

Confidential  
(Translation)

MINUTES\*  
OF THE 246th MEETING OF THE COMMITTEE OF GOVERNORS  
OF THE CENTRAL BANKS OF THE MEMBER STATES  
OF THE EUROPEAN ECONOMIC COMMUNITY  
HELD IN BASLE ON MONDAY, 11th JUNE 1990 AT 9.30 a.m.

---

Those present at the meeting were: the President of the Deutsche Bundesbank and Chairman of the Committee, Mr. Pöhl, accompanied by Mr. Tietmeyer and Mr. Rieke; the Governor of the Banque Nationale de Belgique, Mr. Verplaetse, accompanied by Mr. Rey; the Governor of Danmarks Nationalbank, Mr. Hoffmeyer, accompanied by Mr. Mikkelsen; the Governor of the Bank of Greece, Mr. Chalikias, accompanied by Mr. Papademos and Mr. Karamouzis; Mr. Linde, Director General at the Banco de España, accompanied by Mr. Durán; the Governor of the Banque de France, Mr. de Larosière, accompanied by Mr. Lagayette and Mr. Cappanera; the Governor of the Central Bank of Ireland, Mr. Doyle, accompanied by Mr. O'Grady Walshe and Mr. Reynolds; the Governor of the Banca d'Italia, Mr. Ciampi, accompanied by Mr. Dini and Mr. Santini; the Director General of the Luxembourg Monetary Institute, Mr. Jaans; the President of De Nederlandsche Bank, Mr. Duisenberg, accompanied by Mr. Muller; the Governor of the Banco de Portugal, Mr. Tavares Moreira, accompanied by Mr. Borges and Mr. Amorim; the Governor of the Bank of England, Mr. Leigh-Pemberton, accompanied by Mr. Crockett and Mr. Price; the President of the Commission of the European Communities, Mr. Delors, accompanied by Mr. Pons. Also present at the meeting was Mr. Dalgaard, Chairman of the Group of Experts. The Secretary General of the Committee, Mr. Morelli, his Deputy, Mr. Bascoul, and Mr. Scheller also attended.

---

\* Final text approved at the meeting on 10th July 1990.

I. Approval of the minutes of the 244th and 245th meetings

The Committee approved the minutes of the 244th and 245th meetings on the understanding that the editorial amendments suggested would be incorporated in the final text.

II. Adoption of the Rules of Procedure of the Committee and of a Press Communiqué

The Chairman said that the draft submitted for approval took account of the decisions taken by the Governors at their restricted meeting in May and was therefore a slightly modified version of the previous draft; he noted the Committee's agreement to retain the title of "Secretary General" of the Committee and reject the proposed title of "Secretary" of the Committee.

The Chairman observed that in Article 9 of the Rules of Procedure the functions of the Secretariat and the Economic Unit were defined rather rigidly; it should be agreed that, without being changed, the text could be interpreted flexibly and pragmatically; for example, the Secretary General might consider it appropriate on occasion for a member of the Economic Unit to act as rapporteur for a sub-committee.

The Chairman named the five economists he proposed for the Economic Unit: Mr. N. Jenkinson of the Bank of England, Mr. C. Monticelli of the Banca d'Italia, Mr. P. Petit of the Banque Nationale de Belgique, Mr. M.O. Strauss-Kahn of the Banque de France and Mr. J. Viñals of the Banco de España, who had agreed to join the Economic Unit even though he would not be heading it, given the structure adopted. The economists were due to begin their work in the course of August.

The Chairman informed the Committee that Mr. A. Bascoul had decided to leave the Secretariat and said that the Governors would have the opportunity to express their gratitude to Mr. Morelli and Mr. Bascoul in July. The other members of the Secretariat, viz. Mr. Scheller, Mr. Giles and Mr. Stubbe, would remain in office.

The Chairman said that he would inform the ECOFIN Council in Luxembourg that afternoon that the Governors had completed the reorganisation of the structure and working procedures of their Committee and that they were therefore ready for the start of Stage One of Economic and Monetary Union on 1st July 1990.

The Chairman reminded the meeting that the Secretariat had circulated a draft Press Communiqué summarising the decisions taken by the Governors; he proposed that the three current Chairmen be appointed as heads of the three Sub-Committees, but without specifying for what period, viz. Mr. H. Dalgaard for the Foreign Exchange Policy Sub-Committee, Mr. R. Raymond for the Monetary Policy Sub-Committee and Mr. B. Quinn for the Banking Supervisory Sub-Committee.

Mr. Ciampi said that he had no objection to a three-year term for the Chairmen of the Sub-Committees as provided for in the Rules of Procedure but that it would be advisable to have more precise rules concerning the appointment or re-appointment of Chairmen; for example, would a three-year term be renewable only once or several times? He suggested that the Rules of Procedure be adopted but that the appointment of the Chairmen of the Sub-Committees be postponed until the July meeting.

The Chairman observed that the names of the Chairmen of the Sub-Committees did not necessarily have to appear in the Press Communiqué but saw no reason to change the current Chairmen, given that the duration of their term could be left unspecified.

Mr. Leigh-Pemberton was of the opinion that, if the three current Chairmen were formally appointed on the basis of the new Rules of Procedure, their new term would be three years; this would not necessarily be the most desirable decision. In fact, certain of the Chairmen had already served for several years and might wish to retire, or the Governors might consider it appropriate to rotate or distribute these functions to some extent. It therefore seemed preferable to follow Mr. Ciampi's suggestion and to review the matter of the Chairmen of the Sub-Committees more fully at the July meeting.

The Chairman said that he was, broadly speaking, in agreement with Mr. Leigh-Pemberton's remarks; he proposed that:

- the question of the appointment of the Chairmen of the Sub-Committees be postponed until the July meeting;
- the text of the Rules of Procedure dated 31st May 1990 be adopted, with one small amendment: the words "for a period of three years" in the first sentence of Article 8, paragraph 4, would be omitted.\*

---

\* The final text is annexed to these minutes.

The Committee approved the Chairman's proposals.

Mr. Linde, Mr. Ciampi, Mr. de Larosière and Mr. Leigh-Pemberton commented on or proposed amendments to the draft Press Communiqué which had been sent to the Governors on 6th June 1990.

Mr. Jaans drew attention to the fact that, the more details that were given on the staff working for the Committee, the greater the likelihood that questions would be raised, for purely political reasons, as to why they should be located in Basle, given that it was a Community body.

In view of the comments and proposals made, the first sentence of the fourth paragraph of the draft was amended slightly, and the Committee approved the text of the Press Communiqué annexed to these minutes.

III. Monitoring of economic and monetary developments and policies in the EEC based on:

- Preparation by the "Dalgaard Group";
- Statistical charts and tables

A. Statement by Mr. Dalgaard

The "Monitoring Group" had not met as usual on the Monday morning in Basle, but it had held its weekly telephone concertations, plus the monthly telephone concertation on Friday, 8th June.

The main point of the discussions had been the tensions within the exchange rate mechanism between the French franc and the Italian lira. Since the narrowing of its margin in January the Italian lira had been at the top of the band, close to the limit, and most of the other currencies had been together close to the bottom, the Deutsche Mark and the Dutch guilder having moved gradually from the top to the bottom. In early May the lira had been alone at the top and the other six narrow-band currencies had been close together at the bottom.

This situation had been caused to some extent by the relatively high interest rates in Italy. Until early May it had not given rise to any major problems: the Banca d'Italia had intervened regularly in order to prevent the lira from reaching its upper limit, but the amounts involved had not been inordinate - at an average of US\$ 1 billion a month between January and April.

There had been two developments in May:

- on the one hand, five currencies had strengthened somewhat vis-à-vis the lira;
- on the other hand, the French franc had weakened to the point where, by mid-May, it had reached its limit against the lira, remaining there until early June.

There were a number of reasons for these movements:

- the Deutsche Mark and the Dutch guilder had been relatively volatile, reflecting expectations with regard to German monetary and economic union, but they had strengthened a little overall;
- the Belgian franc had firmed somewhat in connection with a leak to the press suggesting that the Belgian Government would to tighten its exchange rate policy and follow the Deutsche Mark more closely;
- the French franc had weakened, reflecting a feeling in the market that it might be less strong in the future, triggered by news of an increase in the minimum wage, the introduction of capital gains taxes, etc.

Faced with such a situation the Banca d'Italia and the Banque de France had responded as follows. The former had continued its intervention purchases, increasing the amount to almost US\$ 3 billion in Deutsche Mark, private ecus and French francs, part of the French franc interventions being at the limit. The Banca d'Italia had also lowered its discount rate by 1 point, although this had had no immediate effect on market rates.

The Banque de France had undertaken sales of lire amounting to US\$ 3.3 billion and had simultaneously purchased Deutsche Mark for the same amount, with the result that its net intervention had been close to zero. The "Monitoring Group" had agreed that both the sales of lire and the purchases of Deutsche Mark should be regarded as interventions, and they were therefore included in the monthly intervention tables and graphs. These interventions by the Banque de France had supported the Deutsche Mark instead of the French franc, but at the same time had helped weaken the lira; in addition, they had meant that French official reserves had remained unchanged. In fact, the Banque de France had used the Deutsche Mark purchased to settle the lira drawings on the Banca d'Italia. The latter's reserves had increased both by the amounts it had purchased directly and by an amount corresponding to the Banque de France's sales of lire, viz. by around US\$ 6.4 billion in total. It was worth noting that part of this increase had

been in private ecus, holdings of which had risen by 1.2 billion to a current total of 9 billion, i.e. by far the largest central bank holding. Total central bank holdings of private ecus amounted to ecu 22 billion, having increased by 5 billion since the end of 1989.

The tensions had continued during the first few days of June. The Banque de France had sold lire for US\$ 1.5 billion, but without simultaneously purchasing Deutsche Mark, with the result that the full impact of the intervention had been on the French franc/lira rate. The Banca d'Italia had continued to make purchases of various currencies, for a total of US\$ 0.7 billion. The Banque de France's sales of lire had been settled in French francs, adding to the French franc holdings of the Banca d'Italia, whose reserves had risen by a total of US\$ 2 billion in early June. During the last few days before the Basle weekend the need for intervention had ceased, perhaps mainly because Italian interest rates had finally showed a downward movement. The Banca d'Italia's representative had said that the fall was likely to continue during the summer months, since that was a favourable time of year for the balance of payments. The rather negative attitude towards the French franc could also be expected to disappear gradually, given that it was founded solely on market expectations or fears, whereas the economic fundamentals in France continued to be very favourable.

However, these developments had shown once again how substantial capital flows could be triggered by relatively small events. They also demonstrated how important it was for the central banks to avoid triggering such flows, and that those which nevertheless occurred should be neutralised quickly by the flexible use of all available instruments, as provided for in the Basle/Nyborg Agreement.

The sharp appreciation of the Spanish peseta was a further source of potential problems. It had begun in early April and had persisted since then, and by early June the peseta had been less than 1% from its upper limit. The rise was primarily the result of continuing very high interest rates in Spain. Even after a slight reduction in recent months, the differential vis-à-vis Deutsche Mark rates was still more than 6.5% for short-term and 5.5% for long-term rates, far wider than the differentials between the Deutsche Mark and the other currencies in the exchange rate mechanism. The Banco de España had recently stated that interest rates must be expected to remain high for some time yet. The peseta could therefore well reach its upper limit within a relatively short period.

Outside the EMS exchange rate mechanism, the pound sterling had strengthened somewhat and at the same time interest rates, particularly long-term rates, had eased. This improvement reflected a calmer political situation and, especially, rumours that the pound would join the exchange rate mechanism in the near future.

The Greek drachma had recently performed better than in previous months. The effective exchange rate had been stable since mid-May and net intervention sales had stopped for the time being. While Greece's economic problems had obviously not been solved, the market had apparently acknowledged the new Government's efforts to improve the situation.

The Portuguese escudo had been rather strong since a statement by the Prime Minister in early June which had been interpreted as implying that the escudo might join the exchange rate mechanism in the near future. It had since been made clear that there had been no change in Portugal's position and that entry into the mechanism was not imminent. The Banco de Portugal had had to make substantial intervention purchases, amounting to US\$ 800 million in late May and early June, despite the fact that it had for the first time allowed the effective exchange rate of the escudo to appreciate slightly.

Mr. Dalgaard ended his report on a positive note by drawing attention to the examples observed in the past month of the influence that the authorities' attitude towards the exchange rate could have on the market. These were:

- the strengthening of the Belgian franc in the wake of the leak about a stronger exchange rate policy;
- the appreciation of the pound sterling and the Portuguese escudo in connection with expectations of their early accession to the exchange rate mechanism.

#### B. Discussion by the Committee

The Chairman opened the discussion by noting that there had been no report from the Alternates on this occasion because they had not met before the Governors' meeting.

Mr. Verplaetse offered a number of remarks concerning exchange rate policy in Belgium. In this country with its very open economy, even more so than that of the Netherlands, a fixed exchange rate policy had always been pursued; following the collapse of the Bretton Woods regime

there had been the Benelux Agreement, the "snake" and the EMS. This policy had been interrupted in the early 1980s when, owing to economic and budgetary policy slippages, the Belgian economy had suffered fundamental disequilibria. In 1981 there had been a current balance-of-payments deficit of 4.5% of GNP, and the budget deficit had amounted to 14% of GNP. Since then a fundamental adjustment of the real economy had been undertaken: for the past four years the current-account surplus had been of the order of 2% of GNP each year, and the public sector deficit had been brought down to 6% of GNP, with a target of 2.75 to 3% within the next few years. Growth was very satisfactory and the annual rate of inflation had risen from 1.5 to 3% but had stabilised at that level.

After this restructuring of the real economy, a start had been made on a major financial reorganisation; in particular, it included the abolition of the two-tier foreign exchange market, the reduction of the withholding tax on interest income from 25% to 10% and a reform of the instruments of monetary policy and of the government securities market (a note from the Banque Nationale de Belgique setting out these measures was submitted to the Governors after the meeting).

In the light of this economic and financial restructuring, the international organisations such as the IMF and the OECD had recommended that the Belgian franc should align itself more closely with the strongest EMS currencies instead of staying near the bottom of the band with the lowest possible interest rates. The Banque Nationale de Belgique had put proposals to the Government and there had been a leak to the press. While no formal decision had as yet been taken, the Belgian authorities had agreed that in the event of a realignment within the EMS the Belgian franc would not be devalued in relation to the strongest currencies in the mechanism (unlike the 1% relative devaluation effected on the occasion of the last realignment in January 1987). The Government would make a formal announcement in this connection. In addition, in order to make this policy credible, instead of leaving the Belgian franc near the bottom of the band, an effort would be made to follow more closely the strong currencies considered to be the system's anchor of stability rather than those which were strong because of high interest rates; in practice, that had until now meant the Deutsche Mark. There would be no institutional arrangement different from the existing agreements and thus no limits within the 2.25% margin; it was an intention or statement of principle regarding the conduct of exchange rate policy,

designed to strengthen the other instruments of monetary policy and of interest rate policy in particular.

Mr. Ciampi said that, as he had announced at the May meeting, as soon as the expected budgetary measures had been taken the discount rate had been lowered by 1 point. Market interest rates had been falling since February, with money market rates and rates on three-month Treasury bills declining by around 1 1/2 points. In a spirit of co-operation, the Banca d'Italia had also intervened on the exchange markets to reduce the tensions; it hoped that this had been helpful, but should major interventions again become necessary, they should be shared more equitably among the central banks concerned. The Banca d'Italia intended to encourage the decline in nominal market interest rates in the future.

The Chairman said that he would like to know why the very large purchases of Deutsche Mark made by the Banque de France in connection with its interventions in lire had not been notified in the concertation and thus had not had the prior agreement of the issuing central bank, as stipulated in the Basle/Nyborg Agreement for interventions in Community currencies?

Mr. de Larosière had the following to say about these operations. For a number of weeks now, in close co-operation with the Banca d'Italia, which had been most constructive in the matter, the Banque de France had been carrying out the interventions which Mr. Dalgaard had described so well. The relatively favourable position of the French franc vis-à-vis the Deutsche Mark had made it possible to purchase that currency in order to settle the sales of lire undertaken at the same time, which amounted to acquiring Deutsche Mark on behalf of the Banca d'Italia, which had been in agreement. These operations had allowed influence to be exerted on the French franc/lira rate, which had been the main objective, without drawing on reserves and without significantly affecting the French franc/Deutsche Mark rate. These interventions, and the amounts involved, had been mentioned in the telephone concertation sessions and if the Deutsche Bundesbank had been unhappy about the purchases of Deutsche Mark its representatives would have said so. Moreover, these interventions had essentially been beneficial since they had supported the German currency. Thus both the spirit and the letter of the Basle/Nyborg Agreement had been respected.

Two lessons could be drawn from this experience. Firstly, the countries and the currencies in the exchange rate mechanism were very

sensitive to interest rate movements and in particular to rate differentials. If one country had interest rates much higher than the average of the others, it attracted large capital flows. In order to avoid this, all interest rates should adjust to the situation. In this respect it was to be welcomed that Italian market interest rates had been falling for several days - with a lag compared with the reduction in the discount rate - and that the earlier tensions and phenomena had been reduced or indeed eliminated.

Secondly, the Banque de France had not wanted to let the French franc reach its lower 2.25% limit, which would have led to use of the very short-term financing facility; it had in fact felt that there were no grounds for taking such a step, which meant financing interventions out of reserves, since the point of divergence had lain not with the franc but clearly with the lira, as a result of very attractive interest rates and certain fundamentals requiring adjustment. The Banque de France had allowed market rates to tighten but, given the favourable French economic fundamentals and the average position of the franc, there had been no reason either to draw on reserves or to raise official rates. It was to be hoped that these phenomena would resolve themselves with the gradual fall in Italian interest rates mentioned by Mr. Ciampi.

The Chairman, speaking in his capacity as President of the Deutsche Bundesbank, said that the Bundesbank had learned only after the event that the Banque de France had made purchases of Deutsche Mark for 5 billion over two weeks. No information had been given about these purchases in the concertation, still less had they had the prior agreement of the issuing central bank, which was required under the Basle/Nyborg Agreement.

The Chairman added that such situations should not arise again and that it would be desirable to clarify what had happened (perhaps there had been a misunderstanding), even though, fundamentally, the Banque de France's interventions could not be criticised.

Mr. de Larosière expressed surprise at Mr. Pöhl's remarks. The Banque de France's Deutsche Mark operations had been mentioned in the concertation and, as they had been repeated over a number of days, it might be held that silence implied consent. If there had been a misunderstanding it should be clarified, but the Banque de France considered that it had respected the Basle/Nyborg Agreement to which it had been and remained a full party.

The Chairman said that, while there was no need to dramatise one episode, it was important to learn from it, the lesson being that consultations and co-ordination regarding interventions should be strengthened in future in order to ensure a system of stable exchange rates.

Mr. Tavares Moreira said that the Portuguese escudo had indeed been subject to upward pressures in early June in connection with a misinterpretation of a statement by the Portuguese Prime Minister, who had said that Portugal was ready to join the exchange rate mechanism as soon as possible. The markets had taken this to mean that entry was imminent, particularly as two days later there had been a meeting attended by the Portuguese Finance Minister and the Vice-President of the Commission of the European Communities, Mr. Christophersen. This reaction by the market had obliged the Banco de Portugal to purchase US\$ 600 million of foreign exchange within three days and to allow the effective exchange rate to appreciate for the first time. The idea of participation in the exchange rate mechanism was clearly premature, given the situation in the real economy. However, it should be seen from these latest developments that the Portuguese authorities were ready to adopt a more flexible approach in their pursuit of the exchange rate objective. In other words, the fine-tuning approach followed for the past few years in the gradual devaluation of the effective exchange rate (currently 3% per annum) would be abandoned and replaced by a new method of exchange rate adjustment, about which the Committee would be informed shortly.

IV. Adoption of the Committee's report to the EEC Ministers of Finance on developments on the foreign exchange markets of the nineteen countries participating in the concertation procedure during May and the first few days of June 1990

The Chairman took note of the Committee's adoption of the "concertation report", which would be sent to the EEC Ministers of Finance in the usual way.

V. Other matters falling within the competence of the Committee

Mr. Ciampi informed the Committee that he had sent a letter to the Chairman inviting the Group of Experts on Payment Systems to meet in Italy in November.

The Chairman thanked Mr. Ciampi for his invitation.

VI. Date and place of the next meeting

Mr. Ciampi drew attention to the advisability of drawing up a timetable for the work on draft statutes for the European Central Bank System, as time was short if a document had to be ready by October.

The Chairman said that the Governors had already raised this question in May and had in fact agreed that draft statutes should be presented, if possible, in October; he proposed that the Committee's next meeting, on Tuesday, 10th July 1990 in Basle, should start at 9.30 a.m. as usual but last the whole day. The Governors would be able to draw up a more precise timetable at that meeting.

Mr. Rey added that the Alternates were preparing an interim report consisting essentially of draft statutes for the European Central Bank System, which should be sent to the Governors in time for the July meeting.

11th June 1990

RULES OF PROCEDURE  
OF THE COMMITTEE OF GOVERNORS OF THE CENTRAL BANKS  
OF THE EUROPEAN ECONOMIC COMMUNITY

---

The Committee of Governors of the Central Banks of the European Economic Community, hereafter referred to as 'the Committee of Governors';

Having regard to the Treaty establishing the European Economic Community, in particular Article 105(1) thereof;

Having regard to the Decision of the Council of the European Communities (64/300/EEC) of 8th May 1964 establishing a Committee of Governors of the Central Banks of the European Economic Community, as amended by the Council Decision (90/142/EEC) of 12th March 1990 and hereafter referred to as "the Decision", and in particular Article 5 thereof;

Having regard to the proceedings of the Committee of Governors of 9th January 1990;

Whereas the completion of the new tasks conferred upon the Committee of Governors also necessitate a reorganisation of the structure and working procedures of the Committee of Governors and thus a revision of its rules of procedure adopted on 12th October 1964;

HAS DECIDED to adopt the following rules of procedure:

Article 1 - Composition of the Committee of Governors and tasks

1. The Committee of Governors shall be composed of the Governors of the central banks of the Member States of the European Economic Community and the Director General of the Luxembourg Monetary Institute.

2. The tasks of the Committee of Governors are defined by Article 3 of the Decision.

Article 2 - Participation in the meetings of the Committee of Governors

1. Each Member may be accompanied at the meetings of the Committee of Governors, or be represented at such meetings, by another representative of their institution nominated by the respective Governor (hereafter referred as the "Alternate"). Each Member or his Alternate may be assisted by one expert from his institution.

2. The Commission of the European Communities shall, as a general rule, be invited to send one of its members as a representative to the meetings of the Committee of Governors. He may be assisted by one member of the Commission staff.

3. The Committee may, if it considers it necessary, invite other qualified persons to its meetings and in particular, the Chairman of the Monetary Committee.

4. The Chairman of the Committee of Governors may convene restricted meetings attended only by the Members, the Chairman of the Committee of Alternates and the Secretary General.

Article 3 - Voting

1. Each Member of the Committee of Governors shall have one vote. Where a Member is unable to attend, his right to vote shall automatically be delegated to his Alternate, referred to in Article 2 paragraph 1 above, or, in the absence of the Alternate, another designated representative nominated by the Governor.

2. All decisions will be taken by the Committee of Governors voting by simple majority unless the present rules of procedure state otherwise.

3. The opinions and the Annual Report referred to in Article 3 of the Decision shall be adopted by a simple majority vote, minorities being entitled to express their views in an annexed document. In respect of any other deliberation or memorandum, the Committee of Governors may express either majority or differing points of view or the unanimous views of its Members.

#### Article 4 - Chairmanship

1. The Committee of Governors shall appoint a Chairman from among its Members for a period of three years. Should the Chairman not complete his term, the Committee of Governors shall choose a new chairman for the remainder of the term. Should the Chairman be unable to officiate, his duties shall be carried out by the longest serving Member of the Committee of Governors.

2. The duties of the Chairman are in particular:

- to preside over the meetings of the Committee of Governors;
- to represent the Committee of Governors in other fora, especially in meetings of the Council of the European Communities, as well as in public;
- to direct and supervise the work of the Secretariat and the Economic Unit in accordance with the decisions of the Committee and subject to Article 9 hereafter.

#### Article 5 - Frequency, date and place of meetings

1. The Committee of Governors shall meet at regular intervals, normally ten times each year. The date and place of the meetings shall be decided by the Committee of Governors on a proposal from its Chairman.

2. The Chairman may also convene the Committee of Governors:

- (i) at the request of the Commission of the European Communities;
- (ii) at the request of a Committee Member, after consulting the other Members;

(iii) whenever he considers that the situation necessitates a meeting.

3. In exceptional circumstances meetings may also take place by way of teleconferences.

#### Article 6 - Organisation of meetings

1. The Agenda and - in cases of extraordinary meetings - the notices to attend shall reach the Members of the Committee of Governors eight days before the meeting, except in emergencies.

2. A record of the proceedings of the Committee of Governors shall be drafted after each meeting and submitted to the Members for approval at the next meeting.

#### Article 7 - Committee of Alternates

1. The Committee of Alternates shall be composed of the Alternates referred to in Article 2 paragraph 1 above.

2. Each Alternate may be accompanied at meetings, or be represented at such meetings, normally by one expert from his institution. The Commission of the European Communities shall, as a general rule, be invited to send a senior official as a representative to the meetings of the Alternates. He may be assisted by another member of the Commission staff. The Committee of Alternates may invite other qualified persons to attend its meetings.

3. The Chairman of the Committee of Alternates shall be appointed by the Committee of Governors on the proposal of its Chairman. The term of the Chairman of the Committee of Alternates shall normally be three years.

4. The Committee of Alternates shall prepare the work of the Committee of Governors on the basis of work carried out by the

sub-committees, the Secretariat and the Economic Unit. With the approval of the Committee of Governors, the Committee of Alternates may deal with specific matters relating to the functioning of central bank co-operation.

5. The Committee of Alternates shall normally meet before the meetings of the Committee of Governors.

6. The Secretariat of the Committee of Alternates shall be provided by the Secretariat of the Committee of Governors.

#### Article 8 - Sub-committees and groups of experts

1. The Committee of Governors shall be assisted by three sub-committees, namely:

- (a) the monetary policy sub-committee
- (b) the foreign exchange policy sub-committee
- (c) the banking supervisory sub-committee.

The Committee of Governors may set up groups of experts on an ad hoc basis.

2. The sub-committees shall be composed of senior officials from the central banks represented in the Committee of Governors and the Luxembourg Monetary Institute. In those cases in which a Community central bank is not directly responsible for banking supervisory matters, a senior representative of the respective banking supervisory authority shall also be invited to participate in the meetings of the banking supervisory sub-committee.

3. The Commission of the European Communities shall be invited to be represented at the meetings of the sub-committees when matters particularly relevant to the Commission are discussed. The sub-committees may, if they consider it necessary, invite qualified experts to attend their meetings.

4. The Chairmen of the sub-committees shall be appointed by the Committee of Governors on a proposal by its Chairman. The Committee of Governors shall also appoint the Chairmen of the groups of experts.

5. The tasks of the sub-committees and of the groups of experts shall be defined by the mandates given by the Committee of Governors.

6. The sub-committees and groups of experts shall meet to the extent necessary for accomplishing the tasks defined in the mandates referred to in paragraph 5 above. The meetings will be convened by the respective Chairman following consultation with the Secretariat.

7. The Secretariat of the sub-committees and of the groups of experts shall be provided by the Secretariat of the Committee of Governors.

8. Subject to a unanimous decision, the Committee of Governors may at any time set up further sub-committees or abolish existing ones.

#### Article 9 - Secretariat and Economic Unit

1. The Secretary General of the Committee of Governors and the professional members of the Secretariat and the Economic Unit shall be appointed by the Committee upon the proposal of its Chairman. They shall be nationals of the Member States of the European Communities.

2. The Secretariat and the Economic Unit shall be under the authority of the Secretary General of the Committee of Governors. The Secretary General shall report to the Chairman of the Committee of Governors.

3. The duties of the Secretariat shall, in particular, be:

- (a) to provide operational support of the meetings of the Committee of Governors, the Committee of Alternates, the sub-committees and the groups of experts;
- (b) to assist the Chairmen of the Committee of Governors, the Committee of Alternates and the sub-committees and the groups of experts in the execution of their duties;
- (c) to draw up the records of the meetings of the Committee of Governors and to prepare its opinions referred to in Article 3 above and all other memoranda;

- (d) to act as rapporteur for the Committee of Alternates, the sub-committees and the groups of experts and to provide them with adequate statistical information and documentation;
- (e) to manage the archives of the Committee of Governors;
- (f) to liaise with the bodies of the European Community, international institutions and non-EEC central banks;
- (g) to execute all other tasks entrusted to it by the Committee of Governors, the Committee of Alternates, the sub-committees and the groups of experts.

4. The principal tasks of the Economic Unit shall be:

- (a) to prepare research and analytical papers on subjects relating to the functions of the Committee of Governors;
- (b) to identify issues for discussion by the Committee of Governors;
- (c) to draft the Committee of Governors' Annual Report;
- (d) to deal with other matters as requested by the Chairman of the Committee of Governors.

5. The Secretariat and the Economic Unit shall be provided with supporting staff which shall be appointed by the Secretary General of the Committee of Governors. They shall normally be nationals of the Member States of the European Communities.

6. The Secretariat and the Economic Unit shall be independent - in their work - from any other national or international institutions or governments.

7. The members of the Secretariat and the Economic Unit shall be required, even when no longer engaged in these duties, to refrain from disclosing information which, by its nature, is covered by requirements of professional secrecy.

#### Article 10 - Financial provisions

1. Expenditure incurred for the functioning of the Committee of Governors shall be shared among the central banks represented on this

Committee proportionately to their quotas in the short-term monetary support or in a manner which the Committee of Governors may decide from time to time.

2. The Committee of Governors will be presented with annual statements on past expenditure as well as projections of expected outlays.

#### Article 11 - Relations with third countries

The Committee may establish procedures and mechanisms for the voluntary exchange of information between the central banks of Community and third countries.

#### Article 12 - Confidentiality

1. The proceedings of the Committee of Governors, the Committee of Alternates, the sub-committees and groups of experts shall be confidential subject to the provision that the Committee of Governors may authorise its Chairman to make the outcome of its deliberation public.

2. All documents drawn up by the Committee of Governors, the Committee of Alternates, the sub-committees and the groups of experts shall be confidential unless the Committee of Governors decides otherwise.

#### Article 13 - Final provisions

1. The rules of procedure of the Committee of Governors of 12th October 1964 are hereby repealed.

2. Amendments to the present rules of procedure necessitate a unanimous decision by the Committee of Governors.

Basle, 11th June 1990

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

11th June 1990

**PRESS COMMUNIQUÉ**

---

At its meeting of 11th June 1990 the Committee of Governors, under the Chairmanship of Mr. Pöhl, President of the Deutsche Bundesbank, completed the reorganisation of its structure and working procedures. With this step the Committee has finalised its preparations for the entry into force of the Stage One of the realisation of Economic and Monetary Union on 1st July 1990.

In accordance with a new set of rules of procedure, the Committee of Governors will be assisted by the Committee of Alternates, three sub-committees and the enlarged Secretariat.

The Committee of Alternates will be chaired by Monsieur Jean-Jacques Rey, Director of the Banque Nationale de Belgique. The three Sub-Committees will be the Foreign Exchange Policy Sub-Committee, the Monetary Policy Sub-Committee and the Banking Supervisory Sub-Committee.

In the context of this reorganisation, the Committee of Governors also appointed five economists for the Economic Unit which will be added to the existing Secretariat. The principal task of this Unit will be to provide analytical support to the work of the Committee of Governors. Both the Secretariat and the Economic Unit will be headed by Dr. Gunter D. Baer, who has been appointed Secretary General of the Committee of Governors with effect from 1st July 1990.

The Committee of Governors is confident that these organisational changes will contribute to strengthening further central bank co-operation and monetary policy co-ordination and, in particular, enable it to fulfil the tasks conferred upon it under the amended Council Decision on co-operation between Community central banks.