



Press Release

FSDC releases report

“Boosting Market Liquidity and Diversity: Enhancing Hong Kong’s Competitiveness as an International Capital Formation Centre”

Hong Kong, 31 August 2023 – The Financial Services Development Council (FSDC) today released a research report titled “Boosting Market Liquidity and Diversity: Enhancing Hong Kong’s Competitiveness as an International Capital Formation Centre”.

Enhancing liquidity and promoting diversity are fundamental pillars for sustainable development in any financial ecosystem. Hong Kong, as a globally recognised international financial centre, is committed to cultivating the balanced growth of the broader financial ecosystem. This includes not only the growth of traditional asset classes but also non-traditional assets as well as the financing needs of small cap to mid-sized businesses. These elements should remain central to the city’s vision as it continues to build a diverse and robust financial landscape. To this end, the report reviews the existing mechanism to ensure Hong Kong’s listing and regulatory regime addresses the evolving needs and appetites of different investor groups.

Despite challenging times, Hong Kong demonstrated resilience, particularly in its initial public offering market. Hong Kong’s competitive capital market with ample liquidity has bolstered the city’s ability to weather the storm. Laurence Li SC, Chairman of the FSDC, remarked, “Hong Kong should not merely follow but lead market developments. A city’s financial prowess is not defined by its ability to mirror strategies of others, but by its capacity to innovate and pioneer new paths.”

The growing importance of private market investments warrants our attention. The global private market’s Assets Under Management (AUM) has almost quadrupled from US \$3.2 trillion in 2012 to US\$12.2 trillion in 2022.¹ This shift in investment patterns underlines a growing appetite for diversification and potentially higher returns, despite the associated risks.

Laurence Li SC emphasised the need to respond to investor shifts, saying, “Investors are increasingly embracing alternative assets, moving beyond traditional market constraints. We must proactively adapt to the evolving financial landscape and investor preferences.” He added, “Our vision should extend beyond the local market and reach out to other overseas markets. Through fostering stronger links with international and mainland

¹ Preqin. (2022 Sep). *Preqin internal database*. (accessed on 20 August 2023)



markets, we can enhance our market's liquidity and diversity, thereby positioning Hong Kong as a beacon of financial innovation and leadership on the global stage.”

The report recommends (i) establishing a professional investor-only market in Hong Kong to facilitate market innovation and sustainable growth of emerging investment products and alternative asset classes as the primary objective; and other short-to-medium-term enhancements that include: – (ii) exploring synergies between the GEM and other markets; (iii) reviewing the stamp duty on stock transactions; and (iv) developing a strategic framework to promote investor education and financial literacy towards non-traditional/emerging asset classes.

The full version of the report can be downloaded from the FSDC website: www.fsd.org.hk.

About the FSDC

The FSDC was established in 2013 by the Hong Kong Special Administrative Region Government as a high-level, cross-sectoral advisory body to engage the industry in formulating proposals to promote the further development of the financial services industry of Hong Kong and to map out the strategic direction for the development.

The FSDC has been incorporated as a company limited by guarantee with effect from September 2018 to allow it to better discharge its functions through research, market promotion and human capital development with more flexibility.

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