Considering Istanbul As A Financial Center: Targets, Following Steps[1]

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Abstract

It is aimed to consider Istanbul as a financial center in the study due to the plans carried out recently by both government and local administrations to transform it first into a regional later a global financial center. Therefore; financial markets and some financial centers -within international, national, regional and specialized levels- such as London, New York, Hong Kong, Singapore, Dublin and Dubai are examined by analysing their characteristics and facilities. Afterwards Istanbul's facilities are reviewed by scanning "The Strategy and Action Plan for Istanbul International Financial Center" existing in project stage. It is considered that Turkey and so Istanbul (admitted as economic capital of Turkey) have competitive advantages within the sectors of services, trade and finance in Eurasia region due to the positive effect of political and economic experiences have been gained recently. But, at the present time, it is concluded that Turkey's and Istanbul's facilities are not available to be a global financial center but a regional one, by specializing in the fields of "interest free financing", "private equity" and "carbon finance" also operating in many other fields, as a result.

Key Words: Financial Market, Financial Center, Financial Instrument, Istanbul.

Introduction

Due to the increasing strategic importance of Eurasia, mentioned as one of the most critical regions today as in the past, particularly as of 90s, there occurred opportunities for Turkey; located amongst Caucasus, Middle East, Balkans and Central Asia to evaluate its advantages first regionally and then globally, possessing a bridge's functions both in economic and cultural manners.

After the 2001 local finance and economic crisis experience; Turkey, by strengthening its economy via pursuing European Union accession negotiations, increasing its trade volume both with traditional western partners, neighboring countries and in new markets, achieving a stable and rapid economic growth trend also owing to the fact that suffering minimum from the 2008 global finance and economic crisis, has become a significant player in the international economy especially in a period of change. The development of the financial markets to benefit the rapidly growing economy's financing, increasing of both the quantity and the volume of financial products are considered as compulsory for Turkey to obtain international investments and to survive its current financial and economic attraction center position.

1. International Financial Markets And Financial Centers

1.1. International Financial Markets

Financial markets started to operate globally rather than locally by the studies held especially in 80s. This situation triggered the capital supply & demand to be executed in a global scale and the transformation into a single global financial market to be managed and audited by international institutions and regulations. At the present time; volumes of international capital movements, banking operations, capital markets, foreign exchange reserves, credits, the purchasing and merging transactions worth trillions (US dollar) and these operations are mostly performed beyond the political borders and local regulations. Because of the fact that globalism caused international competition as well in financial markets; there are facilities for financial corporations to operate in other markets outside the local ones also demanders can obtain the funds required from other countries' markets in better conditions.

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Therefore; owing to the fact that there exists the need of implementation of the services not only in local financial markets but also in global ones, there must be efficient collaborations between financial corporations. The capital movements mentioned above are realised by the transactions such as banking credits toward developing countries, direct foreign capital investments and portfolio investments. Interbank deposit markets, cross-border issuance of securities and their trading in secondary markets are included in international banking. A major portion of the financial transactions in international markets are the cross-border fundings supplied in the currencies of foreign exchanges and that these are formed of mostly the securities issued in primary & secondary markets and banking credits also other placement facilities. (Uzunoğlu et al, 2000: 27-32)

Financial markets were established mainly in the US, Continental Europe and Far East states relevant to the Transatlantic relations via the institutions with global missions such as IMF and World Bank according to the Bretton-Woods process created after World War II. So; financial centers have become more noteworthy by the increasing of the financial markets' activities after the collapse of the Soviets Union at the end of the 20th century.

1.2. Financial Centers

Financial markets thrived via the corporations and institutions such as stock exchanges, banks and insurers by all means within the locations where industry and trading developed thus financial centers with various characteristics and facilities are occurred in e.g. London, New York, Tokyo, Frankfurt and Hong Kong.

Because of the transactions operated in global level; there emerged necessities like standardization of international payments, firm's accession to business environment, existence of applicable financial products, ability to do business from a center competitively free from local norms and a coordinated efficient management. To settle in the financial centers mentioned above; there must be the facilities to operate the global banking transactions free from political borders not only with less procedure and cost but also in better standards via more effective financial tools in convenient locations for corporations. Also the related centers can enable the firms to tax their profit over the states having less taxation ratios. At the same time; financial center must provide constant information flow by using technological advances besides there must be a developed legal infrastructure, a strong organization to allow effective and flexible management. Because these qualifications are required for firms and institutions to execute the functions such as corporate finance, banking transactions, management of risk, foreign exchange and cash also assets, liabilities, receivables and interest rates. (Giegerich, gtnews.com)

Furthermore; the stability of the state's economy, existence of skilled finance staff additionally the city's energy and transportation services of good quality have great importance. (Erdinç, Uzunoğlu and Boynueğri, 2011: 233) Another study done to express the criteria to make a financial center states them respectively; a rational legal basis, political sustainability and an active domestic market primarily, developed physical and social structure, comfortable living conditions and a proper geograpical location as secondary, similar to the ones mentioned above. (Barton, 2012)

Roslan and Polak (2009: 12) consider the criteria; monthly banking fees, banking transaction fees, price of incoming foreign payment, price of outgoing foreign payment, price of foreign urgent payment, withholding tax, corporate tax, important treasury centers, reporting requirements, currency environment and ratings in their mutual study about the location of financial centers. There are states aiming to generate financial centers and also cities to become a center so because financial centers are considered to facilitate international capital flows, economic growth, decreasing in unemployment, increasing of efficiency in finance sector, increase in seigniorage and protection of the environment. (Arıkan, 2007: 4-6)

Due to their varied characteristics, diversity and privileges; each of the financial centers must be studied in seperated categories like national, international, regional, specialized and offshore. These categories are related to many subjects from their histories to their current locations.

Although New York and London are the leading financial centers which are not comparable to others in terms of their volumes (Arıkan, 2007: 30); London is the unique hub possessing the international characteristic because of the fact that the volume of transactions operated beyond political borders is much more than the domestic one and foreign financial institutions constitute the majority in financial services.

New York is a national financial center applying restrictions to foreign corporations' participation in the market despite its huge cross-border services that's why portion of the international transactions' volume does not constitute the majority in contrast with London. (Uzunoğlu et al, 2000: 41-44) Some social scientists, unlike the explanations above, define New York as an international financial center like London. Moreover; they consider Shanghai as the strongest candidate to be the third international financial center. (Arıkan, 2007: 30) Herein; it must be stated that without regarding the characteristics national or international; solely London and New York are assumed as global financial centers due to their gigantic volumes.

Financial markets entitled as national financial centers like Tokyo, Frankfurt, Amsterdam and Milano are huge markets thanks to their large scale economies but most of their transactions operated have local characteristics. Besides; regional financial centers are the ones of which regulations are arranged considering economic requirements and funding demands of their region's states. Each of Hong Kong, Singapore and Dubai is assumed as regional financial centers which facilitate them having regional funds to evaluate in international markets and foreign financial corporations also international transactions within their domestic market, dominantly. Specialized financial centers like Dublin, Luxembourg, Zurich and Brussels are generally the locations geographically closer to other centers being as components and having advantages in providing proper financial services.

London, as the center of all financial markets, possesses the largest network of financial products and services also is in contact with other hubs to supply funding and other financial services. Therefore; London can do business in financial markets 24 hours everyday thanks to its geoghraphical location, time interval, political stability, efficient and worldwide institutions, flexible and innovative management additionally without recognizing priority to local corporations. London effects money & foreign exchange markets by running LIBOR and Royal Exchange. Additionally; London Stock Exchange, London Metal Exchange (LME), London Bullion Market Association (LBMA), Futures and Option Exchange (London fox), London International Financial Futures Exchange (LIFFE), International Petroleum Exchange, Baltic Exchange, Lloyd's International Insurance Market are just some of the major institutions established in London. Thus; London suits the following phrase; "International financial center is the location in which every institution from anywhere in the world operating by using financial products from everywhere in the world." (Uzunoğlu et al, 2000: 43-65) Trading of Greek state bonds, Turkish stocks, Japanese corporate bonds, Brazilian exchange traded funds (ETF) and transactions of exchange like Norwegian Krone/Australian Dollar can be done easily in London at the same time. Also hundreds of investment tools based on commodities such as electricity, natural gas, oil, gold, silver and platinum exist in London. (Arıkan, 2007: 19)

In accordance with the economic development in Far East; Hong Kong has emerged as a regional financial center and begun to supply financial services in Asia-Pacific for decades. Hong Kong economy focuses on utility sectors especially intended for rapidly developing economy of continental China. So today; by facilitating its opportunities such as taxing, physical infrastructure and qualified labour force Hong Kong is the station of financial flows, foreign capital investments and foreign entrepreneurs through China. Hong Kong, as being a center to manage the regional funds internationally which is amounted approximately $100 billions, has regular markets and stock exchanges processing issuance of shares and debt instruments with interest rates also futures transactions. There are effective corporations of Hong Kong such as Hong Kong Stock Exchange, Futures Exchange, Monetary Authority (HKMA) and Hong Kong Interbank Money Market defining the interest rate (HIBOR) for interbank exchange transactions. Via 500 foreign banks, 120 international insurance corporations and 90 international funding managers; Hong Kong has become a head office organizing international syndicated loans through the states in the region. Especially American, European and Japanese firms, settled in Hong Kong for trading and investment through China and other states in the region mostly, have their projects funded directly by the foreign banks located in Hong Kong. (Uzunoğlu et al, 2000: 66-75)

Singapore is a regional financial center as well in Asia-Pacific besides Hong Kong. While Hong Kong is increasing the volume of financial services toward China, Singapore is supplying financial services to other developing states of the region as Malaysia, Thailand, Indonesia, Philippines and Vietnam, mostly. Singaporean economy has been existed as the manufacturing and trading center of the multinational industry and trade corporations rather than utility sectors' dominance like in Hong Kong.

Since it becomes more feasible to manufacture in developing states of the region due to the lower costs; management, marketing, R&D services are becoming more visible in Singapore anymore. Though lack of restriction in capital movement and foreign exchange transactions can cause development in exchange markets and enhancement of international banking credits; Singaporean markets are not unrestricted to foreigners as London and Hong Kong. (Uzunoğlu et al, 2000: 76-82) Nevertheless Singapore Financial Center, keeping in continuous interaction with financial hubs worldwide, is quite operative in banking, insurance, interbank money market, foreign exchange market and management of funding also futures market besides financing of investments and foreign trade within the states of the region.

There are 123 commerce banks, 47 investment banks, 160 insurance corporations, 3 stock exchanges including Singapore Exchange (SGX) and 251 firms authorized to operate in capital markets exist in Singapore Financial Center, a well organized financial system, administrated by The Monetary Authority of Singapore (MAS). SIBOR interest rate is defined to apply in the interbank transactions through the Asia-Pacific states' borrowing operations. (MAS, mas.gov.sg)

Dubai is another regional financial center, being one of the seven regions of United Arab Emirates (UAE). A free trade zone named as Dubai International Financial Center (DIFC) is founded in 2004 to operate in Banking, Capital Markets, Asset Management, Insurance and Reinsurance, Interest Free Financing and Operational Supporting. There are attracting facilities for corporations operating in DIFC such as no taxation on revenues, permission up to 100% foreign partnership, operational convenience in exchange transactions, capital movements and bureaucracy. The legislation of Dubai Financial Services Authority (DFSA; auditing the financial activities in financial center) is occurred by a meticulous study in English after examining and regarding the common aspects of the counterparts regulated for the accomplished hubs such as New York, London and Hong Kong. DIFX Stock Exchange; of which president is the former president of OMX Stock Exchanges Group, being the most important corporation in DIFC, began to operate in 2005 as an incorporated company. The firms listed on the stock exchanges of the region's other countries are invited to be listed in DIFX either, aiming to become the major funding station in the Middle East. Thanks to an active promotion and marketing strategy; many corporations from the financial centers like London, New York and Zurich are made to be listed also in DIFX but the quantity of the firms listed & securities besides their trading volume have not been esteemed as sufficient yet. (Arıkan, 2007: 25-28) Great expectations, 2008 global finance crisis and concerns about the region's political stability and security are regarded to be the main reasons for restricted success.

As well as the international, national and regional financial centers; there also exist hubs specialized in proper topics. The samples can be mentioned such as; Luxembourg in investment funds, Zurich in private banking, Brussels in law affairs and Dublin in operating transactions of finance sector as a back office. Additionally; India can be regarded as a back office country because of the lower costs and cheaper labour force. (Arıkan, 2007: 2-24) Herein; Dublin must be adverted again because it became a financial center in 90s by following a planned process. Especially computing and management centers of many banks exist there because Dublin supplies services over the financial markets of London by focusing on some facilitations like taxing & investment advantages, lower costs (comparing to London), geographical proximity, developed physical infrastructure, qualified labour force and sectors as well as IT without being an international or regional financial center. Dublin financial center is occurred to complement London by supplying large scale advantages for financial corporations operating their financial transactions in London so that many corporations located in Dublin can operate their transactions worldwide. (Uzunoğlu et al, 2000: 88-90)

2. Turkish Economy In The Region

Turkey is regarded to be a more noteworthy country to consider within the events being regional or global as well due to its increasing economic and cultural effect from Bosnia & Herzegovina to Kyrgyzstan also from Russia to Arabian peninsula and Northern Africa. Turkey has Europe's 6th and the world's 16th biggest economy according to 2011 GDP based on Purchasing Power Parity amounting approximately $1 trillion (Turkish Treasury, hazine.gov.tr) with rapid economic growth rates which are assumed as sustainable for a long time in spite of the risks such as current account deficit, concerns about economy's fragility and Turkey's location being close to the unstable Middle East region. Growth rate of Turkish economy in 2011 is the second biggest, following China, by 8.2% and it is targeted to reach a GDP size amounting $2 trillions up to 2025 through the government's plan.

Besides; Turkish economy is supposed to have competitive advantages in the region especially in the period after 2008 global finance crisis in the sectors such as banking, industry, agriculture, tourism, transportation, communication, health, education and financial services via the young, well educated and qualified labour force. According to 2008 data the total assets of banking sector, insurance companies and investment trusts are 88.5%, 3.2% and 2.9% of GDP respectively which are concluded as quite low comparing to developed countries. The financial assets (consisted of bank assets, shares, public and private borrowing tools) are only 150% of GDP in Turkey that the mentioned ratio is calculated as 246% in developing countries and 421% worldwide. (Official Gazette, resmigazete.gov.tr) Herein; it is obvious that Turkish capital markets and debt market have great potential to develop.

Therefore it is deemed to focus on utilities sector in Turkey particularly the financing by virtue of the opportunities mentioned above. Then Turkish economy needs more efficient and effective financing corporations such as insurance and pension companies, mutual funds and investment trusts, banks, factoring and leasing companies, securities brokerages, precious metals brokers, consumer finance companies also real estate investment trusts also financial products for this purpose. Consequently; a financial center including sub-sectors, having capacity to produce high value added goods and services, gathering the national sources and distributing them effectively besides integrated into global markets can be the motive of developing Turkish economy, soon.

3. Istanbul Financial Center

There is a strong relationship between rapid growth of Turkish economy and financial markets in Istanbul assumed as the economic capital of Turkey. Therefore; as long as the economic growth exists, it can not be neglected for Istanbul to finance the development. Istanbul was regarded as a financial center in the region during the imperial era by its social, demographic and economic structure, financial instruments and bankers. Today the city has not got the same conditions but there are still opportunities to realize its facilities.

3.1. Is It Possible For Istanbul To Be A Financial Center?

Facilities such as geographical location, physical infrastructure and flight network provide Istanbul to be perceived as a “bridge” in Eurasia at the current time. It is possible to arrive nearly all of the capitals and important destinations in Europe, Central Asia, Middle East and Northern Africa by a single flight from Istanbul. There are offices of international and private corporations located in Istanbul operating through the territories of Southeastern Europe, Central Asia, Caucasus, Middle East and Northern Africa. The United Nations Population Fund (UNFPA), International Finance Corporation (IFC World Bank Group), European Bank for Reconstruction and Development (EBRD) also Coca Cola Company operate in Istanbul through their missions including the states in the region. (un.org.tr, ifc.org, ebrd.com)

In the current economic situation; simply direct foreign investment through Turkey is amounted $15,7 billions according to 2011 data. (Turkish Treasury, hazine.gov.tr) Thus; foreign investments in 2011, including additionally the portfolio investments and others, hit several tens of billions. It can be expressed without any hesitation that major part of the amount mentioned is participated in Istanbul. It is predicted that the share of developing countries from global capital flows would increase while the emerging economies achieve sustainable growth. So that many countries and cities plan to have greater shares and they compete with each other by proposing various facilities to become an attractive financial center.

In this context; a substantial matter related to financial centers to be considered is interest free financing due to its rapid growth rates (Jiun and Yining, 2008) that is mentioned as “Islamic finance” generally. Especially after the 2008 global finance crisis; popularity and volume of interest free financing have increased constantly because international corporations such as HSBC, City Bank, Morgan Stanley, Goldman Sachs, ABN Amro, Bank of America, Societé Generale are enhancing interest free financing transactions for several years. It is reckoned that number of interest free banks is 300, volume of interest free banking is $550 billions and volume of total interest free funds is $700 billions worldwide by the end of 2008. Additionally the annual average compound growth rate of the sector of the last five years was 23%. The Arabian Gulf states, geographically located close to Istanbul and continuously improving economic ties with Turkey, are possessing 66% of the assets in interest free financing sector. Despite the rapid growth rates and cultural familiarity; the share of the interest free financing in Turkish financial markets is 3% currently.

So that; interest free financing sector is concluded to have great potential to develop in Turkey, that is to say Istanbul, in consequence of the issues mentioned above. (Ece, 2011: 5)

Istanbul is concluded to be a proper regional center according to international institutions and global corporations owing to the current economic conditions and opportunities adverted. To this end; the government and local administrations are studying on a strategic plan to turn Istanbul into firstly a regional and then an international financial center.

3.2. What Kind Of Financial Center Must Istanbul Be?

London and New York, as the leading financial centers in the world, can not be compared to the others because of the quantity of their financial products and their enormous volumes of the transactions operated. Thanks to the US economy amounted about $14 trillions; New York has a gigantic financial market but due to the majority of local transactions New York can be defined as a "national" financial center. But London is an "international" financial center contrary to New York's characteristic so that the financial institutions of Turkey have their transactions operated in London mostly comparing to New York due to geographical proximity. Also they generally use the standards being London originated like Istanbul Gold Exchange using the regulations of London Metal Exchange. London is the biggest fund management center in the world by retaining investment funds amounting $5,5 trillions. 56% of all stock transactions worldwide, 36% of derivatives operated in under-counter markets and 70% of the eurobonds are traded in London which is also assumed as the center of forfaiting. Number of employees at all levels in the finance corporations located in London is estimated likely 600,000. Besides; the volume of the financial transactions operated in Frankfurt defining as the financial center of European Union is one tenth of its counterpart in London. (Uslu, 2006)

Considering the conditions mentioned above, arising of any other international financial center is assumed unreasonable in the near future while London and New York exist. But it may be possible for Istanbul to become a financial center in the region because the city is fairly well in transportation, health and education services also qualified human resources. So that Istanbul can be an economic attraction center in Eurasia especially after the period called as Arab Spring via its location and position being the capital of Turkey's sustainable and rapid growing economy. Additionally its "European Capital of Culture" characteristic in 2010 is also supposed to contribute to the process for Istanbul turning into a regional financial center. Since it is in a close coordination with an international financial center and have facilities to become an attraction center in Eurasia, Istanbul can specialize also on some specific topics like the other hubs such as Dublin, Luxembourg, Brussels and Zurich. As a regional financial center like Singapore and Dubai; Istanbul financial center should focus on financing of investment projects and foreign trade also implementing the interest free financing transactions to fill in the gap in the region of Eurasia.

Besides; Istanbul may become a "private equity" center via arranging some special regulations and taxing advantages also by actualizing a couple of promotion and marketing activities. (Arıkan, 2007: 38) Because providing the establishment of financial partnership funds in Istanbul can facilitate to steer the investments within the region.

Another topic for Istanbul to specialize on is assumed as "carbon finance" due to the fact that Turkey has facilities to benefit from carbon contracts to finance the green energy investments in the region since signing the Kyoto Agreement. Carbon derivatives are assumed to be common in Eurasia especially in Southeastern European states in the near future owing to their membership talks with EU. So that; specializing on the carbon derivatives, securities and contracts allow the financial center planned to establish in Istanbul to mediate the developing carbon trade.

Therefore; facilities such as being a regional financial center also specializing on proper topics as "interest free financing", "private equity" and "carbon finance" can be emphasized for Istanbul in the planning stage.

3.3. What Are The Following Steps To Establish Istanbul Financial Center?

Confidence of investor is the major element for every kind of financial center also there must be strong economy, reliable and fast justice system, qualified transportation, communication, health and education services for attracting finance corporations.

A reliable and fast justice system which is compatible with international norms is assumed likely to be the most urgent need to invest in Istanbul for the global finance corporations. Besides; a more liberal, flexible new constitution for a stronger legal infrastructure also pluralistic, human oriented, multilingual and multicultural social environment additionally a simple, attractive, effective taxing system and transparent economic environment to meet the needs of multinational corporations are the other necessities to be provided both for Turkish economy and Istanbul Financial Center.

First of all; structural changes mentioned above must be made to turn Istanbul into an attraction center in the region for international capital in the period of post global finance crisis. Afterwards; secondary legislation of Income tax and Laws of the tax procedure should be arranged to become simple, clear, predictable, sustainable and applicable. Thus; matters such as tax payer rights, resolution of disputes, valuation methods and deterrence of tax penalties can be managed similar to modern taxing systems.

Later; the following conditions must be provided to have the financial transactions operated in Turkey: (DPT, 2009: 9-12)

- Tax rates should be lowered.
- Banking and insurance transactions tax (BITT) should be removed.
- Financial transactions should be excluded from value added tax (VAT).
- The tax burden on intermediation costs should be reduced gradually.
- The share of indirect taxes in taxing revenues should be lowered in order to provide confidence of investors.

At this point there is necessity to define the current situation to make suggestions for capital markets in Istanbul on the way to become an attraction center for global capital. Though Turkish economy is the world’s 16th biggest; Istanbul Stock Exchange (ISE), being the most valuable and popular one in Turkey, is the 25th in the ranking list of world stock exchanges with $239 billions market value according to a study issued in June 2010 (Törüner, sermayepiyasasi.org) meaning briefly that Istanbul deserves better. Herein; Federation of Euro-Asian Stock Exchanges, being presided by ISE and having 33 members from Balkans, Middle East, Caucasus and Central Asia including Mongolia (FEAS, feas.org), is to be mentioned as a very important facility for Istanbul Stock Exchange. Because ISE has opportunity to supply consulting services such as management and auditing also software products through other stock exchanges and then to increase its impact within FEAS and to take on the leadership in Eurasia region. But the current structure of ISE is not supposed to be sufficient to realize those hence Istanbul Stock Exchange is believed to be privatized as soon as possible to get administrative and financial autonomy. So that integration with other exchanges such as Istanbul Gold Exchange, Istanbul Metals Exchange and Istanbul Precious Metals Exchange (in planning stage) insomuch that Turkish Derivatives Exchange (being in Izmir) would be possible to strengthen its existing economic position. Additionally; integration of ISE with a European exchange like London Stock Exchange or Deutsche Börse is considered to attract foreign investors better.

After all Istanbul Financial Center that is planned to be established; by having a regional character to be effective in Eurasia as it is suggested in the study also specializing on simply some specific topics like “interest free financing”, “private equity” and “carbon finance” can cause Turkey’s economic potential to be wasted. The best attempt should be transforming Istanbul into the center of relevant three topics in Eurasia as a regional financial center but also operating in many other fields.

Therefore; Istanbul Financial Center is supposed to operate in all the sub-sectors expressed below: (Arıkan, 2007: 38-39 and Official Gazette, resmigazete.gov.tr)

- Banking (investment, corporate and private)
- Capital Markets (shares, debt securities, derivatives, commodities)
- Insurance and Reinsurance
- Other Financial Institutions (factoring, forfaiting, leasing, consumer finance)
- Alternative Financial Products (hedge funds, private equity)
- Interest Free Financing Products
- Carbon Finance

Aiming to operate in those sub-sectors; the priorities for Istanbul Financial Center through the strategy (DPT, 2009) are shown below:

- The use of English to inform foreign investors
- Trading of foreign securities in domestic markets
- Developing the trade of financing bonds and derivatives
- Developing factoring and leasing services
- Constituting mechanisms for securities to borrow
- The securitization of housing finance
- The development of collective investment vehicles (real estate mutual funds, real estate investment trust, venture capital)
- Constituting a market to trade diamonds and precious stones
- Constituting a carbon market (trading of carbon derivatives)
- Regulating the financial system to include interest free products (capital market tools intended to Gulf region)
- Developing specialized product exchanges and licensed warehousing
- Integrating of financial markets with commodity markets (development of spot and futures markets based on energy and commodity derivatives)

3.4. Where Must Istanbul Financial Center Be Established?

Though Ataşehir is considered as the most convenient district for Istanbul Financial Center recently; the location is not certain at the present time due to legal obstacles. Besides; choosing a single point or zone like in Dubai is not reasonable considering the probable economic disequilibrium also owing to the fact that public and private institutions have been existed generally in Maslak, Levent and Istinye districts already. Hence; regarding all Istanbul as a financial center, by reconstruction compatible with the overall architectural and urban social structure without enclosing the city's historical and cultural properties, may be the best choice. So that; public institutions (moving from Ankara to Istanbul) such as general directorates of public banks, Capital Markets Board and Central Bank of Turkey are assumed to locate in Ataşehir soon and the existing ones may remain in their current locations.

Conclusion

A financial center is the total of financial markets emerged in the locations in which economic activities are occurred. So that other businesses settle in the financial centers as well to demand financial services. Each of physical, legal, social and cultural substances are needed for a financial center to exist and survive.

Istanbul was regarded as a financial center in the region during the imperial era and today there are still opportunities to realize its facilities. Turkish economy is Europe's 6th and the world's 16th biggest economy according to 2011 GDP based on Purchasing Power Parity additionally it is considered to have a quite rapid and sustainable growth rate via increasing foreign investments in recent years especially in a period after the global finance crisis. So that Istanbul, as the capital of Turkish economy, has still the opportunity to become an attraction center in the region. Advantages of Istanbul as its strategic location in Eurasia, the finance corporations both in national and international characteristics, facilities of health, education, energy services and qualified human resources also the enormous potential of Istanbul Stock Exchange in the region via FEAS make researchers to be interested in the plan of Istanbul to become a financial center.

Owing to the existence of global financial centers (London and New York) additionally some meritorious national, regional and specialized centers such as Frankfurt, Tokyo, Amsterdam, Singapore, Hong Kong, Dublin, Zurich, Brussels; Istanbul, being a candidate hub in the planning stage, has many things to overcome. As mentioned above; transforming Istanbul into the center of "interest free financing", "private equity" and "carbon finance" in Eurasia as a regional financial center but also operating in many other fields constitute the hypothesis of the study. Therefore; the contributions of both government and related instutions aiming sustainable and stable economic growth, flexible taxing system and financial policy, a more human oriented legal basis, multinational, multilingual and multicultural society, qualified human resources having knowledge of finance and communication skills in foreign languages are quite important. Besides; integration of stock exchanges, coming together of all financial institutions in Istanbul, a simple secondary legislation for taxing and low rate taxes, regulating the legal system to include interest free financing, constituting a carbon market, development of capital markets to become more competitive are needed specifically to realize the hypothesis.

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