News Release

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Hong Kong Tops Financial Development Index for the First Time

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- Hong Kong overtakes the United States and the United Kingdom to take the top spot of the Financial Development Index for the first time.
- 90% of countries surveyed have not returned to pre-crisis levels in terms of access to capital
- Global challenges to finance economic growth remain, especially access to credit and financing through local equity markets
- Report analyses 60 financial systems and capital markets around the world
- The full report, rankings and country highlights can be downloaded at: http://www.weforum.org/FDR2011

New York, USA, 13 December 2011 – Hong Kong SAR overtakes the United States and the United Kingdom to top the World Economic Forum ' s fourth annual Financial Development Report released today. As the first Asian financial centre to achieve this rank, Hong Kong ' s position was bolstered by strong scores in non-banking financial services such as IPO activity and insurance.

Although it fell one spot to 2nd place, the **United States** ' overall score remains almost unchanged compared to last year. While financial stability continues to be a concern, the US was able to offset this weakness with strong financial intermediation results. Particular strengths in this area include highly developed foreign exchange and derivatives markets, as well as comparatively robust M&A and securitization activity. The **United Kingdom** declined in both score and rank, placing 3rd overall. The greatest contributing factors to the United Kingdom ' s decline are lower scores on securitization and IPO activity.

The results remained relatively stable among the rest of the top 10 in this year ' s Report. **Singapore ' s** decline to 4th place is a result of the securitization markets drying up and a weakening banking system. **Australia, Canada** and the **Netherlands** maintained their positions at 5th, 6th and 7th place, respectively. **Japan** and **Switzerland** traded spots in the rankings to place 8th and 9th overall. **Norway** jumped into the top 10 because of a positive change in strong IPO activity among other factors.

"Hong Kong's ascent to the top of our Index marks a major milestone, the first time in the Report ' s history that the United Kingdom or the US didn't come out on top," explained **Kevin Steinberg**, Chief Operating Officer, World Economic Forum USA. "While Western financial centres are understandably focused on short-term challenges, this Report should serve as a wake-up call that their long-term leadership may be in jeopardy."

The Financial Development Report focuses on a set of long-term measures to support the overall development of financial systems. As such, the Report ' s Financial Development Index is reliant on the time at which cross-country data becomes available and therefore in many instances includes a natural delay. For this reason the Report does not attempt to inform current or short-term events (such as current developments affecting the euro zone). Rather, it aims to serve decision-makers in developing a balanced perspective as to which aspects of their country ' s financial system are most important in the long term, and empirically calibrate this view relative to other countries.

Findings of the Report also indicate significant variance in the scores related to financial intermediation. Considerable decreases in non-banking financial services and financial markets scores across the majority of countries raise the question as to how firms will be able to access capital on a sustainable basis.

Looking at commercial access scores in particular (which the Index measures as ease of access to credit

and loans, venture capital availability and financing through local equity markets), a four-year comparison (2008-2011) of the scores reveals that over 90% of countries have not yet returned to pre-crisis levels. Although, the year-on-year changes show some marginal improvements, the gaps in many cases are quite substantial.

While the challenge for advanced economies will lie in making new credit more available to encourage and support economic activity, emerging economies still need to make further improvements across all of the main variables.

" The need to make different forms of capital available will be essential for future growth and recovery, " said **Isabella Reuttner,** Senior Project Manager at the World Economic Forum and editor of the report. " The challenge will be how to encourage economic activity while not fuelling the next credit bubble, which could cause severe consequences down the line. Therefore, when looking for possible solutions, decision-makers should not lose sight of the long-term consequences while they fix the short-term situation. "

It is apparent that the overall economic situation has impacted the ability of firms to access capital. However, this is also influenced by other factors such as corporate governance. The Financial Development Index ' s results on corporate governance also see an overall decline over the past four years (2008-2011). This equally applies to both advanced and emerging economies, suggesting that perceived corporate governance issues are global rather than contained to advanced economies, and potentially of significant concern given the important role that emerging economies are expected to play in future economic growth.

About the Financial Development Report
The Financial Development Report ranks 60 of the world ' s leading financial systems and capital markets. It analyses the drivers of financial system development in advanced and emerging economies to serve as a tool for countries to benchmark themselves and establish priorities for reform. The rankings are based on over 120 variables spanning institutional and business environments, financial stability, and size and depth of capital markets, among other factors. The Report also includes contributions from scholars on critical issues such as the importance of benchmarking Financial Development Indicators, development in emerging economies in the wake of the financial crisis, and the legacy issues involving the housing market finance system in the United States.

The Financial Development Report benefited from the guidance and support of the Forum ' s Industry Partners, with particular contributions from Actis, Barclays, Standard Chartered Bank and Sberbank. The Forum is also grateful for the participation of New York University, the University of Chicago Booth School of Business, the African Development Bank and the World Bank. The views expressed in the Report do not necessarily reflect those of the advisers to the project.

The Report draws on data taken from a variety of publicly available sources such as the World Bank as well as the World Economic Forum ' s Executive Opinion Survey, a comprehensive annual survey conducted by the World Economic Forum with its network of Partner Institutes (leading research institutes and business organizations). The Forum ' s Global Competitiveness Network, which sponsors related initiatives such as The Global Competitiveness Report, also supported this work.

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