

## New Financial Architecture: Scenarios of the Future

*The rise of “new” financial powerhouses such as sovereign wealth funds, hedge funds and private equity firms and the implications for the global financial system*

### Background

In recent years, the financial services industry has been confronted by the rapid growth of “new” financial powerhouses such as petrodollar investors, Asian central banks, hedge funds and private equity firms. Research indicates that the assets of these four types of players have tripled since 2000, making them 40% of the size of global mutual funds, pension funds, and insurance companies. Today, they already represent more than 5% of the world’s financial assets. Many analysts believe that these “new” financial powerhouses will become even more dominant in the next few years.

Next to the rise of these “new” financial powerhouses, the financial services industry has been confronted with some other fundamental shifts in the past years. For example:

- the rise of alternative financial centers and economic powers (e.g., India, China, Middle East);
- the changing nature of markets and regulatory structure (e.g., exchanges shifting to being ‘for-profit’ and multi-national), dark pools of capital, etc.;
- the increasing frequency of financial crises (e.g., Asia crisis, LTCM, internet bubble, and the recent sub-prime crisis);
- macro-economic shifts, e.g. rapid increase in oil prices, persistent macro-economic imbalances, and the continued strong growth of emerging economies.

### Fundamental questions

These key changes trigger a number of fundamental questions:

- Is the Financial Services industry facing a further paradigm shift over the next 5 to 10 years? If so, what are the key driving forces and critical uncertainties of the global financial system?
- How may the future of the global financial system look like? For example: Who will be the dominant players? How may the role of the national and international regulators alter?
- How can these “new” financial powerhouses be effectively integrated into the global financial system so as to mitigate/avoid potential negative effects?

### Project objectives

The objectives of this project are to:

- create effective dialogue between key stakeholders, i.e. leaders from financial institutions (both traditional players and the “new” financial powerhouses), leading policy-makers, and senior academics on how the future of the global financial system may develop;
- create better understanding of the key changes, challenges and opportunities;
- deliver a high-quality report that provides valuable insight into the future of the global financial system and the implications (benefits and risks) of “new” financial powerhouses such as SWFs, hedge funds and private equity firms;
- provide an overview of suggested recommendations by leaders in the field on how to overcome the challenges and grasp the opportunities.

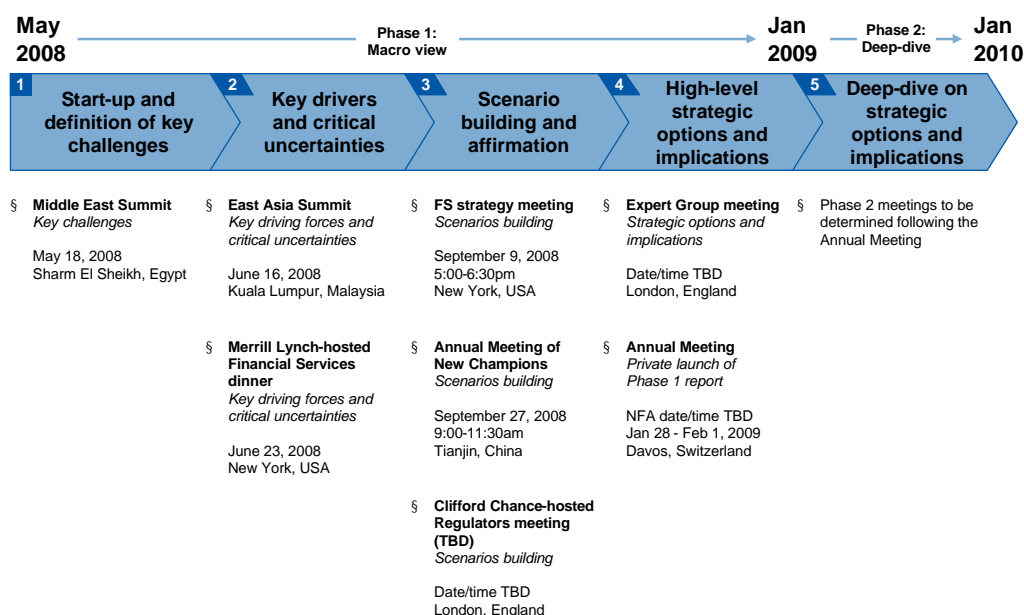
## Approach

This project will use a scenario thinking approach. Scenarios are plausible, yet challenging descriptions of the future, created by exploring the key drivers of change. Scenario thinking is a powerful tool that helps policy-makers and business leaders prepare for a range of possible alternative futures in a world of uncertainty. The end-goal of this approach is to define the strategic implications of different possible futures for various stakeholders in the global financial system, and how they can effectively work together to grasp the opportunities and reduce risks.

## Project Planning

The planning consists of 2 phases:

- Phase 1 (until Davos 2009): creating the macro view through scenario analysis
- Phase 2 (until Davos 2010): deep-dive into selected strategic options and implications per stakeholder group:



## Value Proposition to Partners

- § Provide a neutral platform that encourages cooperation and dialogue between key stakeholders.
- § Expose Industry Partners to global best practices and engagement with leaders in the field, e.g. industry leaders, policy-makers, academia, civil society leaders.
- § Provide accelerated, collaborative learning and knowledge sharing environment with peers and topic experts.
- § Gain insight in the strategic implications for the key stakeholders

## Contacts

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