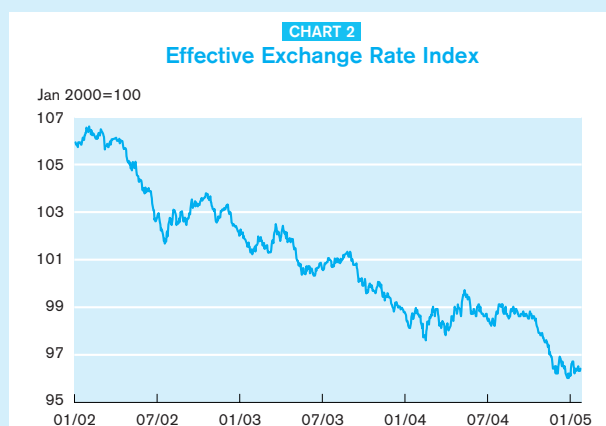
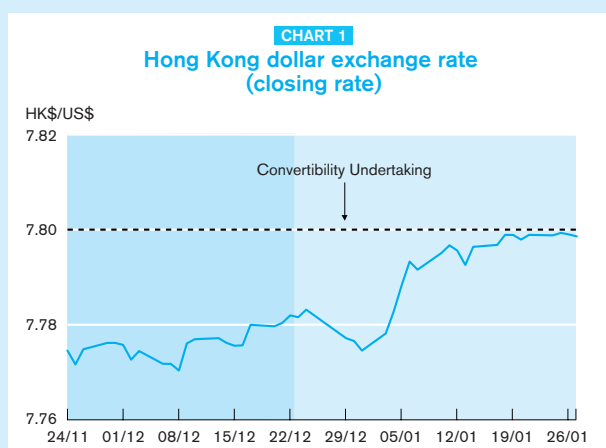


Report on Currency Board Operations (23 December 2004 – 27 January 2005)

The Hong Kong dollar exchange rate weakened to close at 7.7985 at the end of the reporting period. Interbank interest rates rose. The Monetary Base increased from HK\$294.05 billion to HK\$302.88 billion, reflecting an increased demand for currency notes ahead of the Chinese New Year holidays. In accordance with Currency Board principles, changes in the Monetary Base were fully matched by corresponding changes in foreign reserves.

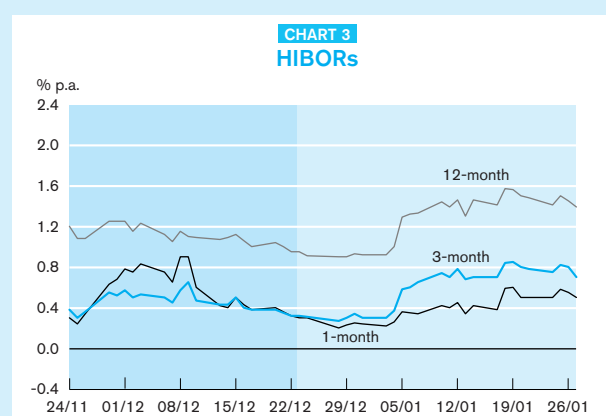
Hong Kong dollar exchange rate

Partly reflecting a rebound of the US dollar and interest rate arbitrage activity, **the Hong Kong dollar exchange rate weakened to close at 7.7985 at the end of the reporting period** (Chart 1). The effective exchange rate of the Hong Kong dollar was little changed (Chart 2).

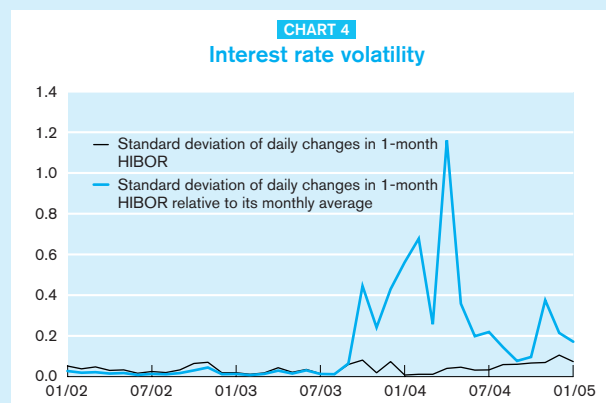


Interest rates

Hong Kong dollar interbank interest rates rose during the reporting period. Specifically, the one-month and three-month HIBORs increased by 20 bp and 38 bp to close at 0.5% and 0.7% respectively. Meanwhile, 12-month HIBOR rose by 44 bp to close at 1.39% (Chart 3).

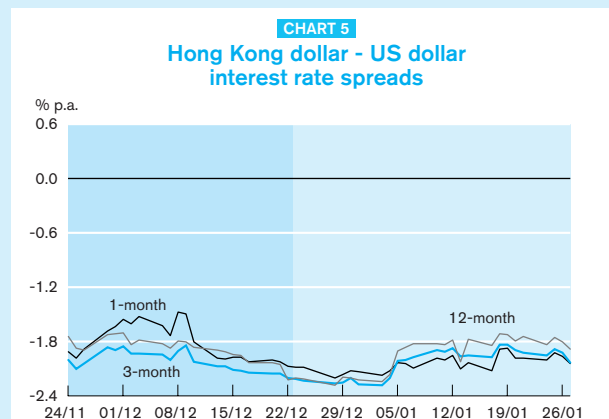


Interest rate volatility, as measured by the standard deviation of daily changes in one-month HIBOR, **declined**. As a ratio to the average level of one-month HIBOR, it decreased in January as well (Chart 4).¹

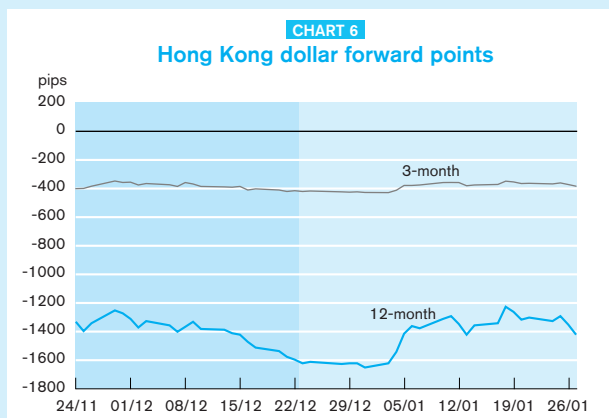


¹ The ratio of the standard deviation of daily changes in the 1-month HIBOR to its monthly average measures the extent of interest rate fluctuations relative to the average level of interest rates.

Hong Kong dollar interbank interest rates stayed below US dollar rates. The negative interest rate spreads narrowed slightly during the period, with the one-month and three-month differentials closing at -205 bp and -204 bp respectively. Meanwhile, the 12-month spread narrowed by 32 bp to close at -189 bp (Chart 5).



In line with the movements in interest rate spreads, the **Hong Kong dollar 12-month forward discount decreased by 200 pips to close at 1,420 pips.** Meanwhile, the three-month forward discount dropped by 37 pips to close at 381 pips (Chart 6).



Yields on Exchange Fund paper rose during the period (Chart 7). The negative yield spreads over the US counterparts generally narrowed, particularly at the shorter end (Table 1).

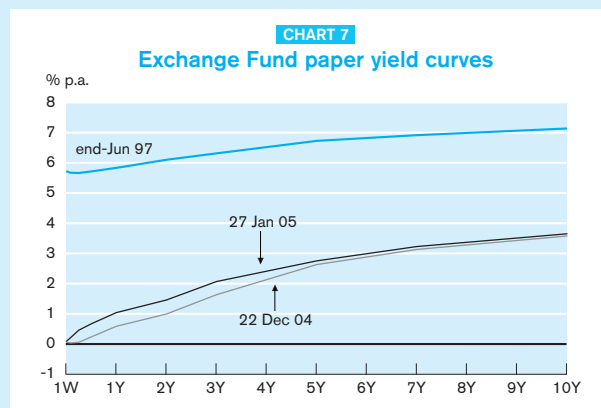
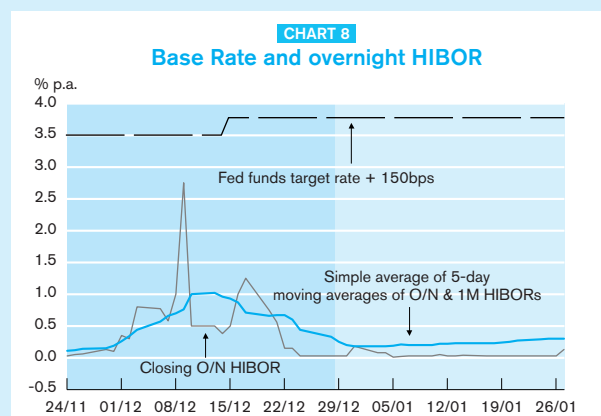


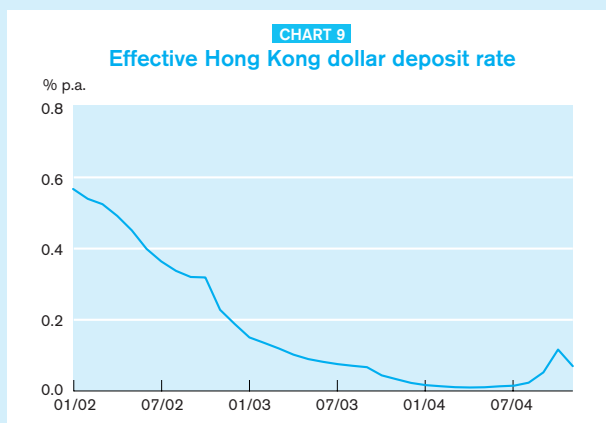
TABLE 1
Yield spreads of Exchange Fund paper over US Treasuries (basis points)

	27 Jun 97	22 Dec 04	27 Jan 05
3-month	56	-213	-189
1-year	21	-206	-179
3-year	3	-152	-130
5-year	27	-90	-95
10-year	54	-58	-55

The HKMA Base Rate remained at 3.75% (Chart 8). The banks also kept their Best Lending Rates unchanged at 5.0%.



The average one-month time deposit rate offered by major authorized institutions dropped from 0.019% to 0.015% during the period.² Meanwhile, the effective deposit rate decreased from 0.07% to 0.05% in December (Chart 9).³



Monetary Base

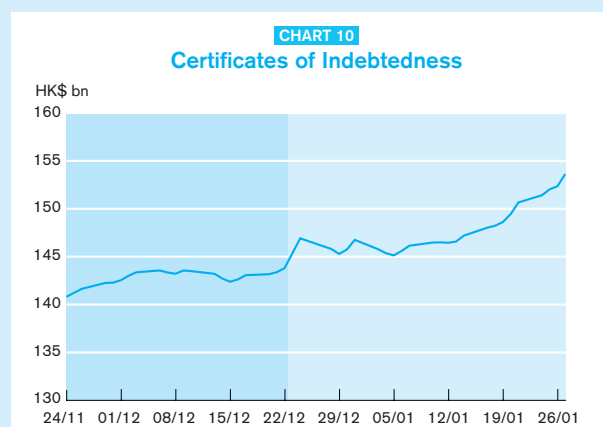
The **Monetary Base**, which consists of Certificates of Indebtedness (CIs), government-issued currency notes and coins in circulation, the Aggregate Balance, and Exchange Fund Bills and Notes, **increased from HK\$294.05 billion to HK\$302.88 billion** during the reporting period (Table 2). Movements in the individual components are discussed below.

TABLE 2
Monetary Base

(HK\$ bn)	23 Dec 04	27 Jan 05
CIs	145.40	153.66
Government-issued Currency Notes and Coins in Circulation	6.60	7.46
Aggregate Balance	15.82	15.77
Outstanding EFBNs	126.24	126.00
Monetary Base	294.05	302.88

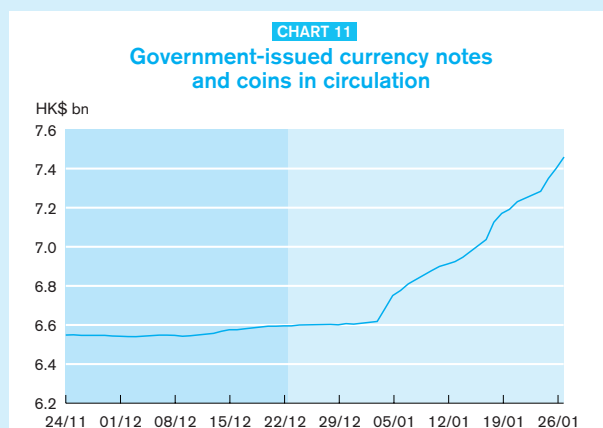
Certificates of Indebtedness

Reflecting an increased public demand for banknotes ahead of the Chinese New Year holidays, the three note-issuing banks submitted a total of US\$1.06 billion in exchange for HK\$8.26 billion worth of CIs during the period. As a result, **the outstanding amount of CIs increased from HK\$145.40 billion to HK\$153.66 billion** (Chart 10).



Government-issued currency notes and coins in circulation

The total amount of **government-issued currency notes and coins in circulation increased from HK\$6.60 billion to HK\$7.46 billion** during the reporting period (Chart 11).

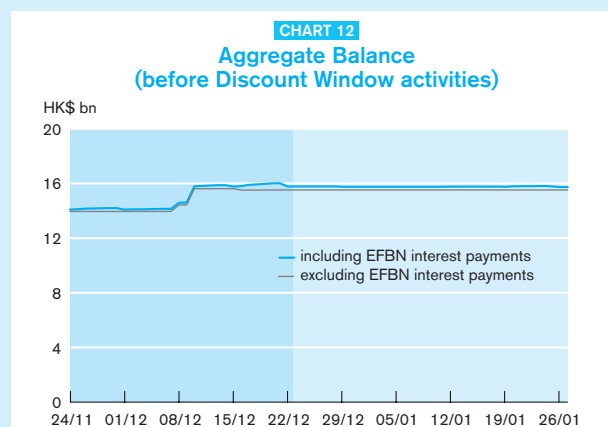


² The figures refer to the average of interest rates offered by the major authorized institutions for one-month time deposits of less than HK\$100,000.

³ This is the average of the interest rates on demand, savings and time deposits. As the banking statistics classify deposits by remaining maturities, we have made certain assumptions regarding the maturity distribution in computing the effective deposit rate.

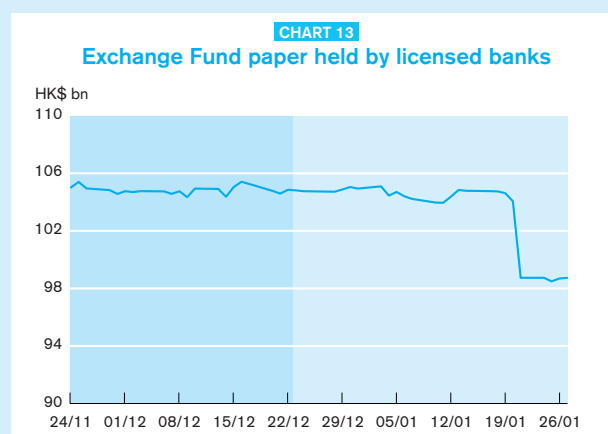
Aggregate Balance

The **Aggregate Balance** remained stable at around **HK\$15.77 billion** throughout the reporting period, with small fluctuations due to interest payments on Exchange Fund paper (Chart 12).



Outstanding Exchange Fund Bills and Notes

The market value of outstanding Exchange Fund Bills and Notes declined slightly from **HK\$126.24 billion** to **HK\$126.00 billion**. Meanwhile, **holdings of Exchange Fund paper by the banking sector (before Discount Window activities)** decreased from **HK\$104.76 billion** (82.99% of total) to **HK\$98.68 billion** (78.32% of total) (Chart 13).



During the period, **a total of HK\$66.30 million in interest payments on Exchange Fund paper was made**. Taking into account interest payments carried forward from the last reporting period, **an additional HK\$107.91 million (in market value) of Exchange Fund paper was issued to absorb these interest payments**. All issues of Exchange Fund paper were generally well received by the market (Table 4).

TABLE 4
Issuance of Exchange Fund Bills and Notes
(23 Dec 04 – 27 Jan 05)

	No. of issues launched	Over-subscription ratio
3-month EFB	5	1.61-4.73
6-month EFB	2	2.88-5.53
1-year EFB	1	5.32
3-year EFN	1	1.38

Discount Window activities

During the period, **one bank borrowed a total of HK\$5 million from the Discount Window**, compared with **HK\$1.455 billion** in the preceding period (Chart 14). All borrowings used Exchange Fund paper as collateral (Table 5).

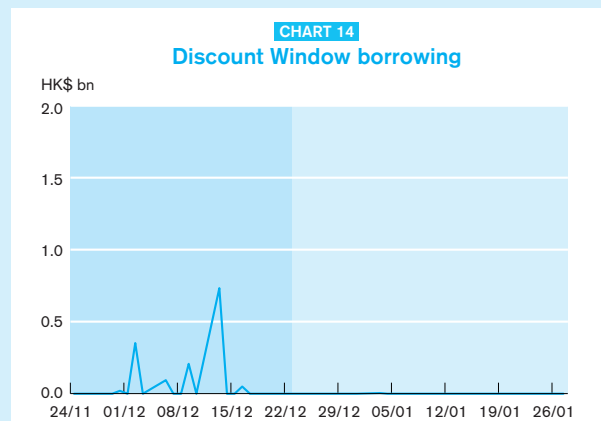
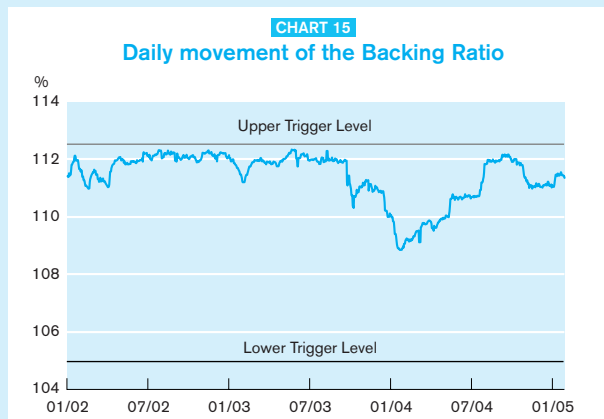


TABLE 5
Frequency of individual bank's access to the Discount Window
(23 Dec 04 – 27 Jan 05)

Frequency of using Discount Window	No. of banks
1	1
Total	1

Backing Portfolio

Backing Assets increased during the period, attributable to valuation gains as well as increases in Certificates of Indebtedness. As Backing Assets rose proportionally more than the Monetary Base, **the Backing Ratio increased from 111.13% on 23 December 2004 to 111.35% on 27 January 2005** (Chart 15). Under the Linked Exchange Rate system, while specific Exchange Fund assets have been designated for the Backing Portfolio, all Exchange Fund assets are available to support the Hong Kong dollar exchange rate.



Record of Discussion of the Exchange Fund Advisory Committee Currency Board Sub-Committee on 4 March 2005

(Approved for Issue by the Exchange Fund Advisory Committee on 31 March 2005)

Report on Currency Board Operations (28 January – 17 February 2005)

The Sub-Committee noted that the Hong Kong dollar exchange rate had stayed very close to the linked rate throughout the reporting period and that the Convertibility Undertaking had been triggered on several occasions. With the outflow of funds, the Aggregate Balance had declined during the period under review, and had continued to decline since, to around HK\$8 billion on the day of the meeting. Members observed that, with the Aggregate Balance gradually returning to more normal levels, the relatively easy monetary conditions, which had generally prevailed since September 2003, would eventually come to an end.

The Sub-Committee noted that, in accordance with Currency Board principles, changes in the Monetary Base had been fully matched by corresponding changes in foreign reserves during the reporting period.

The report on Currency Board operations for the period under review is at [Annex](#).

Monitoring of Risks and Vulnerabilities

Members noted that the US economy had continued to show solid growth. Although the euro area and Japan had performed poorly in the last quarter of 2004, forward-looking indicators suggested improvements in early 2005. The situation on the Mainland had been less clear, as the different timing of Chinese New Year from year to year complicated data reading: growth momentum appeared to be strong, though inflation had continued to decline. In Hong Kong, the indicators pointed to slower, though still solid growth. Members noted that the main risks continued to be associated with US dollar and US interest rate movements; high oil prices; and the macroeconomic and financial conditions on the Mainland.

The Sub-Committee noted a special analysis on Hong Kong dollar fund flows in 2004. The analysis found that there had been an inflow of funds into the Hong Kong dollar in 2004. This inflow, however, reflected an increase in banks' demand for the Hong Kong dollar, while the non-bank sector had recorded an outflow. The reduction in the Hong Kong dollar position of the non-bank sector might be attributable to portfolio re-allocation prompted by a rise in asset prices and low interest rates. The increase in the banking sector's Hong Kong dollar position followed developments in the third quarter of 2003, when banks

had begun to unwind their short Hong Kong dollar positions, which had been built up between 1998 and mid-2003.

Hang Seng Index Futures Open Interest and its Relationship with the Cash Market

The Sub-Committee considered a paper examining the question of whether the rise in large open positions in Hang Seng Index futures in the past three years should be a matter for concern, given the role that these positions played in the 1998 speculative attacks on Hong Kong's financial markets. The analysis considered in particular two adjusted indicators as a way of examining the level of open interest with reference to trend growth and cash market development: the de-trended open interest position, and the ratio of open interest to cash market turnover. These two indicators were found to be high in the last four months of 2004, but were not as alarming as the raw data on open interest would suggest. The Sub-Committee considered these indicators to be useful additional tools for monitoring markets, although Members observed that market intelligence was also critical in determining whether developments in the futures market were a cause for concern.

Money and Inflation in Mainland China

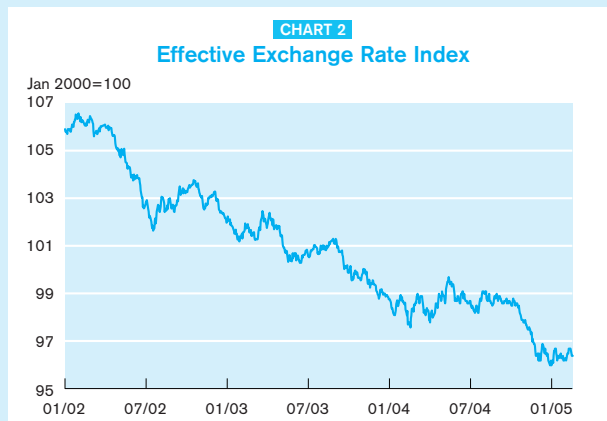
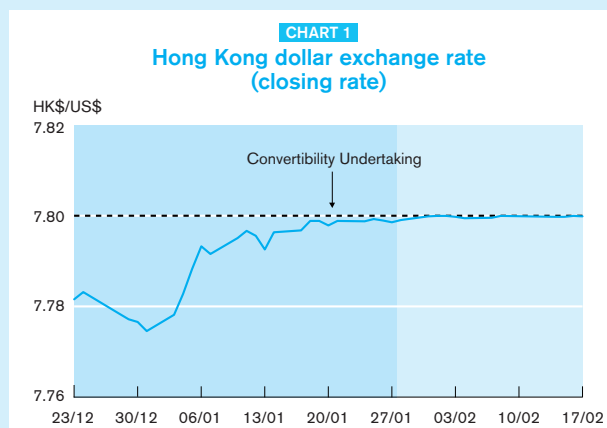
The Sub-Committee noted a paper which used formal modeling of the linkages between money and inflation to examine monetary conditions and inflation developments on the Mainland: these issues had important implications for Hong Kong, given the close economic integration between Hong Kong and the Mainland. The findings of the research indicated that periods of above-equilibrium money growth tended to increase inflation pressures in the economy. The derived money overhang, which was a useful early warning signal of future inflation, had shown a positive gap in recent years. But this positive gap had been much reduced by the end of 2004.

Annex Report on Currency Board Operations (28 January – 17 February 2005)

The Hong Kong dollar exchange rate stayed near the linked rate with the Convertibility Undertaking being triggered on several occasions. The Monetary Base decreased from HK\$304.28 billion to HK\$300.94 billion. In accordance with Currency Board principles, changes in the Monetary Base were fully matched by corresponding changes in foreign reserves.

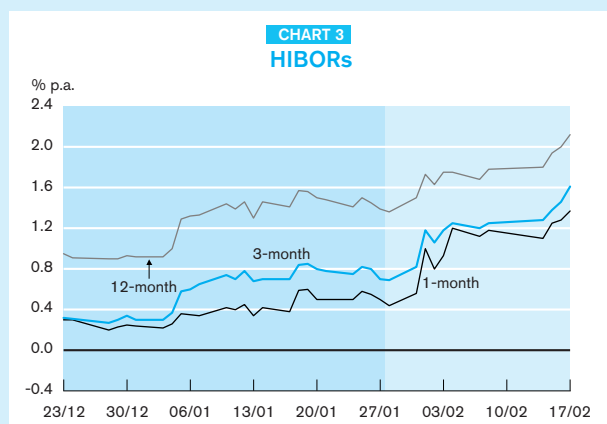
Hong Kong dollar exchange rate

The Hong Kong dollar exchange rate stayed close to the linked rate and **closed at 7.7998 at the end of the reporting period** (Chart 1), with the Convertibility Undertaking being triggered on several occasions. The effective exchange rate of the Hong Kong dollar was little changed (Chart 2).

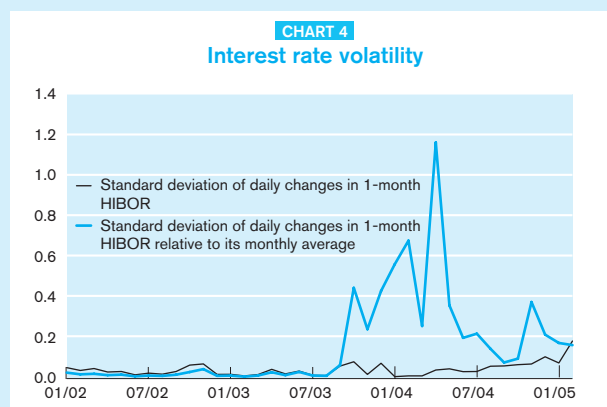


Interest rates

Hong Kong dollar interbank interest rates rose **markedly** during the reporting period. Specifically, the one-month and three-month HIBORs increased by 93 bp and 92 bp to close at 1.37% and 1.61% respectively. Meanwhile, 12-month HIBOR rose by 76 bp to close at 2.12% (Chart 3).

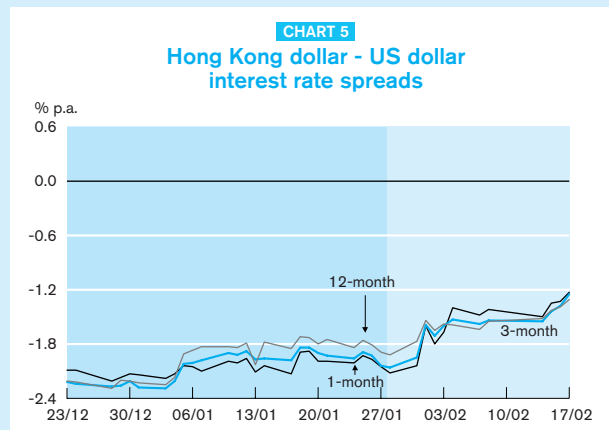


Interest rate volatility, as measured by the standard deviation of daily changes in one-month HIBOR, **increased** in February. As a ratio to the average level of one-month HIBOR, it decreased, due to an increase in the latter (Chart 4).¹

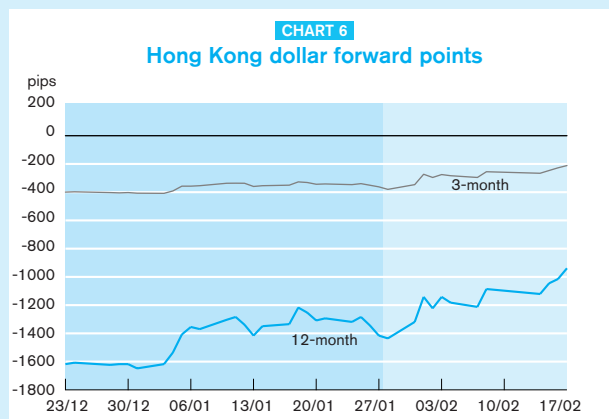


¹ The ratio of the standard deviation of daily changes in the 1-month HIBOR to its monthly average measures the extent of interest rate fluctuations relative to the average level of interest rates.

Hong Kong dollar interbank interest rates continued to stay below US dollar rates. The negative interest rate spreads narrowed during the period, with the one-month and three-month differentials closing at -123 bp and -125 bp respectively. Meanwhile, the 12-month spread narrowed by 61 bp to close at -131 bp (Chart 5).



In line with the movements in interest rate spreads, the **Hong Kong dollar 12-month forward discount decreased by 490 pips to close at 950 pips.** Meanwhile, the three-month forward discount dropped by 166 pips to close at 232 pips (Chart 6).



Yields of Exchange Fund paper rose at the short end but eased at the long end during the period (Chart 7). The negative yield spreads for five-year and 10-year paper over US counterparts widened slightly to -97 bp and -62 bp respectively at the end of the period (Table 1).

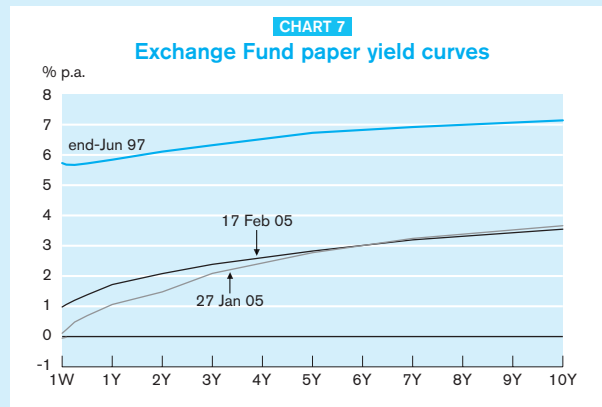
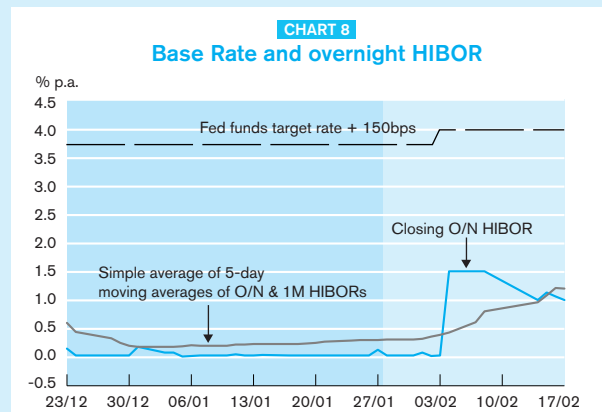


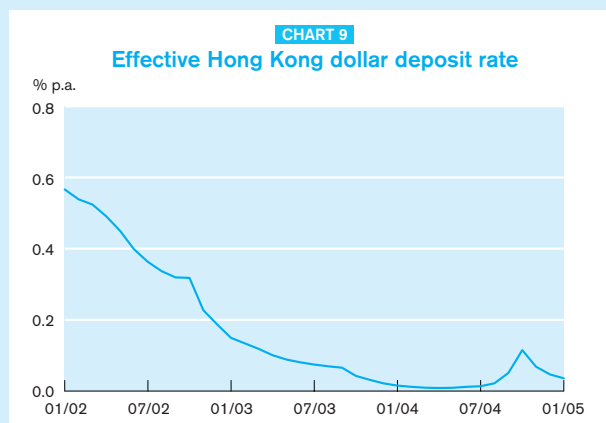
TABLE 1
Yield spreads of Exchange Fund paper over US Treasuries (basis points)

	27 Jun 97	27 Jan 05	17 Feb 05
3-month	56	-189	-142
1-year	21	-179	-137
3-year	3	-130	-120
5-year	27	-95	-97
10-year	54	-55	-62

Following a 25 bp hike in the US federal funds target rate, **the HKMA Base Rate was adjusted upward to 4.00% on 3 February** according to the established formula (Chart 8). **The banks kept their Best Lending Rates unchanged at 5.0%.**



The average one-month time deposit rate offered by major authorized institutions rose from 0.015% to 0.064% during the period.² Meanwhile, the effective deposit rate decreased from 0.05% to 0.04% in January (Chart 9).³



Monetary Base

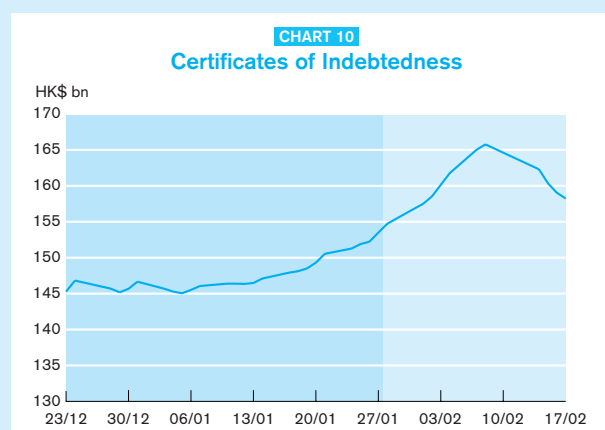
The **Monetary Base**, which consists of Certificates of Indebtedness (CIs), government-issued currency notes and coins in circulation, the Aggregate Balance, and Exchange Fund Bills and Notes, **decreased from HK\$304.28 billion to HK\$300.94 billion** during the reporting period (Table 2). Movements in the individual components are discussed below.

TABLE 2
Monetary Base

(HK\$ bn)	28 Jan 05	17 Feb 05
CIs	154.91	158.47
Government-issued Currency Notes and Coins in Circulation	7.50	7.54
Aggregate Balance	15.82	9.27
Outstanding EFBNs	126.06	125.66
Monetary Base	304.28	300.94

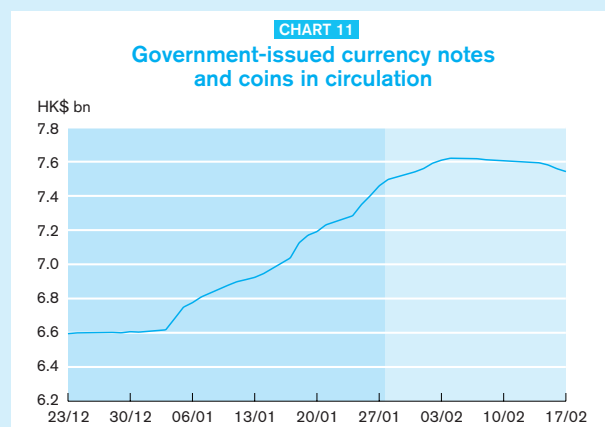
Certificates of Indebtedness

The three note-issuing banks submitted a total of US\$0.46 billion to the HKMA in exchange for HK\$3.56 billion worth of CIs during the period. As a result, **the outstanding amount of CIs increased from HK\$154.91 billion to HK\$158.47 billion** (Chart 10).



Government-issued currency notes and coins in circulation

The total amount of **government-issued currency notes and coins in circulation increased from HK\$7.50 billion to HK\$7.54 billion** during the reporting period (Chart 11).



² The figures refer to the average of interest rates offered by the major authorized institutions for one-month time deposits of less than HK\$100,000.

³ This is the average of the interest rates on demand, savings and time deposits. As the banking statistics classify deposits by remaining maturities, we have made certain assumptions regarding the maturity distribution in computing the effective deposit rate.

Aggregate Balance

Reflecting purchases of Hong Kong dollars amounting to HK\$6.54 billion by the HKMA in response to banks' bids, the **Aggregate Balance contracted** and closed at HK\$9.27 billion at the end of the period (Chart 12 and Table 3).

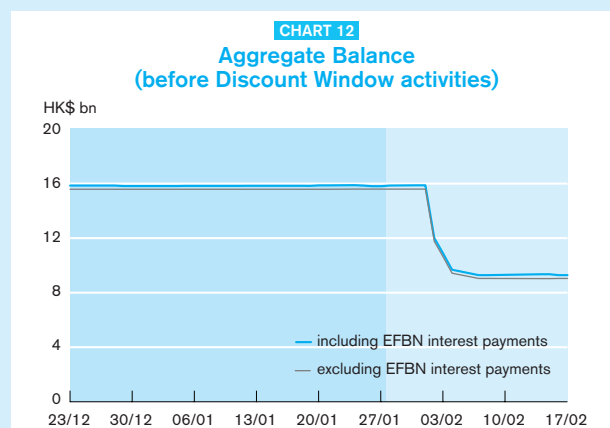
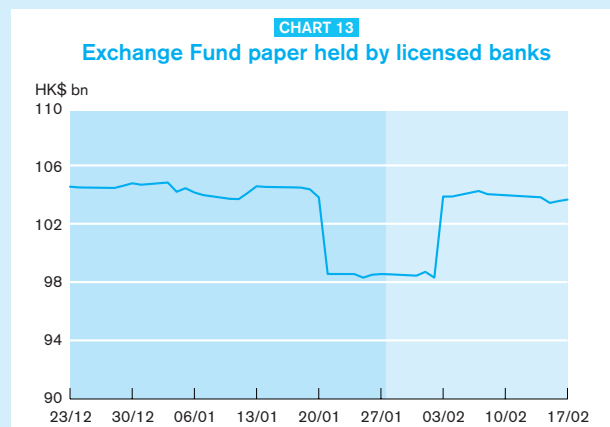


TABLE 3
HKMA's foreign exchange transactions
(28 January – 17 February 05)

Trade Date	Net Hong Kong dollar purchase (+) (HK\$mn)
31-Jan	3,822.00
01-Feb	1,131.00
02-Feb	1,193.40
03-Feb	390.00

Outstanding Exchange Fund Bills and Notes

The market value of outstanding Exchange Fund Bills and Notes declined slightly from HK\$126.06 billion to HK\$125.66 billion. Meanwhile, holdings of Exchange Fund paper by the banking sector (before Discount Window activities) increased from HK\$98.67 billion (78.27% of total) to HK\$103.86 billion (82.65% of total) (Chart 13).



During the period, a total of HK\$166.94 million of interest payment on Exchange Fund paper was made. An additional HK\$129.72 million (in market value) of Exchange Fund paper was issued to absorb these interest payments. The remaining amount was carried forward in the Aggregate Balance. All issues of Exchange Fund paper were generally well received by the market (Table 4).

TABLE 4
Issuance of Exchange Fund Bills and Notes
(28 Jan – 17 Feb 05)

	No. of issues launched	Over-subscription ratio
3-month EFB	3	1.81-2.83
6-month EFB	2	2.06-2.21
1-year EFB	1	1.98
2-year EFN	1	1.06

Discount Window activities

During the period, two banks borrowed a total of HK\$8 million from the Discount Window, compared with HK\$5 million in the preceding period (Chart 14). All borrowings used Exchange Fund paper as collateral (Table 5).

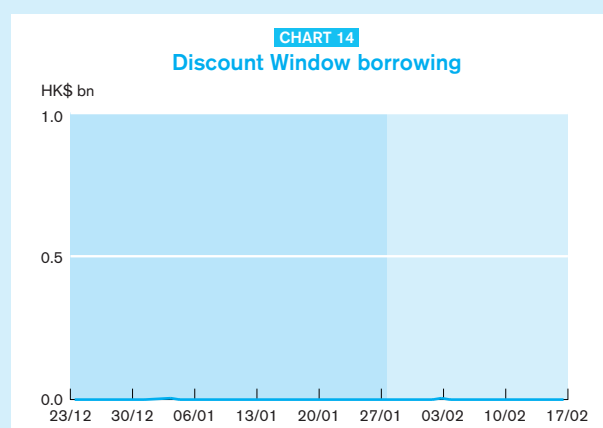
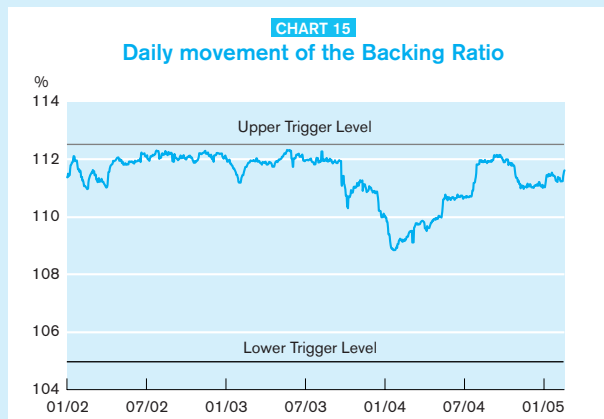


TABLE 5
Frequency of individual bank's access to the Discount Window
(28 Jan – 17 Feb 05)

Frequency of using Discount Window	No. of banks
1	2
Total	2

Backing Portfolio

Backing Assets decreased along with the Aggregate Balance during the period. Nevertheless, as the Backing Assets decreased proportionally less than the Monetary Base, **the Backing Ratio increased from 111.27% on 28 January to 111.63% on 17 February 2005** (Chart 15). Under the Linked Exchange Rate system, while specific Exchange Fund assets have been designated for the Backing Portfolio, all Exchange Fund assets are available to support the Hong Kong dollar exchange rate.

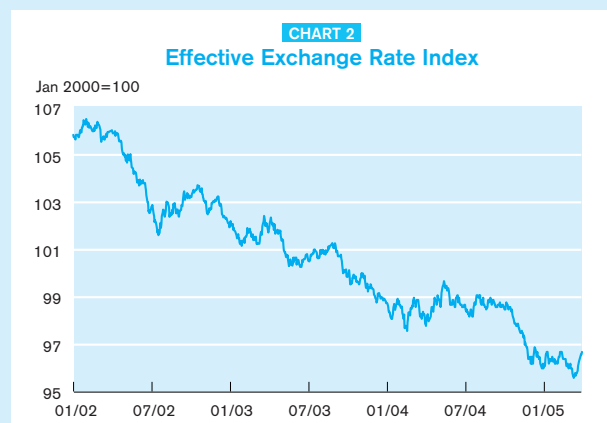
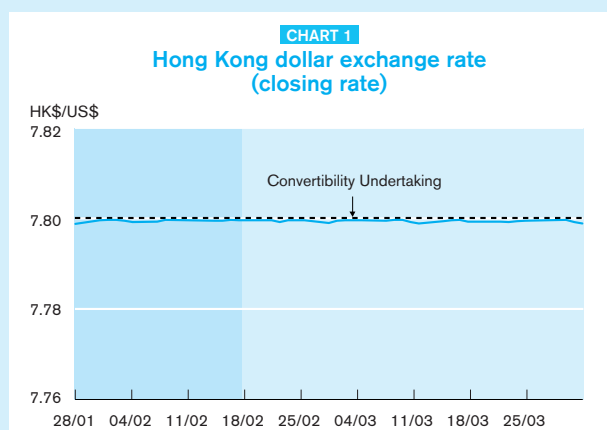


Report on Currency Board Operations (18 February – 31 March 2005)

The Hong Kong dollar exchange rate stayed close to the Linked Rate, with the Convertibility Undertaking being triggered occasionally. Alongside the reduction in Certificates of Indebtedness and the Aggregate Balance, the Monetary Base decreased from HK\$299.84 billion to HK\$286.77 billion. Interbank interest rates rose markedly. In accordance with Currency Board principles, changes in the Monetary Base were fully matched by corresponding changes in foreign reserves.

Hong Kong dollar exchange rate

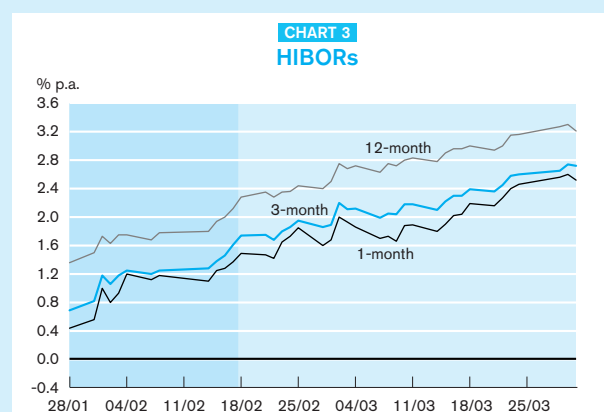
The Hong Kong dollar exchange rate stayed near the Linked Rate, **closing at 7.7991 at the end of the reporting period** (Chart 1). The Convertibility Undertaking was triggered fairly frequently in the latter part of the period, reflecting a rebound of the US dollar on more hawkish statements from the Fed and declines in the local equity market. Separately, the effective exchange rate of the Hong Kong dollar edged up slightly (Chart 2).



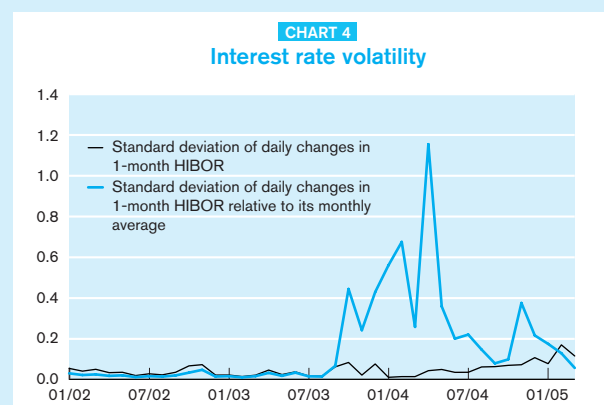
¹ The ratio of the standard deviation of daily changes in the 1-month HIBOR to its monthly average measures the extent of interest rate fluctuations relative to the average level of interest rates.

Interest rates

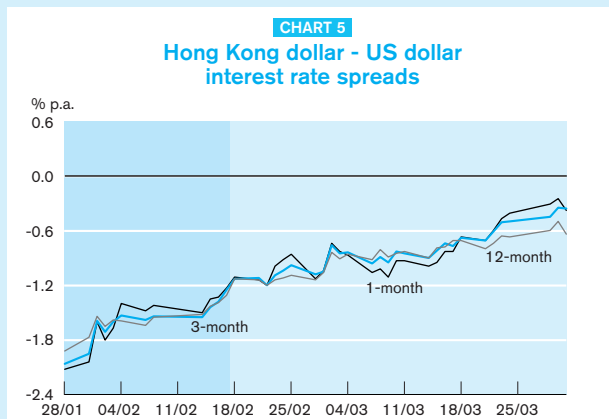
Hong Kong dollar interbank interest rates rose further during the reporting period. The one-month and three-month HIBORs increased by 103 bp and 98 bp to close at 2.52% and 2.72% respectively. The 12-month HIBOR rose by 93 bp to close at 3.21% (Chart 3).



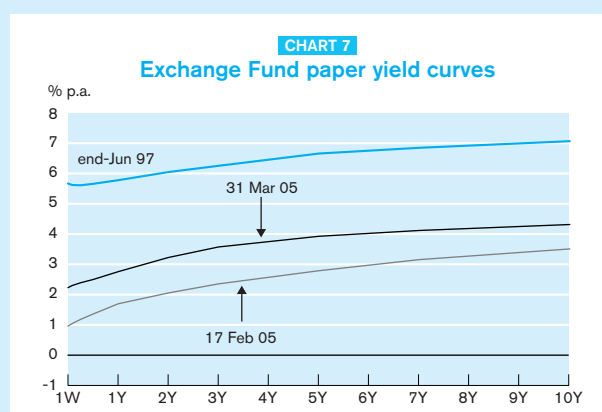
Interest rate volatility, as measured by the standard deviation of daily changes in one-month HIBOR, **decreased** in March. As a ratio to the average level of one-month HIBOR, it declined as well (Chart 4).¹



Hong Kong dollar interbank interest rates remained below the US dollar rates, but their negative spreads narrowed markedly during the period. The one-month and three-month spreads decreased by 73 bp and 77 bp to close at -38 bp and -36 bp respectively, while the 12-month spread narrowed by 49 bp to close at -64 bp (Chart 5).



Yields of Exchange Fund paper rose noticeably across-the-board during the period (Chart 7). The negative yield spreads against US Treasuries narrowed notably, with the five-year and 10-year spreads decreasing to -28 bp and -21 bp respectively at the end of the period (Table 1).



Reflecting the movements in interest rate spreads, the **Hong Kong dollar 12-month forward discount dropped by 405 pips to close at 450 pips.** The three-month forward discount decreased by 126 pips to close at 82 pips (Chart 6).

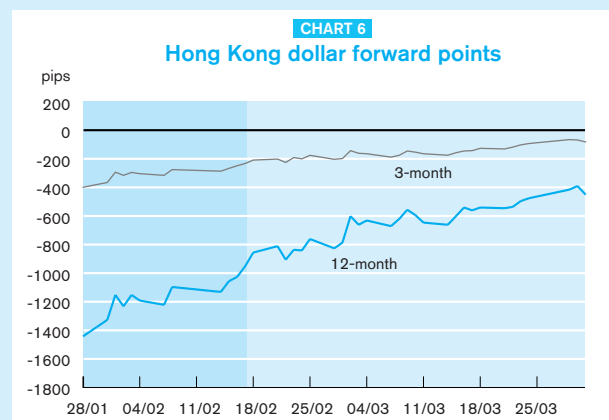
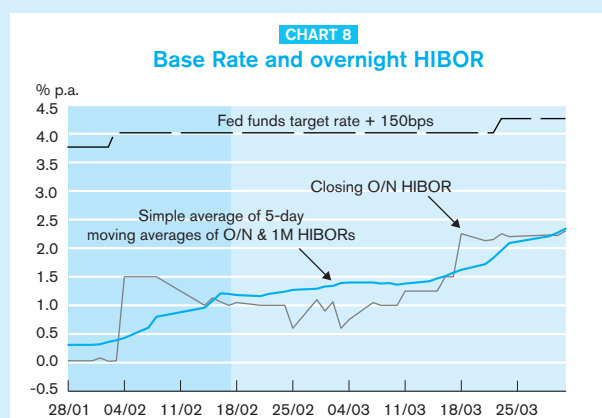


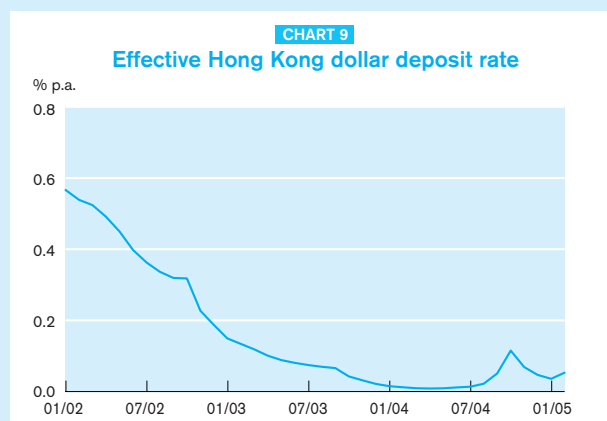
TABLE 1
Yield spreads of Exchange Fund paper over US Treasuries (basis points)

	27 Jun 97	17 Feb 05	31 Mar 05
3-month	56	-142	-37
1-year	21	-137	-25
3-year	3	-120	-38
5-year	27	-97	-28
10-year	54	-62	-21

Immediately after a 25-bp hike in the US federal funds target rate, **the HKMA Base Rate was adjusted upward to 4.25% on 23 March** according to the established formula (Chart 8). Reflecting tightened local liquidity conditions, **banks raised their Best Lending Rates by 25 bp to 5.25% on 21 March.** Thereafter, banks kept the Best Lending Rates at 5.25%, despite the subsequent increase in the US rate.



The average one-month time deposit rate offered by major authorized institutions rose from 0.067% to 0.469% during the period.² The effective deposit rate increased from 0.04% to 0.05% in February (Chart 9).³



Monetary Base

The **Monetary Base**, which consists of Certificates of Indebtedness (CIs), government-issued currency notes and coins in circulation, the Aggregate Balance, and Exchange Fund Bills and Notes, **decreased from HK\$299.84 billion to HK\$286.77 billion** during the reporting period (Table 2). Movements in the individual components are discussed below.

TABLE 2
Monetary Base

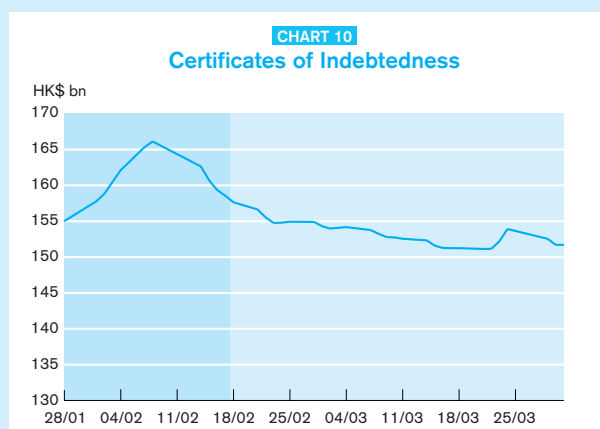
(HK\$ bn)	18 Feb 05	31 Mar 05
CIs	157.56	151.62
Government-issued Currency Notes and Coins in Circulation	7.52	7.10
Aggregate Balance	9.27	3.85
Outstanding EFBNs	125.49	124.21
Monetary Base	299.84	286.77

² The figures refer to the average of interest rates offered by the major authorized institutions for one-month time deposits of less than HK\$100,000.

³ This is the average of the interest rates on demand, savings and time deposits. As the banking statistics classify deposits by remaining maturities, we have made certain assumptions regarding the maturity distribution in computing the effective deposit rate.

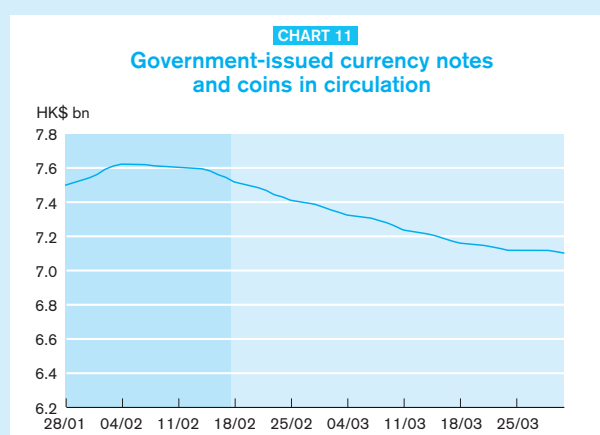
Certificates of Indebtedness

Because of diminished public demand for banknotes after the Lunar Chinese New Year holidays, the three note-issuing banks redeemed HK\$5.94 billion of CIs to the HKMA in exchange for US\$0.76 billion during the period. As a result, **the outstanding amount of CIs decreased from HK\$157.56 billion to HK\$151.62 billion** (Chart 10).



Government-issued currency notes and coins in circulation

Along with the decline in CIs, the total amount of **government-issued currency notes and coins in circulation decreased from HK\$7.52 billion to HK\$7.10 billion** during the reporting period (Chart 11).



Aggregate Balance

Reflecting purchases of Hong Kong dollars totalling **HK\$5.45 billion** by the HKMA in response to banks' offers, the **Aggregate Balance shrank** and closed at **HK\$3.85 billion** at the end of the period (Chart 12 and Table 3).

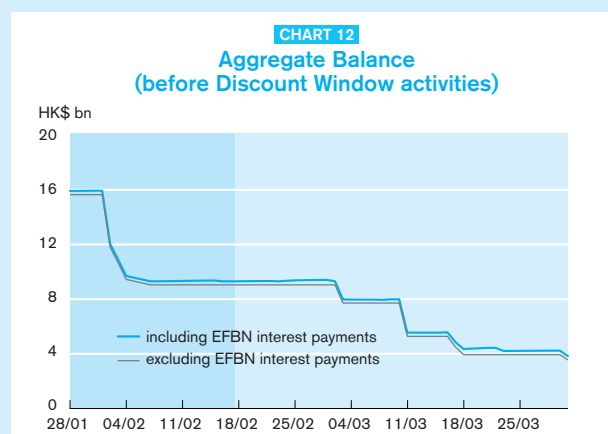
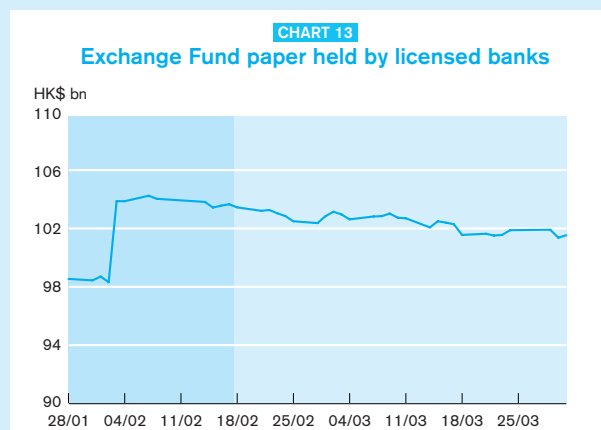


TABLE 3
HKMA's foreign exchange transactions
(18 February – 31 March 05)

Trade Date	Net Hong Kong dollar purchase (+) (HK\$m)
01-Mar	1,326.00
09-Mar	2,418.00
15-Mar	780.00
16-Mar	538.20
29-Mar	390.00

Outstanding Exchange Fund Bills and Notes

The market value of outstanding Exchange Fund Bills and Notes decreased mildly from **HK\$125.49 billion** to **HK\$124.21 billion**. Holdings of Exchange Fund paper by the banking sector (before Discount Window activities) declined from **HK\$103.65 billion** (82.59% of total) to **HK\$101.71 billion** (81.89% of total) (Chart 13).



During the period, a total of **HK\$517.49 million** of interest payments on Exchange Fund paper were made. An additional **HK\$439.95 million** (in market value) of Exchange Fund paper was issued to absorb these interest payments. The remaining amount was carried forward in the Aggregate Balance. All issues of Exchange Fund paper were generally well received by the market (Table 4).

TABLE 4
Issuance of Exchange Fund Bills and Notes
(18 Feb – 31 Mar 05)

	No. of issues launched	Over-subscription ratio
3-month EFB	6	2.71-6.68
6-month EFB	3	2.35-3.20
1-year EFB	1	4.15
5-year EFN	1	1.00
7-year EFN	1	0.97

Discount Window activities

During the period, **nine banks borrowed a total of HK\$2.73 billion from the Discount Window**, compared with HK\$8 million in the preceding period (Chart 14). All borrowings used Exchange Fund paper as collateral (Table 5).

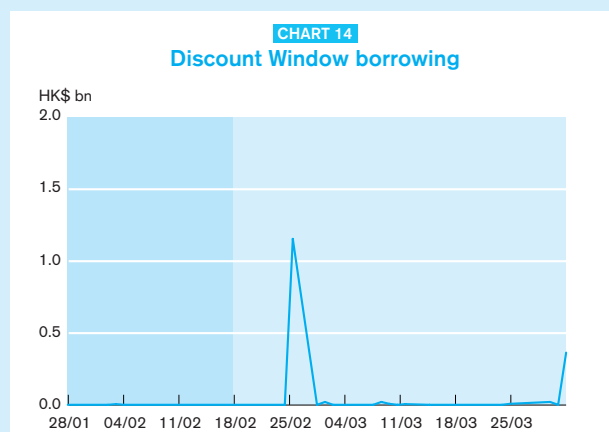


TABLE 5
Frequency of individual bank's access to the Discount Window (18 Feb – 31 Mar 05)

Frequency of using Discount Window	No. of banks
1	7
3	2
Total	9

Backing Portfolio

Backing Assets decreased alongside the contraction in CIs and the Aggregate Balance during the period. As the Backing Assets decreased proportionally less than the Monetary Base, **the Backing Ratio increased from 111.71% on 18 February to 112.52% on 15 March, surpassing the Upper Trigger Level of 112.5%**. Pursuant to the arrangement approved by the Financial Secretary in January 2000, assets were transferred out of the backing portfolio to reduce the Backing Ratio to around 110% on 16 March (Chart 15). Thereafter, the Backing Ratio continued to rise and closed at 110.32% at the end of the period. Under the Linked Exchange Rate system, while specific Exchange Fund assets have been designated for the Backing Portfolio, all Exchange Fund assets are available to support the Hong Kong dollar exchange rate.

