

## LegCo Panel on Financial Affairs - AFRC Budget for FY2024-25

5 February 2024

### Remarks by Ms Janey Lai, Acting CEO

Chairman of the Panel on Financial Affairs and members:

I will now highlight some key points in the 2024-25 budget.

#### Income

The total budgeted income of the AFRC is \$236.6 million. The sources of income include: (i) PIE levies income; and (ii) non-PIE licence fees.

##### (i) PIE levies income

The total budgeted PIE levies income is \$128.9 million, which pays for the expenses incurred in regulating PIE auditors. The budgeted levies income from sales and purchases of securities is \$71.3 million, which is calculated based on the SFC's latest estimated average daily securities market turnover of \$99 billion.

Assuming the number of PIEs and average annual listing fees remain unchanged, the budgeted levies payable by PIEs and PIE auditors are \$31.3 million and \$26.3 million respectively.

##### (ii) Non-PIE licence fees

From 1 October 2023, AFRC commenced collecting the registration and licence fees from audit firms and practice units. The budgeted non-PIE licence fees are HK\$44.2 million.

Based on the current market condition, we are not proposing any change to the levy rates or registration and license fees.

#### Expenditure

The total budgeted expenditure is HK\$404.3 million (HK\$258.7 million for PIE-related functions and HK\$145.6 million for non-PIE-related functions).

Staff salaries and other staff-related expenses amount to HK\$248.5 million, representing over 60% of the total budgeted expenditure. Though the AFRC continues its progressive development, given the current conditions, the focus for 2024-25 will be to complete the current stage of its expansion by recruiting the remaining approved 2023-24 headcount. Therefore, the AFRC will not request any additional headcount for 2024-25.

Considering the increasing risks in cybersecurity and the continued increase in the number of cases that need to be handled, the AFRC has an urgent need to increase investment in Information Technology (IT). The budgeted IT expenses amount to \$37.1 million, representing approximately 9.2% of the total budgeted expenditure. It primarily relates to (i) upgrading IT infrastructure, (ii) cybersecurity and IT risk management, and (iii) developing IT applications. This will provide support and maintenance to ensure network and information security.

Due to a substantial increase in regulatory cases, the AFRC expects that the legal and professional fees incurred in seeking external legal advice will also increase. The budgeted expenditure is \$30.9 million, representing approximately 8% of the total budget expenditure.

The expected operating deficit for 2024-25 will be \$167.7 million.

We are more than happy to answer any questions. Thank you.