



財政司司長 陳茂波
Paul CHAN Mo-po, GBM, GBS, MH, JP
Financial Secretary

17 July 2020

Mr Ashley Alder, JP
Chief Executive Officer
Securities and Futures Commission
54/F, One Island East
18 Westlands Road, Quarry Bay, Hong Kong

Dear *Ashley,*

Safeguarding Stability and Prosperity in Hong Kong

With the promulgation of The Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region ("the Law"), I write to reaffirm the Government's commitment to upholding the integrity of the financial system and maintaining the prosperity and stability of Hong Kong.

Against the backdrop of social unrest and escalating violence over the past year which threatened to undermine the stability of Hong Kong, the Law was promulgated with the objective to safeguard national security and restore social order such that Hong Kong shall continue to thrive under the "One Country, Two Systems" arrangement. Since the enactment of the Law, the financial markets and the Linked Exchange Rate System continue to operate smoothly as usual. The Hong Kong dollar exchange rate has remained stable and stayed near the strong side convertibility undertaking. There has not been any noticeable sign of fund outflow either from Hong Kong dollar or the banking system. In contrast, we have seen an inflow of over US\$11 billion into Hong Kong dollar since June, and bank deposits have continued to increase over the past months. Stock markets stay vibrant and orderly, with a continuous flow of IPO activities attracting strong market interest.

中華人民共和國香港特別行政區政府財政司司長辦公室
Office of the Financial Secretary of the Hong Kong Special Administrative Region Government
People's Republic of China

I am pleased to note that our financial regulators have been reaching out to a broad range of financial institutions in different sectors. The general feedback from financial institutions and market participants is that the Law will help ensure a safe, stable and orderly operating environment, which is of utmost importance for Hong Kong's continued development as an international financial centre.

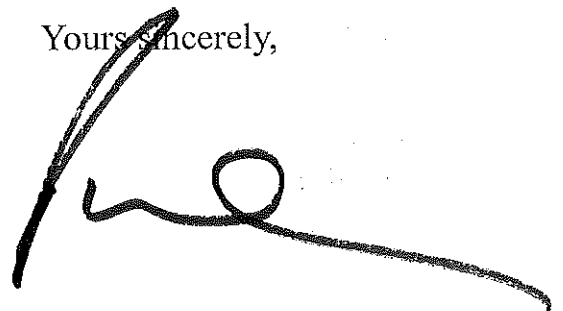
As in the case with all new legislation, there are bound to be circumstantial questions over the application of the Law. It is important to highlight that the Law is intended to target only the extreme few who willfully commit the four specified types of acts with an intent to seriously endanger national security. For law-abiding financial institutions and market practitioners operating in Hong Kong, the Law is **NOT** intended to affect the way they conduct business, engage in market activities or allocate their capital. Neither do we expect it to affect the way in which they handle their proprietary data; originate, access or transmit financial market and related business information; conduct analysis or express opinion. It will not affect normal exchange activities between individuals, organisations or corporations and their foreign counterparts. In other words, within the confines of existing laws and regulations underpinning the financial system, it would be business as usual for the ongoing operations of our financial community. The Law should not have any impact on the normal functioning of the financial markets.

As always, the Government is firmly committed to ensuring the long-term prosperity and stability of Hong Kong. As a free and pluralistic society, our success as an international financial centre thrives on the rule of law, free flow of information and capital, and freedom of speech and expression and so on. The promulgation of the Law seeks to reinforce these fundamental values which we cherish and ensure that Hong Kong shall continue to prosper in the years to come. Let me underline a few assurances given by the Central People's Government and reiterated by us in relation to the promulgation of the Law:-

- as stated upfront in the preamble of the Law, it will not affect the legitimate rights and freedom enjoyed by Hong Kong people under the Basic Law as well as the relevant provisions of international covenants as applied to Hong Kong;
- the Law will not affect Hong Kong's judicial independence, and important principles underpinning the rule of law in a common law system are clearly stipulated thereunder;
- the Law sets out to preserve "One Country, Two Systems": Hong Kong's existing high degree of autonomy, legal system and capitalist system will remain intact, and the legitimate interests of foreign investors will continue to be protected; and
- the Law will not change in any way the fundamentals of Hong Kong's monetary and financial system: the Linked Exchange Rate System will remain, and free flow of capital is guaranteed under the Basic Law.

Looking forward, the Government will continue with efforts to provide a world-class regulatory framework and business environment for investors and market players. With order and stability gradually returning to the city, I trust our financial institutions will be confident as ever to grasp the vast business opportunities presented by Hong Kong and the Guangdong-Hong Kong-Macao Greater Bay Area. Please feel free to share this communication with them and friends who have an interest in the stability and prosperity of Hong Kong.

Yours sincerely,

A handwritten signature in black ink, consisting of a large, stylized initial 'K' followed by a horizontal line that ends in a small loop.