION OF FINANCIAL MARKETS – REMOVAL OF CAPITAL CONTROLS AND INVESTMENT RESTRICTIONS.**
- **TECHNOLOGICAL ADVANCEMENTS – FINTECH, BLOCKCHAIN, AND HIGH-SPEED TRADING.**
- **GROWTH OF MULTINATIONAL CORPORATIONS (MNCs) – INCREASED GLOBAL INVESTMENTS AND FINANCING NEEDS.**
- **FOREIGN DIRECT INVESTMENT (FDI) & PORTFOLIO INVESTMENTS – CROSS-BORDER INVESTMENTS FOR HIGHER RETURNS.**
- **EXPANSION OF GLOBAL FINANCIAL INSTITUTIONS – INTERNATIONAL BANKS AND ASSET MANAGERS FACILITATING TRANSACTIONS.**
- **FINANCIAL INNOVATION – DEVELOPMENT OF DERIVATIVES, ETFS, AND COMPLEX FINANCIAL PRODUCTS.**



BENEFITS OF FINANCIAL GLOBALIZATION



BENEFITS OF FINANCIAL GLOBALIZATION

1 Economic Growth Enhancement

As globalization attracts more FDI and non-debt forms of capital, it leads to economic growth.

2 Improved Institutional Quality

Financial globalization leads to institutional improvements as they adopt better governance practices

3 Financial Sector Development

Exposure to international financial markets helps domestic financial sectors develop.

4 Technology Transfer and Innovation

MNCs bring new technologies and management practices to host countries

5 Risk-Sharing Benefits

Financial globalization enables countries to diversify their asset holdings



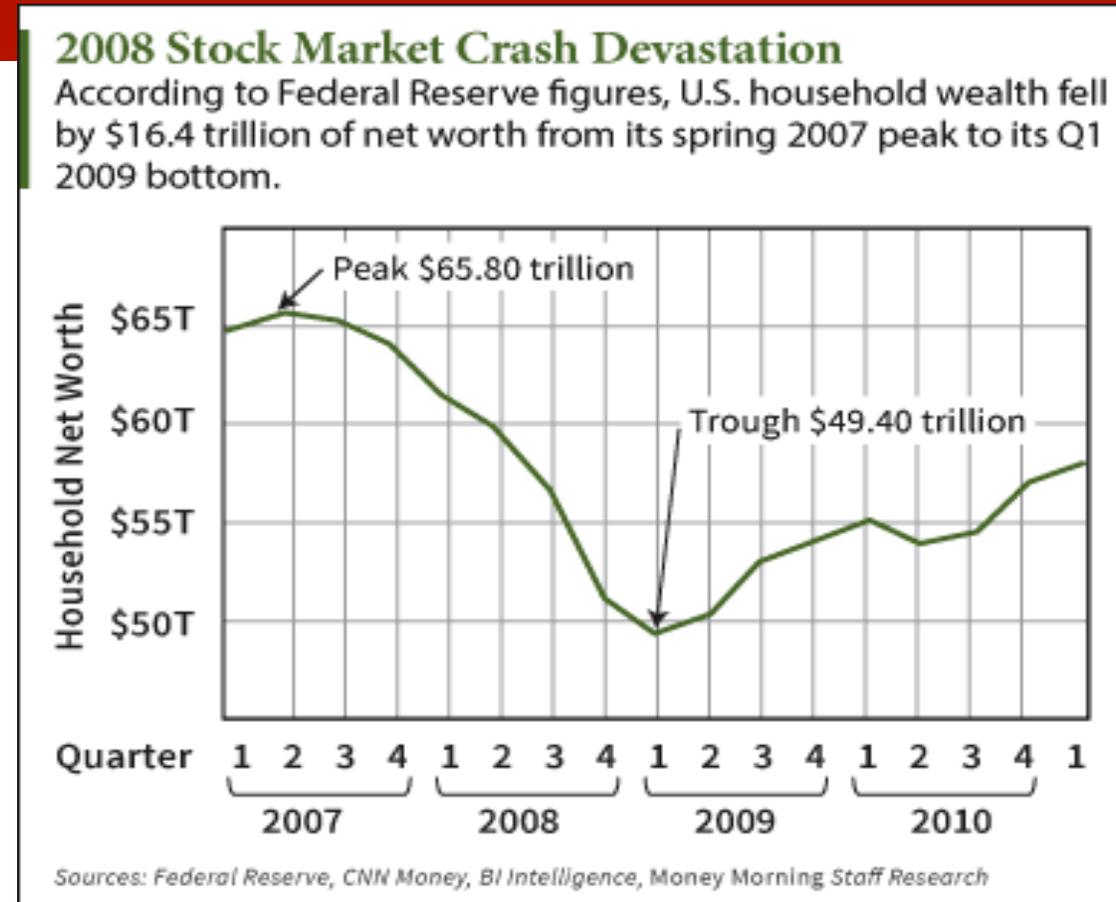
KEY CHALLENGES AND RISKS OF FINANCIAL GLOBALIZATION

FINANCIAL RISK

UNSUSTAINABLE FINANCIAL GROWTH ECONOMIC BUBBLES AND INSTABILITY

(ZHOU, 2022)

FIGURE 1: 2008 STOCK MARKET
CRASH DEVASTATION



FINANCIAL SECURITY

INSTABILITY IN NATIONAL ECONOMIES

TRANSNATIONAL FINANCIAL RISKS

(ZHOU, 2022)

FIGURE 2: DEVALUATION OF
TURKISH LIRA

Turkish lira on a steady devaluation slope

Price of 1 Turkish lira and 1 Polish zloty in euros since 2005



Data as of April 17, 2021.

Chart: Global Economic Dynamics (GED) • Source: European Central Bank (ECB)

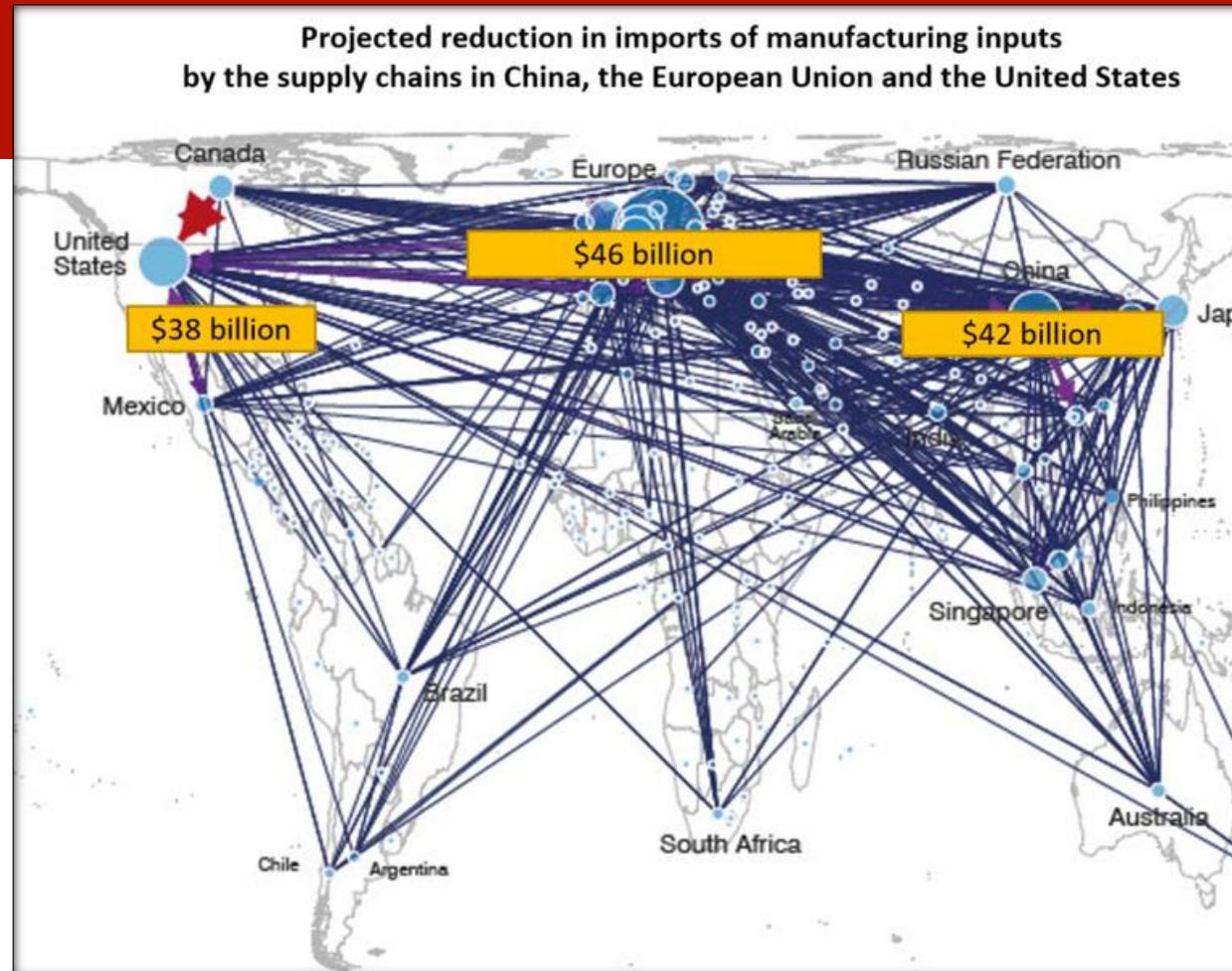
| BertelsmannStiftung

FINANCIAL CHALLENGES UNDER THE EPIDEMIC

SUPPLY CHAIN DEPENDENCE
GEOPOLITICAL TENSIONS

(ZHOU, 2022)

FIGURE 3: PROJECTED SUPPLY CHAINS





TRENDS IN FINANCE GLOBALIZATION

TRENDS IN FINANCE GLOBALIZATION

Rise of Central Bank Digital Currencies (CBDCs)

- China's Digital Yuan: First major government-backed digital currency.
- Key Goals: Reduce reliance on the US dollar, enhance payment efficiency, and prevent fraud.
- Impact: Expanding global CBDC adoption and transforming financial systems.

ESG & Sustainable Finance

- BlackRock's Climate Investment Strategy: Prioritizes green investments and corporate sustainability.
- Key Focus: Renewable energy, sustainable infrastructure, and carbon-neutral policies.
- Impact: Shaping global financial markets towards responsible investing.



TRENDS IN FINANCE GLOBALIZATION

Expansion of Decentralized Finance (DeFi)

- DeFi offers a range of financial services in a decentralized manner, addressing issues of transparency, cost-efficiency, and accessibility.
- Blockchain - A decentralized, distributed public ledger where financial transactions are recorded in computer code

Regulation & Compliance in a Borderless World

- Governments are tightening regulations on cryptocurrencies, DeFi platforms, and cross-border financial flows.
- International cooperation is increasing to prevent financial crimes, tax evasion, and cybersecurity threats.

