



# HK task force's withheld report on market liquidity 'should ring alarm bells'

Task force, which was formed to propose measures to improve Hong Kong's stock market liquidity, includes representatives of the funds industry

By [John Sedgwick, Sinyi Au](#) | February 26, 2024

A new task force set up to review and propose measures to enhance Hong Kong's stock market liquidity has faced criticism over a lack of transparency after declining to publish a full report on its findings.

Hong Kong's government convened the Task Force on Enhancing Stock Market Liquidity in August last year to "holistically review key internal and external factors affecting market liquidity, including the listing regime, market structure and trading mechanism".

The nine-member task force includes two prominent members of the local funds industry: Ding Chen, CEO of [CSOP Asset Management](#), the Hong Kong subsidiary of [China Southern Fund Management](#), and Sally Wong, head of the [Hong Kong Investment Funds Association](#).

It is chaired by Carlson Tong, chairman of Hong Kong's [Securities and Futures Commission](#).

The task force put forward recommendations for short-term initiatives to the government, some which were accepted by Hong Kong's chief executive and announced in a policy [address](#) in October.

But the Financial Services and the Treasury Board has declined requests to publicise the full findings in the report, initially from David Webb, a prominent local investor and former independent director of the [Hong Kong Exchanges and Clearing](#).

*Ignites Asia* also requested the report, but an FSTB spokesperson responded saying that the "government does not see the need to release the full report at this stage".

Webb, whose not-for-profit organisation filed a request for the report in January under Hong Kong's non-statutory code on access, says the reasons given for withholding it "should ring alarm bells".

According to Webb, the FSTB claimed that publicising the report "could be interpreted by the market as the government's position on market trends and forecast of future performance".

This "may bring unwanted influence to the market and prejudice the maintenance of stability in financial markets".

It also said that "premature disclosure of the detailed directions that the market operator and financial regulators were recommended to study may trigger market speculation of specific initiatives".

This could "cause pre-emptive market movements, which would not be conducive to the maintenance of stability in financial markets".

The task force's "deliberations on specific measures warrant protection and should not be subject to excessive public scrutiny to ensure that the frankness and candour of individual members in tendering their views to the government can be preserved", it added.

Webb questions the FSTB's reasons for withholding the report, saying that such committees report as one body and "almost never" attribute views to individual members.

"Sunshine is always the best disinfectant," Webb says in the post.

"Unless and until the government publishes the report, the secrecy in itself may trigger market speculation. Let's see the report and have an open public debate about its recommendations," he adds.

In its response to *Ignites Asia*, the FSTB says that elaborations on the short-term measures and the broad medium and long-term directions recommended by the task force were provided to the Legislative Council Panel on Financial Affairs for further study.

The SFC and HKEX have subsequently made specific announcements or conducted public consultation on the implementation of individual short-term initiatives, it adds.

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"Any further measures to be proposed in accordance with the task force-recommended medium and long-term directions will be announced and the market will be consulted so that stakeholders will have the opportunity to express their views on the proposals," the spokesperson adds.

But other members of Hong Kong's investment industry have also voiced frustration about being excluded from any consultation process with the government task force.

Mofiz Chan, chairman of the [Hong Kong Securities & Futures Professionals Association](#), says "there is no transparency" in the task force's work.

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Chan says another member of the task force, Robert Lee Wai-wang, legislative councillor for financial services, told the media after its first meeting that he would collect and reflect the views of the industry.

However, Chan says Lee ultimately refused to share details about the task force's work with the HKSFPA, saying the work was confidential.

Chan says he has also sent an individual enquiry to a member of the task force but did not receive a reply.

"We are an industry body, but no one has asked for our opinion," he says.

He questions whether the voices of the securities industry can be brought to the government due to the lack of representation, and believes the government is paying "less and less attention to industry views".

"They would rather have more representatives from the fund industry to join the task force than us," he says.

"Hong Kong is now regressing, and investors have been leaving," he adds. "Who would be convinced [by the government] if there is no transparency?"

HKIFA's Wong, speaking in an individual capacity and not on behalf of the task force committee, tells *Ignites Asia* that the government's decision not to issue the report is "understandable".

She says the comments provided in FSTB's response to Webb's questions "reflect prudence rather than anything else".

If the government were to simply bring to light all the different ideas or initiatives it has been considering before fully hashing it out with stakeholders, it would not be construed as good protocol and may have potential ramifications to parties within the value chain and the market generally, she adds.

It is unrealistic to expect that the government would be able to do thorough due diligence for each and every idea in a short span of time, as each proposal has to be supported by extensive research, according to Wong.

She adds that the current approach of the task force is much more appropriate and thoughtful than just dangling out a whole package of ideas that cover the short, medium and long-term.

"Hence, I don't think there is anything that is being hidden" says Wong. "This only reflects a pragmatic approach to manage the timing of the release and rollout of the initiatives."

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