

Press Release

5 February 2024

AFRC welcomes and supports the Government consultation on proposal for legislation under Article 23 of the Basic Law

The Accounting and Financial Reporting Council (**AFRC**) welcomes and supports the HKSAR Government's consultation on its proposal to enact legislation in fulfilment of Hong Kong's constitutional duty under Article 23 of the Basic Law.

Safeguarding national security is essential to the principle of "One Country, Two Systems" and pivotal to Hong Kong as an international financial centre as it promotes economic and financial stability and better protects the fundamental rights and freedoms of HKSAR residents and others including their rights of ownership of property and investments in Hong Kong.

The AFRC welcomes the Government's holistic approach to national security as it seeks to address the risks to the security and overall interests of Hong Kong and the nation as a whole, including risks to Hong Kong's social stability and its economic and financial security.

The proposed legislation will facilitate the work of financial regulators including the AFRC in enabling more effective regulation and ensuring compliance across all financial institutions and related activities. It also provides clear directions for financial regulators to implement corresponding risk management frameworks to prevent disruption to the financial system and infrastructure caused by security-related risks such as cyberattacks, terrorism and money laundering. This will protect and strengthen Hong Kong's financial stability and resilience, thereby creating a stable environment for the development of Hong Kong's economy and financial markets.

The AFRC also welcomes the HKSAR Government's clear position that rights under the Basic Law, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights will be respected and protected.

The free flow of information, including financial information, will continue to be protected and enhanced under the proposed legislation, with which the AFRC will continue to play a pivotal role in maintaining the integrity of financial reporting and collaborating with international regulators in the exchange of information.

The AFRC will closely communicate with all stakeholder groups on any issues concerning the AFRC's functions arising from the consultation and will seek to clarify any misapprehension about the purpose and effect of the proposed legislation.

Therefore, the AFRC supports the HKSAR Government's consultation on the proposed legislative exercise as an unequivocal affirmation of Article 109 of the Basic Law which stipulates that the HKSAR Government must provide an appropriate economic and legal environment for the maintenance of the status of Hong Kong as an international financial centre, and the further fulfilment of the purpose of Article 1 of the Law of the PRC on Safeguarding National Security in the HKSAR to safeguard national security and maintain the prosperity and stability of Hong Kong.

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About the Accounting and Financial Reporting Council

The Accounting and Financial Reporting Council (AFRC) is an independent body established under the Accounting and Financial Reporting Council Ordinance. As an independent regulator, AFRC spearheads and leads the accounting profession to constantly raise the level of quality of professional accountants, and thus protects the public interest.

For more information about the statutory functions of the AFRC, please visit www.afrc.org.hk.

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