



HONG KONG MONETARY AUTHORITY

**Briefing to the Legislative Council
Panel on Financial Affairs**

4 February 2002



DISCUSSION TOPICS

- **Currency**
- **Banking**
- **Financial Infrastructure**
- **Exchange Fund**

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- This presentation covers the four key responsibilities of the HKMA:
 - to maintain currency stability, within the framework of the linked exchange rate system;
 - to promote the safety and stability of the banking system;
 - to enhance the efficiency, integrity and development of the financial infrastructure, particularly payment and settlement arrangements; and
 - to manage the Exchange Fund in a prudent manner.



CURRENCY STABILITY - FACTS



- Although the external environment and the domestic economic situation have deteriorated, the Hong Kong dollar exchange rate has continued to be stable against the US dollar.
- Reflecting strong confidence in the linked exchange rate system, the differential between Hong Kong and US dollar short-term interest rate has remained at close to zero.



CURRENCY STABILITY - RISKS

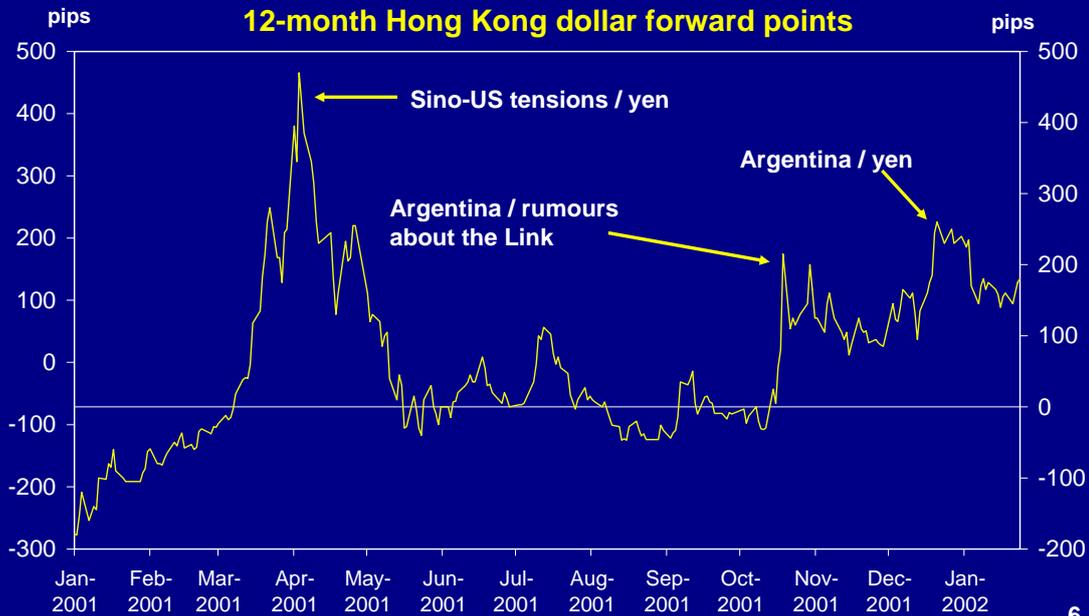
- **Yen weakness and implications for regional currencies and RMB exchange rate**
- **Debt crisis in Argentina**
- **Hong Kong markets used as proxy hedge against Asian risks**
- **Public finances in Hong Kong**
- **Support for, and confidence, in the Link**

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- The Japanese yen has weakened to a three-year low of around 130. There are concerns that the Japanese authorities may allow the yen to slide further so as to stem deflation and to revive the economy. This could exert increased pressure on regional currencies and the RMB.
- Argentina's problems evolved into a full-blown crisis in December. Argentina subsequently abandoned the currency board arrangement in January, and the peso devalued sharply. There has been no contagion on Hong Kong, reflecting a rational differentiation of the two economies in financial markets.
- In the absence of capital controls, our liquid financial markets are popular amongst investors as a proxy hedge for their investment in regional economies, which impose various degrees of controls, and do not have a fully convertible currency or an active forward market.
- Prudence in public finance in Hong Kong has been a crucial factor in the success of the linked exchange rate system. There are increasing concerns about this fundamental strength, after several years of deficit.
- The global financial system is facing an unprecedented confluence of risks. As an open international financial centre, Hong Kong may receive a disproportionate share of financial market volatility. It is therefore crucial that we retain, and strengthen, our ability to identify, monitor and manage these risks as they affect Hong Kong. We need the sympathetic understanding and support of the community in this work.



CURRENCY - MARKET EXPECTATIONS



- In April, owing to unfavourable external developments, including renewed weakness in regional currencies and escalating Sino-US tensions, the forward discount disappeared and a small premium of around 450 pips emerged.
- In October, worsening conditions in Argentina, and rumours about possible alterations of the Link, led to a rise in the forward points to around 200 pips. In December, the forward points rose further, but mildly, to 250 pips when Argentina developed into a full-blown crisis and the yen weakened further.
- The forward points stayed at around 180 pips in January, which was not higher than the pre-crisis average of 240 pips, and far below the high of nearly 8,000 pips during the Asian financial crisis.



CURRENCY - RISKS OF YEN WEAKNESS



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- The yen has depreciated by nearly 15% since last September. Risks are that a sharp depreciation in the yen may exert pressure on other Asian currencies, especially those which compete closely with Japan in similar market segments, e.g. Korea. So far this has generally not been the case due in part to the stronger financial positions of Asian economies after the crisis of 1997-1998.



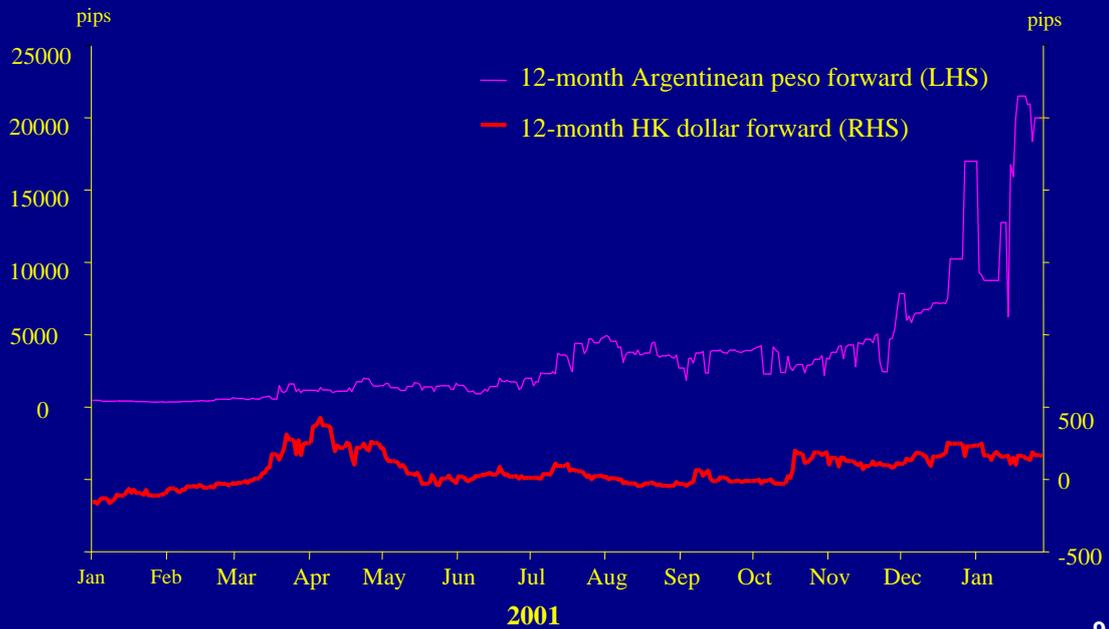
CURRENCY - MARKET EXPECTATIONS ON RMB



- Some analysts / commentators may perceive that the Hong Kong dollar and the RMB should move in parallel, even though it is clear that they are two independent currencies. As seen from the forward rates of the two currencies, there seem to be a larger degree of decoupling between the two. The Mainland authorities have in any case continued to keep the RMB exchange rate stable.



CURRENCY - RISKS OF ARGENTINEAN DEBT CRISIS



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- Argentina developed into a full blown crisis in December 2000. Nevertheless, reflecting investors' increased differentiation of Hong Kong and Argentina, the debt crisis in Argentina had little impact on our money and exchange markets.



BANKING SECTOR PERFORMANCE

Capital adequacy ratio¹	: 18.30% (Sep 01)	18.00% (Jun 01)
Liquidity ratio²	: 51.38% (Sep 01)	52.47% (Jun 01)
Net interest margin²	: 2.12% (Q3 annualised)	2.17% (Q2 annualised)
Classified loans²	: 6.44% (Sep 01)	6.81% (Jun 01)
Mortgage delinquency ratio³	: 1.22% (Dec 01)	1.28% (Sep 01)
Credit card - charge-off ratio³	: 5.97% (Oct/Nov annualised)	4.75% (Q3 annualised)
Growth of total HK dollar deposits⁴	: 0.10% (Q4)	0.30% (Q3)
Growth of total domestic lending⁴	: -1.30% (Q4)	-1.70% (Q3)

1 *Locally-incorporated AIs*

2 *Locally-incorporated banks*

3 *Surveyed AIs (29 for RMLs, 23 for credit cards)*

4 *All AIs*

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- The capital strength and level of liquidity of banks in Hong Kong remained strong despite the continuing slowdown in the economy.
- Net interest margin of locally incorporated banks fell further in the September quarter, largely due to a continued squeeze in lending margins.
- Helped by a declining interest rate environment which alleviated borrowers' debt burden, asset quality improved further in the September quarter.
- There were signs of improvement in banks' residential mortgage loan portfolios. The decline in the delinquency ratio was attributable to lower mortgage payments as interest rates declined, as well as write-offs made by some banks and the fact that banks have been more willing to enter into loan restructuring with borrowers.
- However, the quality of credit card receivables deteriorated significantly in line with the rising trend of bankruptcies in Hong Kong. Another factor is the decision by some banks to start to charge-off arrears at an earlier stage. We expect the situation to continue to deteriorate in the coming months.
- Growth of Hong Kong dollar deposits slowed in the December quarter.
- Domestic lending continued to contract in the December quarter, but at a slower pace. This reflected continued slowdown in economic activity and uncertainties in business outlook. Growth of residential mortgage loans was virtually flat in 2001, while loans for building, construction, property development and investment contracted moderately. Loans for financial concerns shrank notably. On the other hand, credit card advances increased significantly during the year.



BANKING - EFFICIENCY AND COMPETITION

- **Commercial Credit Reference Agency**
- **Positive consumer credit data**
- **Review of market entry criteria**
- **Banking consumer protection**

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Commercial Credit Reference Agency (CCRA)

- will help banks to channel more funds to SMEs with acceptable credit risk.
- agreement on a voluntary approach: the market will take the lead in establishing the CCRA. This has the support from the Working Group on CCRA, which comprises representatives of banks and SMEs.
- the HKMA will encourage banks' participation by supervisory guidelines.
- the industry Associations will form a working group to thrash out the details.

Positive consumer credit data

- will help prevent bankruptcy.
- will help promote more competition, thereby benefiting customers. Positive consumer credit data sharing is a norm in the more advanced economies, e.g. the UK and the US.
- the HKMA has been discussing with the Privacy Commissioner and the Consumer Council to ensure that privacy and consumer interests will be properly safeguarded.
- more sharing of positive consumer credit data will need approval by the Privacy Commissioner and Amendment to the Code of Practice on Consumer Credit Data before implementation.

Review of market entry criteria

- we aim to further open up Hong Kong's banking sector to allow a broader range of domestic and international institutions to participate in the Hong Kong financial markets as full licensed banks.
- we propose, among other things, to remove the US\$16 billion asset size criterion applicable to overseas-incorporated banks wishing to set up a branch in Hong Kong. Foreign banks should instead be subject to the same size criteria with respect to total assets and customer deposits as locally incorporated banks - proposed to be increased to HK\$5 billion and HK\$4 billion respectively.
- the response to the HKMA has so far been supportive.

Banking consumer protection

- comparative study on consumer protection arrangements in different jurisdictions passed to the Legislative Council in May 2001.
- revised Code of Banking Practice in 2001, with enhanced protection for consumers in various areas, e.g. credit card services, use of debt collection agencies. A Code of Banking Practice Committee has been formed by HKAB and DTCA, with representation from the HKMA.
- a guideline on complaint handling procedures, setting certain minimum standards for AIs, is being finalised. This will be formally issued very shortly.



BANKING - SAFETY AND SOUNDNESS

- **Deposit Insurance Scheme**
- **Bank consolidation**
- **New Capital Accord**
- **Mortgage loans in negative equity**

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Deposit Insurance Scheme

- preliminary design of the scheme largely completed, following consultation with the banking industry on specific issues such as funding and premium assessments.
- aim to issue another consultation paper setting out our detailed proposals in the 1st quarter of 2002, and to introduce draft legislation in the 4th quarter of the year.

Bank consolidation

- gathered momentum in 2001, e.g. acquisition of Dao Heng Bank by Development Bank of Singapore, the consolidation of Bank of China's ten subsidiary banks into one local bank. These developments will further strengthen the local banking sector.

New Capital Accord

- aim to implement the New Accord in Hong Kong in 2005 in line with the timetable set by the Basel Committee on Banking Supervision.
- the HKMA has formed an internal working group to implement the New Accord and a steering committee to oversee the implementation process.

Mortgage loans in negative equity

- issued letter to AIs on 10 October allowing departure from 70% LTV ratio in refinancing.
- issued letter to AIs on 22 November recommending the establishment of centralised units to handle inquires. Some banks have offered more relief measures to mortgagors, e.g. adjustment of the mortgage terms, lowering of the mortgage rate.
- survey to assess extent of problem: 14% of mortgage borrowers or 23% of outstanding mortgage loans at end-September. Survey being updated for end-December position.



FINANCIAL INFRASTRUCTURE

Objective: reinforce Hong Kong's role as an International Financial Centre

Our competitive advantage: a financial infrastructure in which financial intermediation and other financial transactions can be conducted safely and efficiently

- **Domestic financial activities**
- **International financial activities**
- **Mainland / Hong Kong financial activities**

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- It is one of our primary responsibilities to maintain Hong Kong's status as an international financial centre. By bringing in more demand for financial services, Hong Kong's economy will benefit and more jobs will be created.
- We believe that the main competitive advantage in being an international financial centre lies in the robustness and efficiency of its financial infrastructure. Financial transactions have no geographical boundaries in a wired world, and will gravitate towards a centre where they can be conducted safely and efficiently. Our latest contribution towards building this competitive advantage is a sophisticated payment system in both Hong Kong and US dollars. We will further build on this advantage through initiatives on three fronts:
 - Domestic financial activities – to link up our domestic debt, equity and payment systems so that straight-through-processing can be achieved in Hong Kong dollar transactions.
 - International financial activities - to provide safe and efficient clearing systems in foreign currency transactions in the Asian time zone and to extend the linkages of our infrastructure with those of others in the region, so that more international financial transactions will be attracted to Hong Kong.
 - Mainland/Hong Kong financial activities – to attract Mainland institutions to make more use of Hong Kong as the platform for conducting their international transactions and to strengthen the linkage of the infrastructure of the Mainland and Hong Kong so that two-way payment and settlement will be made more efficient.



FINANCIAL INFRASTRUCTURE FOR DOMESTIC FINANCIAL ACTIVITIES

- **Debt market development – expansion of market size and promotion of retail investor base**
- **Retail payment systems – self regulatory approach; preparation of industry codes of practices; monitoring e-money development**
- **Integration of payment, clearing and settlement systems for money, debt securities, equities and their derivatives to enhance liquidity and promote real time DvP**

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Debt market development

- expansion of debt market size:
 - Exchange Fund Bills / Notes. Outstanding size: HK\$113.8 billion
 - HKMC debt securities. Outstanding size: HK\$20.3 billion
 - tax exemption / concession for qualified debt instruments, e.g. trading profit and interest income from Exchange Fund Bills and Notes are exempted from profit tax
- promotion of retail bond market:
 - Exchange Fund Notes and HKMC Notes listed on the Stock Exchange of Hong Kong
 - HKMC issues retail bonds to promote the retail bond market. Outstanding size: HK\$1.1 billion. The latest issue, which closed on 30 January, comprises three tranches with tenor of 2 years to 5 years. The subscription exceeded HK\$1 billion. Almost 3,500 investors have submitted applications
 - working closely with SFC to streamline procedures for public offer of debt securities

Retail payment system

- review completed in October 2001
- self-regulatory approach: working groups chaired by the HKMA set up to encourage operators and banks to prepare codes of practices for credit card, debit card and stored value cards
- Hong Kong is a world pioneer in e-money, with extensive usage and deep penetration. Development of e-money will be monitored closely in the light of the impact on market development and on seignorage

Integration of payment, clearing and settlement systems

- our debt settlement system (CMU) is already linked with the payment system in both US and Hong Kong dollars to provide delivery versus payment (DvP) facility for debt transactions
- the equities settlement system (CCASS) is linked with the payment system in both US and Hong Kong dollars to provide DvP facility for equities transactions. Working on extending the existing link with CCASS to enable CMU to set up an account with CCASS to clear and settle OTC trade in Hong Kong equities
- CCASS is linked to CMU, enabling CCASS members to hold Exchange Fund Notes and HKMC Notes listed on the Stock Exchange of Hong Kong



FINANCIAL INFRASTRUCTURE FOR INTERNATIONAL FINANCIAL ACTIVITIES

- **Promotion of US dollar RTGS in the region**
- **Proposal to develop a RTGS system for euro and yen**
- **International linkages of payment systems**
- **Promotion of international linkages of debt clearing systems**

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Promotion of US dollar RTGS in the region

- help Hong Kong to extend its financial infrastructure to the rest of the region
- aim to develop the most widely used US dollar clearing system outside the US

Proposal to develop a RTGS system for euro and yen

- attract euro and yen payments to Hong Kong
- provide PvP for the G3 currencies: US dollar, euro and yen
- promote the market for euro and yen-denominated debt securities in Hong Kong

International linkages of payment systems

- more than 80 banks outside Hong Kong have joined our US dollar RTGS system as indirect participants
- PvP for US dollar and Hong Kong dollar, implemented on 25 September 2000
- discussing with Bank of Thailand on possible PvP link between the Thai baht RTGS system and the US dollar RTGS system in Hong Kong

International linkages of debt clearing systems

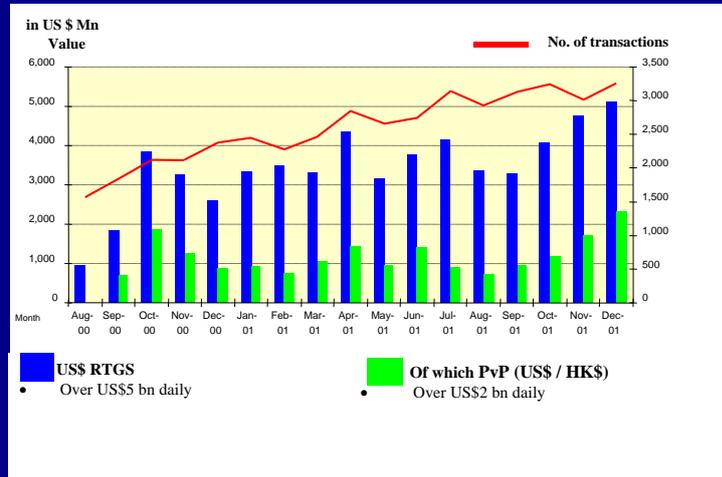
- advantages:
 - facilitate cross border holding and settlement of debt securities in Hong Kong and overseas
 - reduce settlement risk by providing DvP settlement for cross-border securities transactions
 - enlarge the investor base for debt securities in Hong Kong
 - enhance the attractiveness of the CMU by providing members in Hong Kong and in the region access to debt securities in the world market
- linkages:
 - one-way link from Euroclear and Clearstream to CMU (December 1994)
 - one-way link from CMU to Australia (December 1997)
 - two-way link between CMU and New Zealand (April 1998)
 - two-way link between CMU and Korea (September 1999)
 - a real time automated link from CMU to Euroclear (to be implemented by end 2002)
 - CMU clearing US Treasuries in Hong Kong (to be implemented before end 2002)



FINANCIAL INFRASTRUCTURE FOR INTERNATIONAL FINANCIAL ACTIVITIES

US dollar RTGS turnover (daily average)

- Rising turnover
- Hong Kong and regional membership
- First ever Pvp transaction was done in Hong Kong on 25 September 2000 between HK dollar and US dollar



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- Rising turnover despite the slowing local economy
- Increasing share of regional US dollar settlement business
- Two-tier structure
 - 64 direct participating banks
 - 124 indirect participating banks, with 83 from outside Hong Kong, of which
 - 41 from Mainland China
 - 12 from Taiwan
 - 5 from Macau
 - 1 from Luxembourg; and
 - 24 from other Asia-Pacific countries



FINANCIAL INFRASTRUCTURE FOR MAINLAND / HONG KONG FINANCIAL ACTIVITIES

- **Warrants special attention because of exchange controls and non-convertible currency in the Mainland, and rapid liberalisation**
- **Objective 1: greater use of Hong Kong for the Mainland's international financial activities**
- **Objective 2: address asymmetric mobility of capital by developing appropriate channels to facilitate cross-border flow of funds**

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- With the rapid economic development of the Mainland, we need to strengthen the linkage between our infrastructure system and that of the Mainland to ensure that financial transactions between the two can be conducted safely and efficiently. We also need to find ways to attract more Mainland institutions to conduct their international financial transactions in Hong Kong. These efforts require special and careful attention because the Mainland exercises exchange controls and the RMB remains non-convertible.
- Our efforts in this area focus on two objectives:
 - to encourage the Mainland institutions, both official and private, to make greater use of Hong Kong for their international financial activities; and
 - to address the asymmetric mobility of capital by developing appropriate channels to facilitate cross-border flow of funds.



MAINLAND / HONG KONG FINANCIAL ACTIVITIES – INITIATIVES

- **Location of international treasury operation of Mainland banks in Hong Kong**
- **Joint cheque clearing between Guangdong and Hong Kong**
- **Linkages in debt clearing systems**
- **Linkages in payment systems**

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Location of international treasury operation of Mainland banks in Hong Kong

- following the Mainland's accession to the WTO, it is envisioned that more financial institutions and individuals would be able to purchase foreign currency assets abroad. Demand for fund management and treasury product services is set to grow rapidly. Hong Kong is well placed to become the treasury centre for the Mainland
- the HKMA has worked on relevant authorities and banking institutions with an objective of attracting a critical mass of Mainland asset management / treasury business to Hong Kong

Joint cheque clearing between Guangdong and Hong Kong

- nearly 30 cities in Guangdong, including Guangzhou and Shenzhen, have joined this joint cheque clearing with Hong Kong
- existing one-way service: Hong Kong dollar cheques issued by banks in Hong Kong and presented in Guangdong. Soon to be extended to Hong Kong dollar cheques issued by banks in Guangdong and presented in Hong Kong, i.e. two-way service

Linkages in debt clearing systems

- CDC's Government Securities Book-entry System to CMU link – to facilitate authorised financial institutions in the Mainland to buy and hold securities cleared in the CMU

Linkages in payment systems

- 41 banks in the Mainland have already joined our US dollar RTGS system as indirect participants
- PBoC Guangzhou Branch has suggested a linkage between the Hong Kong dollar RTGS system in Hong Kong and their Hong Kong dollar system operating on the books of SAFE Guangzhou Branch



EXCHANGE FUND PERFORMANCE

(HK\$ billion)	2001	2000	1999
Gain / (Loss) on HK equities*	(27.1)	(7.3)	96.5
Gain / (Loss) on other equities*	(3.2)	0.5	3.8
Exchange gain / (loss)	(13.1)	(11.2)	(9.9)
Total return from bonds, etc	<u>50.4</u>	<u>63.1</u>	<u>13.4</u>
Investment income	7.0	45.1	103.8

* including dividends

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The Exchange Fund recorded a positive investment income of HK\$7.0 billion in 2001. The main components of this income were:

- a profit of HK\$50.4 billion from bonds and other investments
- a loss of HK\$27.1 billion on the Hong Kong equities portfolio
- a loss of HK\$3.2 billion on other equities
- an exchange loss of HK\$13.1 billion, as a result of the depreciation of the euro and the yen against the US dollar



EXCHANGE FUND INVESTMENT BENCHMARK

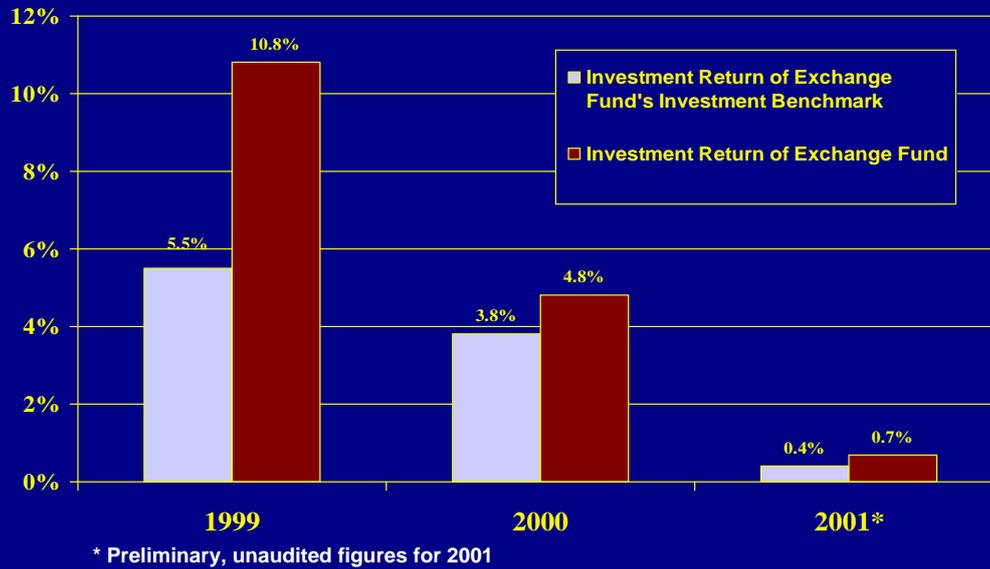
Bonds	80%
Equities	20% (Hong Kong : 5%)
Currencies	80% US dollar bloc 15% European bloc 5% Yen

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- The investment benchmark, which directs the long-term strategic investment of the Exchange Fund, is derived from the investment objectives of the Exchange Fund.
- The investment benchmark of the Exchange Fund adopted by the Exchange Fund Advisory Committee is an optimal mix of assets designed to meet the following investment objectives :
 - to preserve capital
 - to ensure that the entire monetary base will be at all times fully backed by highly liquid short-term US dollar denominated securities
 - to ensure sufficient liquidity for the purpose of maintaining monetary and financial stability
 - subject to above, to achieve an investment return that will preserve the long-term purchasing power of the assets



EXCHANGE FUND PERFORMANCE AGAINST BENCHMARK

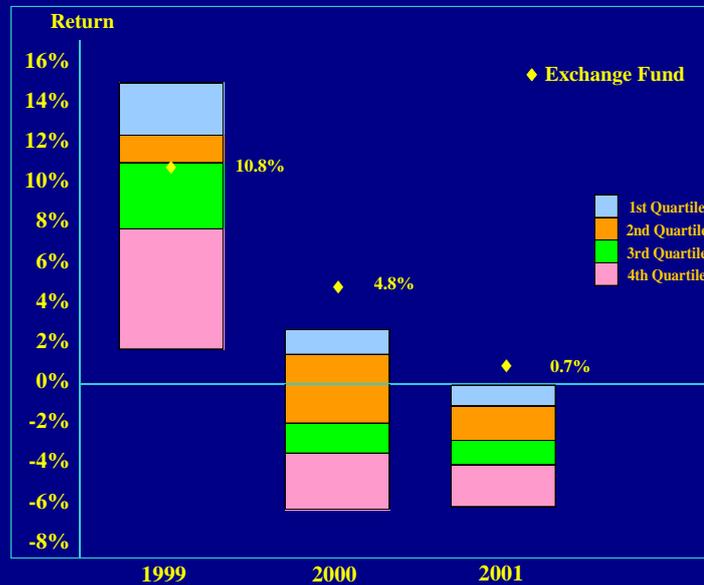


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- The investment return achieved in 2001 was substantially higher than the return on the investment benchmark (0.4% return on the investment benchmark return vs. 0.7% actual return on the Exchange Fund).
- This compares favourably with a large number of investment funds in the market.



INVESTMENT PERFORMANCE OF EXCHANGE FUND AND COMPARABLE BALANCED FUNDS



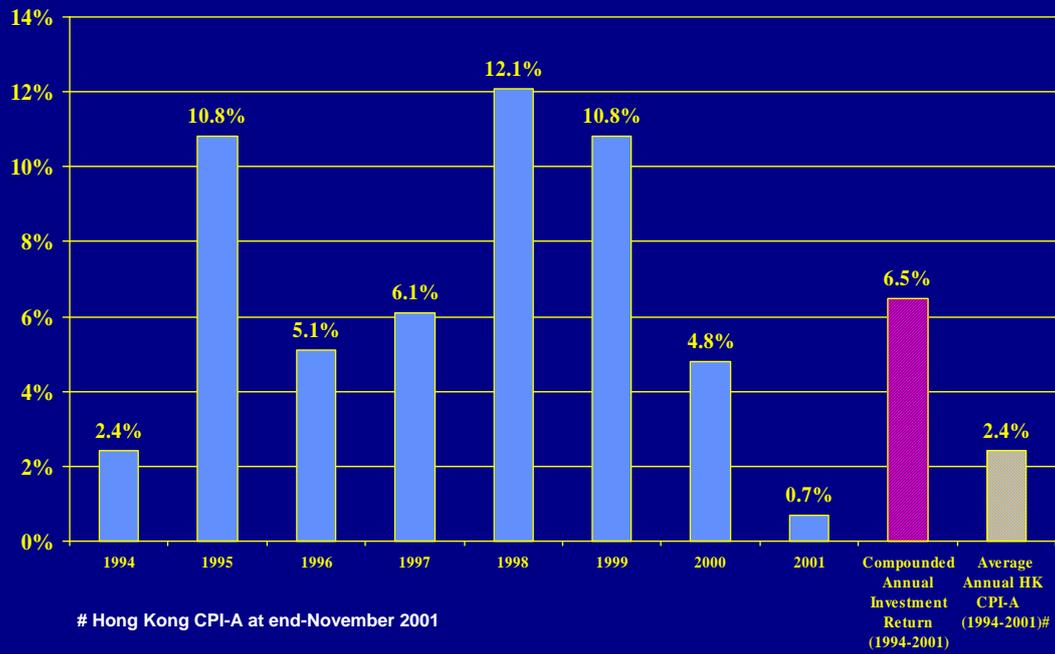
Balanced Funds with 20% - 30% Equity Component
Source: Watson Wyatt and Standard & Poor's

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- Although direct comparisons are not always easy or appropriate, generally speaking, the Exchange Fund achieved an investment return more favourable than those of other similar funds in the private sector, which range from -0.1% to -6.1%.



EXCHANGE FUND HISTORICAL RETURN



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- The investment performance of the Exchange Fund should also be viewed against a backdrop of a compounded 6.5% annual investment return achieved for the 8-year period from 1994 to 2001.



EXCHANGE FUND ABRIDGED BALANCE SHEET

(HK\$ billion)	2001	2000	Change
ASSETS			
Deposits	98.6	73.1	25.5
Debt securities	733.3	729.8	3.5
Hong Kong equities	85.9	152.9	(67.0)
Other equities	35.3	40.6	(5.3)
Other assets	<u>27.5</u>	<u>27.0</u>	<u>0.5</u>
Total assets	980.6	1,023.4	(42.8)
LIABILITIES AND ACCUMULATED SURPLUS			
Certificates of Indebtedness	107.5	99.2	8.3
Coins in circulation	5.7	5.9	(0.2)
Balance of banking system	0.7	0.7	-
Exchange Fund Bills and Notes	118.2	109.3	8.9
Placements by other HKSAR government funds	380.6	417.2	(36.6)
Other liabilities	<u>65.2</u>	<u>84.0</u>	<u>(18.8)</u>
Total liabilities	677.9	716.3	(38.4)
Accumulated surplus	<u>302.7</u>	<u>307.1</u>	<u>(4.4)</u>
Total liabilities and accumulated surplus	980.6	1,023.4	(42.8)

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- Owing mainly to the net drawdown of the fiscal reserves amounting to HK\$36.6 billion, the Abridged Balance Sheet shows that in the year 2001, the total assets of the Exchange Fund decreased by HK\$42.8 billion, from HK\$1,023.4 billion at the end of December 2000 to HK\$980.6 billion at the end of December 2001.



EXCHANGE FUND CHANGE IN ACCUMULATED SURPLUS

(HK\$ billion)	← ————— 2001 ————— →					2000
	Full year	Q1	Q2	Q3	Q4	Full year
Investment income/(loss)	7.0	(14.6)	(2.0)	10.4	13.2	45.1
Other income	0.2	0.1	0.0	0.1	0.0	0.2
Interest and expenses	<u>(9.9)</u>	<u>(2.8)</u>	<u>(2.8)</u>	<u>(2.3)</u>	<u>(2.0)</u>	<u>(11.0)</u>
Net investment income/(loss)	(2.7)	(17.3)	(4.8)	8.2	11.2	34.3
Treasury's share	<u>(1.7)</u>	<u>6.1</u>	<u>1.0*</u>	<u>(4.0)*</u>	<u>(4.8)*</u>	<u>(18.1)</u>
Increase/(Decrease) in EF accumulated surplus	(4.4)	(11.2)	(3.8)	4.2	6.4	16.2

* Treasury's share in the first three quarters of financial year 2001-02 : HK\$7.8 billion.

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- After deducting interest and other costs, and the sharing of investment income with the fiscal reserves placed with the Exchange Fund, the Accumulated Surplus registered a decline of HK\$4.4 billion.
- Return to fiscal reserves for the first nine months of the financial year 2001-02 was HK\$7.8 billion.
- Quarterly returns to fiscal reserves under the return sharing arrangement, started on 1 April 1998, are as follows:

	(HK dollar billion)			
	1998	1999	2000	2001
Q1	n.a.	5.2	2.6	(6.1)
Q2	4.1	18.0	(4.2)	(1.0)
Q3	6.9	(0.5)	7.7	4.0
Q4	<u>15.0</u>	<u>22.7</u>	<u>12.0</u>	<u>4.8</u>
	26.0	45.4	18.1	1.7
	===	=====	===	===

It is up to the Treasury to decide when to settle the return to fiscal reserves with the Exchange Fund.



EXCHANGE FUND HONG KONG EQUITY PORTFOLIO

(HK\$ billion)

Investment in August 1998	118.1
Income from Disposal and Dividends (end-Dec 2001)	139.9
Size of remaining portfolio (end-Dec 2001)	85.9
Disposal	36.9
Long Term Investment*	49.0

* Including Hong Kong equities transferred from the Land Fund in 1998 (valued at HK\$9 billion in 1998).

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- Already fully recouped the investment of HK\$118.1 billion in August 1998
- Managed to dispose of a substantial portion of Hong Kong stocks without any noticeable effect on the market.
- Of the remaining Hong Kong equity portfolio, we intend to keep 5% of the size of the Exchange Fund (i.e. HK\$49 billion as at end-December 2001), in accordance with the investment guideline of the Exchange Fund.
- Exchange Fund Investment Limited will continue to manage the disposal of the excess in an orderly way with minimum disruption to the market, just as it has done with the disposal so far.



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