

COMMITTEE OF GOVERNORS OF THE CENTRAL BANKS
OF THE MEMBER STATES
OF THE EUROPEAN ECONOMIC COMMUNITY

SECRETARIAT

5th December 1990

To the Committee of Alternates

In preparation for the Alternates' meeting on 10th December 1990 and in accordance with the procedure agreed at the last meeting (see my telefax dated 20th November 1990), please find attached copies of:

- the revised draft Report of the Chairman on the UK proposals for a hard ecu. The document incorporates amendments proposed by the French and British Alternates;
- the revised draft mandates for the Monetary Policy Sub-Committee, the Foreign Exchange Policy Sub-Committee and the Committee on Financial matters. Suggested inclusions are in italic type, and deletions are shown by overstrike.

Kind regards.



Gunter D. Baer

MANDATE FOR THE MONETARY POLICY SUB-COMMITTEE

In accordance with Article 8.5 of its Rules of Procedure the Committee of Governors hereby defines the tasks to be performed by its Monetary Policy Sub-Committee ("the Sub-Committee" hereafter). In the performance of its tasks, the Sub-Committee shall work in consultation with the Economic Unit. *Each, however, will report autonomously to the Committee of Governors in the performance of its duties.*

1. The Sub-Committee shall ~~prepare~~ *contribute to* the periodic consultations of the Committee of Governors regarding the monitoring of monetary policies (ex ante and ex post exercises). It shall base its work *primarily* on a *general* framework of targets and indicators ~~which has been agreed by~~ *as* the Committee of Governors *may agree*. The Monetary Policy Sub-Committee shall in particular:

- examine the monetary policy objectives and strategies envisaged by the Community countries for the year *or years* ahead and their compatibility with the aim of achieving price stability throughout the Community and with due regard to ~~the smooth functioning of the~~ *exchange rate stability within the EMS exchange rate* mechanism;
- monitor actual developments in final and intermediate variables, analyse causes for deviations and ~~propose~~ *analyse the scope for* corrective measures.

2. The Sub-Committee shall discuss all major issues relating to the conduct of monetary policies *in the various stages of EMU*. In this context, it shall:

- hold *prior* consultations *to the extent possible* on ~~any~~ changes in the definition of monetary and credit aggregates ~~which might be envisaged by~~ *in any* Community country;

- to develop a common analytical framework for evaluating any changes in the national definition of monetary aggregates and develop the related concepts of domestic and foreign sources;
- examine regularly, on a schedule agreed each year by the Governors, developments in the field of monetary policy instruments and evaluate their consistency with the requirements of an environment of fully liberalised capital flows and the necessity to prepare for the further stages of EMU.

3. The Sub-Committee shall review, on an annual basis, developments in the budgetary field including domestic and external debt management and their implications for the conduct of monetary policies.

4. The Sub-Committee may be entrusted by the Governors with the performance of any other work in the field of its competence.

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The Sub-Committee will organise its work in accordance with the provisions of Article 8 of the Committee of Governors' Rules of Procedure and the instructions which may be given by the Committee of Governors from time to time.

MANDATE FOR THE FOREIGN EXCHANGE POLICY SUB-COMMITTEE

In accordance with Article 8.5 of its Rules of Procedure the Committee of Governors hereby defines the tasks to be performed by its Foreign Exchange Policy Sub-Committee ("the Sub-Committee" hereafter). In the performance of its tasks, the Sub-Committee shall work in consultation with the Economic Unit. *Each, however, will respond autonomously to the Committee of Governors in the performance of its duties.*

1. The Sub-Committee shall prepare the monthly monitoring exercises of the Committee of Governors, in particular, assessing actual and prospective developments in the foreign exchange markets and giving an appraisal of policy measures taken by central banks in the field of *exchange market* interventions, exchange rate movements and [monetary policies] [*money market management*] against the background of economic and monetary conditions. *In addition, the Sub-Committee shall assess actual and prospective developments in non-EMS currencies (i.e. dollar, yen) and evaluate the need for and the extent of a common approach vis-à-vis those currencies.*

2. The Sub-Committee shall review on ~~an annual~~ *a regular* basis the principal developments in the EMS, including for instance the use of EMS currencies for intervention purposes, *the relationship between EMS currencies and third currencies* and changes in the composition *and level* of reserve holdings *with a view to signalling possible policy dilemmas in the functioning of the EMS*. It shall also monitor the development of the private ecu ~~and prepare an annual review~~.

[The Sub-Committee shall review on an annual basis the principal developments in the EMS, including an assessment of the functioning of the

ERM. It shall also monitor the development of the private ecu and prepare an annual review.]

3. The Sub-Committee shall arrange for regular exchange of information with non-EEC central banks, as approved by the Committee of Governors.

4. The Sub-Committee shall prepare the monthly reports of the Committee of Governors on developments in the foreign exchange markets of the countries participating in the concertation procedure.

5. The Sub-Committee shall supervise the functioning of the systems used for the exchange of voice and non-voice information among Community central banks and with the Secretariat as well as with the central banks which participate in the concertation procedure. When appropriate, it shall propose further improvements or new developments. Subject to the approval of the Committee of Alternates, the Sub-Committee might avail itself of the assistance of Special Groups of Experts in this field.

6. The Sub-Committee may be entrusted by the Governors with the performance of any other work in the field of its competence.

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The Sub-Committee will organise its work in accordance with the provisions of Article 8 of the Committee of Governors' Rules of Procedure and the instructions which may be given by the Committee of Governors from time to time.