



Press Release

**FSDC releases report
“Observations on Market Liquidity Enhancement”**

Hong Kong, 29 August 2022 – The Financial Services Development Council (FSDC) today released a research report titled “Observations on Market Liquidity Enhancement”. The report was prepared with an aim of identifying potential mechanism enhancements to enhance market liquidity in Hong Kong’s capital market.

The FSDC recognises secondary market liquidity as an important indicator showing the level of development and sophistication of a market.

“Hong Kong’s ability to constantly improve market liquidity is crucial to the sustainable market development, and ensuring Hong Kong’s capital market is equipped with a vibrant and healthy level of liquidity should be one of the critical priorities”, said Laurence Li SC, the Chairman of FSDC. “A higher level of market liquidity offers better transaction efficiency for investors and lower cost for raising capital for issuers. With heightened uncertainties revolving around the global financial arena, as well as potential opportunities arising therein, Hong Kong, being a successful world-leading IPO centre, should strive to continuously enhance its market liquidity to cater to the changing needs of issuers and investors.”

Drawing reference from international experiences, this paper proposes a set of recommendations, namely to adopt a multi-pronged approach to facilitate exchange traded funds (ETF) trading activities, to enhance current rules and incentive programmes in relation to general trading and clearing, as well as to upgrade the trading infrastructure and systems.

Recommendations set forth in the paper have a focus on facilitating market makers and ETFs who can, therefore, better discharge their market function as



liquidity providers to create a virtuous circle that can enhance market liquidity, and cement Hong Kong's competitiveness as an international financial centre.

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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