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MINUTES

OF THE 265th MEETING OF THE COMMITTEE OF GOVERNORS OF THE CENTRAL BANKS OF THE MEMBER STATES OF THE EUROPEAN ECONOMIC COMMUNITY

HELD IN BASLE ON TUESDAY, 14TH APRIL 1992 AT 10.00 a.m.

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I. Approval of the minutes of the 264th meeting

The <u>Committee</u> approved the minutes of the 264th meeting.

- II. <u>Monitoring of economic and monetary developments and policies in the EEC</u> <u>based on:</u>
 - Preparation by the Foreign Exchange Policy Sub-Committee (Monitoring)
 - Statistical charts and tables prepared by the Secretariat
 - 1. <u>Statement by Mr. Saccomanni, Chairman, Foreign Exchange Policy</u> <u>Sub-Committee (Monitoring)</u>

The Monitoring Group had noted that doubts about the strength of the US economy had led to a weakening of the US dollar which had continued after the release of US employment data and the easing of the Federal funds rate. Official statements indicating that there was room to lower interest rates further had led to expectations of a discount rate cut. The outlook for the US currency remained dependent on US economic data and the dollar was therefore liable to fluctuate further.

Recent market developments in respect of the Japanese yen had taken place against a background of serious structural problems in the Japanese financial system. Despite the continuing bearish sentiment in the Japanese stock market, the yen had remained relatively stable vis-à-vis the US dollar whilst it had weakened a little against the Deutsche Mark. Some support to the yen might have been provided by the liquidation of foreign Japanese investments although the size of such inflows into Japan was uncertain. Widespread disappointment about the impact of the monetary and budgetary measures recently introduced in Japan appeared to have led to a shift from the bond market towards short-term placements.

In the EMS, the market appeared to have reacted well to the entry of the Portuguese escudo into the ERM; only limited interventions had been needed to keep the Portuguese currency below its limit against the pound sterling. Some tensions had developed in the wide ERM band as a result of uncertainties connected with the general election in the United Kingdom which had necessitated modest intervention by the Bank of England and the Bank of Spain. On news of the results, the pound sterling had strengthened considerably amidst rumours of a possible entry into the narrow band and expectations of a cut in interest rates. In the narrow ERM band, the Italian lira had come under pressure ahead of the general election in Italy. The tension, which had been met by the use of the Basle/Nyborg instruments, had subsided after the election results had become known. Elsewhere, the situation had been generally calm. Money market interest rates in Germany had been stable although bond rates had declined a little; no change in monetary policy was expected. The French franc had continued to rise in the narrow ERM band; interest rates had been stable and monetary policy was likely to remain unchanged in view of the stronger growth of monetary aggregates and the projected increase in the budget deficit. In the Netherlands and Belgium, market forces had induced domestic short-term interest rates to decline below the corresponding rates in Germany without impact on either the Dutch or Belgian currencies. Outside of the ERM, the Greek drachma had remained relatively stable due to Greece's improved current account position and sizable capital inflows, but had weakened a little in early April when the Bank of Greece adopted a more flexible exchange rate policy to limit short-term inflows.

The Group had also had a meeting the previous day with representatives of the Sveriges Riksbank to review the latter's policy on intervention and reserve management. Its transactions in the foreign exchange markets had reached very large proportions and had involved a number of EMS currencies, in particular the Deutsche Mark, with little information being provided to the issuing central bank. During the discussion. the representatives of Sveriges Riksbank mentioned the following points. Firstly, great importance was attached to keeping the krona stable in the band set vis-à-vis the ECU. Secondly, this goal had been achieved quite satisfactorily up until the devaluation of the Finnish markka; a new crisis in Finland on 3rd April had again destabilised the krona. Thirdly, Sweden had a very large foreign exchange market which handled the foreign exchange operations of the larger Swedish corporations; tensions could lead to large capital movements in both directions. Fourthly, interventions by the Riksbank were an important, and frequently used, instrument; interest rates were also actively managed. Fifthly, the Riksbank followed a policy of keeping the currency composition of its reserves relatively stable.

In the Monitoring Group, the following remarks were made. Firstly, the Riksbank's active role in the foreign exchange market might have led market participants to regard the central bank as the normal counterpart for their operations and as a means to limit their foreign exchange risks. Secondly, a more flexible exchange rate policy by the Riksbank might increase the perception of exchange risks and encourage a more stabilising behaviour by the Swedish commercial banks. Thirdly, the Riksbank's policy of selling foreign currencies for intervention purposes, and subsequently buying them back to re-balance the composition of its reserves, could cause confusion among market participants. Fourthly, more information on the amount and timing of interventions and re-balancing transactions was needed to assess their impact on EMS currencies. The Monitoring Group, as well as the representatives of the Sveriges Riksbank,

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concluded that the exchange of views had been useful. It was agreed that, although the Riksbank was under no obligation to consult with other central banks prior to transacting in their currencies, greater co-operation and transparency on the operations undertaken would be helpful.

2. Statement by Mr. Rey, Chairman of the Committee of Alternates

The Alternates had had little to add to Mr. Saccomanni's report on US dollar developments, but had concentrated on recent trends in the Japanese economy which had given the impression that events had developed beyond the control of the Japanese authorities. The lowering of the discount rate by the Bank of Japan was difficult to reconcile with its previously stated concern to avoid any move that would bear downwards on the Japanese yen at a time of a growing current account surplus. The current uncertainty could lead to a crisis of confidence which might spread to world financial markets, and negatively affect real economic developments at a moment when there were signs of an economic recovery in the United States, France and the United Kingdom.

No tension in the EMS had followed the decision to take the Portuguese escudo into the ERM owing to the co-operation among the central banks and, to some extent, to the capital controls which still existed in Portugal; although these would have to be lifted in due course. Portugal's inflation performance had improved in recent months, although it was still not satisfactory and might suffer a setback when indirect taxes were raised. The Portuguese authorities believed that the prospects for inflation and productivity gains in the tradable goods sector in Portugal would allow a stable nominal exchange rate to remain consistent with competitiveness in the long run.

Some Alternates had remarked on the procedures which should be followed before currencies joined the ERM. Some were of the view that, although not formally required at present, prior consultation should be organised among central banks so as to assess the prevailing economic conditions. Such assessments might also be desirable before a currency moved to the narrow ERM band. The Alternates had also been informed of the new system for managing liquidity and short-term interest rates in Denmark, and of the steps that were being taken to remedy the technical problems which had emerged when the Governors had recently attempted to hold a teleconference.

3. <u>Discussion by the Committee</u>

<u>Mr. Tavares-Moreira</u> said that he was aware that the decision to take the Portuguese escudo into the ERM had been a surprise. The markets had reacted well to the decision and only small interventions had been necessary. Contrary to some press reports, the Portuguese central bank had not been against joining

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the ERM. The decision was not inconsistent with the current state of the Portuguese economy; the Portuguese escudo had been stable in nominal terms throughout 1990 and 1991 and inflation in tradeable goods had fallen to around 6 - 6.5%, close to the EC average.

<u>Mr. Leigh-Pemberton</u>, referring to the possibility of the pound sterling entering into the narrow ERM band, said that it remained the position of the UK Government to apply to join the narrow band only once the pound sterling could be sure to remain within it.

<u>Mr. Schlesinger</u> said that it was appropriate to consider how future applications to join the EMS, and to move from the wide band to the narrow band, should be handled. With regard to the forecasts which had been made by leading German institutes about the German economy, these should not be regarded as pessimistic. The forecasts appeared to be not as good as those presented six months ago, only because it had become known since then that GDP in Germany had declined both in the third and fourth quarters of 1991. Preliminary estimates for the first quarter of 1992 indicated that GDP had increased by at least 1 percentage point vis-à-vis the fourth quarter of 1991; this was in line with the projection for 1992.

<u>Mr. Christodoulou</u> said that as Greece was now the only Community country left outside, he hoped that any review of the conditions for joining the ERM in the future would not result in a change in the current rules.

The Chairman said that the Alternates should clarify this matter.

III. 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 March and the first few days of April 1992

The <u>Committee</u> adopted the report, which would be sent to the EEC Ministers of Finance in the usual way.

- IV. Statistical programme of the Community
 - 1. Statement by Mr. Rey, Chairman of the Committee of Alternates

The Committee of Governors had been requested by the Committee on Monetary Financial and Balance of Payment Statistics (CMFB) to give its opinion on the draft Statistical Programme of the Community covering the years 1993-1997. The Alternates had been in broad agreement with the findings of the Heads of Statistical Departments in this regard. There was a need to establish the leadership of the Committee of Governors in those statistical areas which would be a prerequisite for the conduct of the single monetary policy in Stage Three. At the same time, a framework of mutual co-operation would have to be

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established with EUROSTAT based on a clear understanding of respective responsibilities.

There were, however, differences of view with respect to whether the EMI/ECB should be responsible for the harmonisation of statistics on balances of payments on a settlement basis and financial accounts. The revised text of the draft opinion stated that all statistics on money and banking would fall within the competence of the central banks (i.e. the Committee of Governors and later the EMI/ECB) and claimed potential responsibility for balance of payments and financial accounts statistics, which would be defined as appropriate for the conduct of monetary policy and foreign exchange operations.

The Alternates also wished to underline that the endorsement of the draft opinion by the Governors committed them to contribute actively to the implementation of the Statistical Programme. A Working Group on Statistics should be created to set in motion the necessary preparatory work; a mandate for this group would be drafted. The Alternates suggested that the Foreign Exchange Policy and the Monetary Policy Sub-Committees should provide input from the users' point of view.

2. <u>Discussion by the Committee</u>

The <u>Committee</u> endorsed the draft opinion which would be transmitted to the CMFB, and agreed that a Working Group on Statistics be created. A mandate for the latter was to be drafted.

V. Implementation of CEBAMAIL

1. Statement by Mr. Rey, Chairman of the Committee of Alternates

Mr. Bourguignon, the Chairman of the Working Group in charge of the implementation of CEBAMAIL, had reported that the progress made in the implementation and development of the system during the last few months was such that the Working Group considered that its mandate had been basically fulfilled. However, some work remained to be done with regard to completion by end-1992 of a programme of development and upgrading so as to improve user-friendliness, system administration and independence from single vendors. The Working Group had recommended that the strategic ownership of CEBAMAIL should remain in the hands of the Governors.

The Alternates had endorsed the Working Group's recommendations regarding the development, upgrading, co-ordination and funding of CEBAMAIL. A decision on its geographical enlargement should only be taken once this work had been completed. The Alternates suggested that the present Working Group should continue its follow-up work until the end of the current year.

2. <u>Discussion by the Committee</u>

The <u>Committee</u> agreed that the Working Group should continue with the follow-up work on CEBAMAIL until the end of the current year.

VI. Functions and structure of the EMI

1. Work programme

(a) Statement by Mr. Rey, Chairman of the Committee of Alternates

The Alternates had discussed further the functions and structure of the EMI and their implications for the work programme of the Committee of Governors. As mentioned in the Committee of Alternates' note dated 7th April 1992, there were three functions of the EMI in respect of which preparatory work should be undertaken. Firstly, the EMI would take over the tasks of the Committee of Governors and would seek to strengthen monetary policy co-ordination with a view to ensuring price stability. A number of suggestions had been made to improve the process of co-ordination. Secondly, the EMI would have to prepare the ground for the single monetary policy in Stage Three. This involved a wide range of areas which were all relevant to providing the framework for the ESCB to be able to perform its tasks, several of which would Thirdly, the EMI must oversee the development of the ECU have a long lead time. and be in a position to exercise some operational functions. In this regard, there was scope for different interpretations and further clarification was required.

With respect to the working methods and assignment of work, the Alternates suggested that they should deal with issues of a more political nature, and request the assistance of the Heads of Personnel in respect of staffing issues. For issues of a more technical nature, the work should be assigned to the existing Sub-Committees and new working groups; the latter should undertake work in five priority areas. Firstly, with regard to the printing and issuing of banknotes, the Governors had already agreed a mandate for a working group. Secondly, the matter of payment and settlement systems would be discussed at the Governors' meeting in May on the basis of the reports of the Ad Hoc Working Group on EC Payment Systems. Thirdly, the work in the area of statistics had already been discussed under agenda item IV. Fourthly, work on information systems should start at an early stage, to ensure that national central banks did not engage in inconsistent planning and to define the right questions which should be put to end-users so as to determine the future requirements for computerisation and communication. The issues in this area had a long lead time. Finally, the preparation of uniform accounting rules and practices of national central banks, which would be required for monetary policy

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purposes as well as for the implementation of the financial provisions of the ESCB, was also likely to take a long time.

If the Governors approved the Alternates' proposals, appropriate mandates would be drafted which would include provisions for regular reporting as well as the co-ordination of the work under the supervision of the Committee of Governors and of the Alternates. These proposals would also provide a basis for determining the staffing requirements of the Secretariat.

(b) Discussion by the Committee

<u>Mr. de Larosière</u> recalled that the Governors, at a previous meeting, had agreed that work should begin among those responsible for personnel in the national central banks on issues relating to the staffing of the EMI and ECB.

<u>Mr. Rey</u> said that, at the Governors' meeting in March, it had been decided that the Heads of Personnel should meet to discuss an exchange of staff between national central banks but they had not been specifically mandated to discuss the future conditions of employment in the EMI.

<u>Mr. Baer</u> said that his understanding was that the Heads of Personnel had planned to convene on an informal basis to discuss, inter alia, employment conditions in the context of the EMI. However, the present intention was that the general staffing policies should first be considered by the Alternates before involving the Heads of Personnel.

The <u>Chairman</u> said that these issues should first be discussed among the Alternates before a special procedure was determined.

<u>Mr. de Larosière</u> said that he would be content with that approach as long as the subject was not forgotten, since Bank of France staff were now posing questions about the future staffing arrangements for the EMI. Given the remaining time before the start of the EMI, this matter was becoming urgent.

While the Working Group on Statistics should be established soon, <u>Mr. Schlesinger</u> said that he was less certain about the work of the proposed Working Group on Information Systems; more concrete ideas about the issues were required before setting it up. The Working Group on Accounting Issues was also not so urgent, although it involved some very complicated issues and, in the case of Germany, would require some changes to the law governing the Deutsche Bundesbank. The question of staffing was also complex; the Alternates should determine the scope of the personnel representatives' deliberations before the Heads of Personnel were asked to convene.

<u>Mr. Ciampi</u> said that he agreed with the proposals made by the Alternates in respect of the various working groups. He also agreed that an informal meeting between Heads of Personnel should take place initially only to

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exchange information. More generally, increasing importance would have to be attached to the Secretariat, the responsibilities of which should not continue to be limited to supporting working groups and sub-committees. The latter should concentrate on deciding what work had to be done while the Secretariat should deal with the technical work involved, and thereby develop into an essential structure in preparation for the future EMI; its staff must therefore be reinforced.

The <u>Committee</u> agreed that special mandates should be drafted for the three existing sub-committees and mandates for new working groups on statistics, information systems and accounting issues. A mandate had already been agreed by the Committee in respect of a working group on banknote printing and issuing; and matters relating to payment systems would be decided at the Committee's meeting in May. As far as questions relating to the future staffing of the EMI were concerned, the Alternates should first discuss the policy aspects of this issue before the Heads of Personnel were asked for their contribution.

- 2. <u>Issues related to the irrevocable fixing of parities at the beginning</u> of Stage Three (Foreign Exchange Policy Sub-Committee Report No. 8
- (a) <u>Statement by Mr. Rey, Chairman of the Committee of Alternates</u>

The Alternates had discussed three topics. Firstly, there should be no realignment at the moment of the irrevocable fixing of exchange rates at which time the prevailing market rates should be used as conversion rates. On the question of rounding, the risks relating to increased uncertainty and to the possibility of an implicit realignment outweighed the benefits; only a major realignment could provide the scope for a significant rounding. Secondly, the report raised some broader issues regarding ways to stabilise market expectations prior to entry into Stage Three. The Treaty did not preclude the possibility of a realignment during the period between the moment the decision to move to Stage Three was taken and its start date; this could destabilise the markets. Furthermore, market rates could be manipulated before the adoption of the conversion rates at the beginning of Stage Three; the possible prior announcement of the proposed conversion rates might help to stabilise market expectations. There had also been a general sentiment that it would be inappropriate to have a realignment during the interim period, especially of currencies which would participate in Stage Three. Thirdly, the report stated that the move to Stage Three could raise questions of legal interpretation about ECU-denominated bond contracts. The Alternates differed as to whether this question should be considered by central banks. One Alternate felt that it was a matter for the national treasuries; others felt that the central banks needed to

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take an interest in all aspects of the Community's future currency. The Alternates were not in favour of inviting legal experts to investigate this matter, although national treasuries should be notified that a problem could exist.

Although further work would be required at a later date, the Alternates proposed that each Governor provide his respective country's Finance Minister with a copy of the report on the understanding that its contents were for the use of the Minister and did not necessarily reflect the final view of central banks on these issues.

(b) <u>Discussion by the Committee</u>

<u>Mr. Ciampi</u> noted that it was important to discuss the report, which should be sent to the Finance Ministers. However, the issue was at the same time so remote and delicate that it was premature to examine it further for the time being.

<u>Mr. Leigh-Pemberton</u> said that he agreed with the report's findings and, particularly, with the recommendation that the report should be passed on an informal basis to the Finance Ministers. It was notable that the markets were still prepared to transact using ECU instruments against the prospect that the ECU might change in the future and that not all Community countries were likely to participate in Stage Three from the start.

<u>Mr. Schlesinger</u> said that up until the start of Stage Three, the ECU would not be a common currency, rather it was an innovation of the markets and, as such, the central banks were not in a position to give particular advice to their Finance Ministers. However, the report could be passed to them in the way which had been proposed although it should be made clear that the ECU, as it was currently constituted, carried some risks and that the central banks could not recommend that they themselves should take these on.

<u>Mr. de Larosière</u> added his support for passing the report to the Finance Ministers. The best way to achieve a smooth transition to Stage Three would be for economic policies to converge; this implied reinforcing the co-ordination of monetary policies. At the beginning of Stage Three, the ECU basket would disappear and be replaced by the new ECU which, initially, would have the same market value as the former basket currency. However, after the start of Stage Three, it would be a currency in its own right.

<u>Mr. Schlesinger</u> asked to delete the last sentence of conclusion number 6 on page 13 of the report, which read, "However, it supported the idea that national treasuries should, where applicable, be encouraged to agree on a common legal approach in their own future issues of ECU securities",

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<u>Mr. Saccomanni</u> said that the Foreign Exchange Policy Sub-Committee had agreed that this would not involve any commitment on the part of any central bank which did not have a role in the ECU market. However, the majority of the Sub-Committee members felt that, since a number of national treasuries were involved in issuing ECU-denominated bonds, it might be helpful for the sake of protecting the stability of the market if they were to agree on a common approach.

The <u>Committee</u> agreed that the words "most members" should replace the word "it" in the final sentence. A copy of the report should be passed by each Governor to the Finance Minister in his respective country.

- 3. Legal issues relating to the ECU at the start of Stage Three of EMU
- (a) Statement by Mr. Rey, Chairman of the Committee of Alternates

The Deputy Alternates had examined the legal issues relating to the ECU at the beginning of Stage Three. Their report had identified two main questions on which divergent views had been expressed. Firstly, there was agreement that the Treaty provision that "the ECU will become a currency in its own right" implied the removal of all legal, administrative and regulatory obstacles, the abandonment of the basket, the irrevocable fixing of exchange rates between the ECU and the national currencies, and the ECU's role in the conduct of the single monetary policy. The majority felt that these attributes would be sufficient to establish the status of the ECU as a currency in its own right. The other view was that the provision required the immediate issuance at the start of Stage Three of ECU banknotes and coins with legal tender status.

The second question related to the choice of the best method for the introduction of the ECU as the single currency. On the assumption that each of the two methods considered would be consistent with the Treaty, political and practical considerations would have to determine the choice between issuing ECU banknotes at the start of Stage Three or postponing such action until the date at which the ECU would be introduced as the single currency. The merits of both scenarios had been assessed on the basis of four criteria: the contribution to the political drive towards the introduction of the single currency; the underpinning of the credibility and acceptance of the future single currency; the economic cost/benefit of the options; and the practical feasibility of a "one-shot" replacement of the entire stock of national banknotes with new ECU notes.

The Alternates' discussion confirmed the existence of dissenting views. Some Alternates believed that the requirement of the ECU as "a currency in its own right" would be met only if ECU banknotes having legal tender status

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were issued. The majority had emphasised that the ECU would be the currency of the system and that it could be used as deposit money in the same way as national currencies; there would thus be no legal requirement to circulate ECU banknotes immediately at the start of Stage Three. The distinction between legal and political considerations was not always clear cut and the practical and political aspects were difficult to evaluate at the current time. Some of the practical aspects might become more apparent once the work of the Ad Hoc Working Group on Printing and Issuing a European Banknote got underway. It had also been recommended that a wide consultation of interested parties be carried out before making decisions on such a sensitive matter.

(b) Discussion by the Committee

<u>Mr. Leigh-Pemberton</u> agreed with the conclusion of the Alternates that this issue was not urgent.

<u>Mr. Duisenberg</u> said that, with the help of the proposed Ad Hoc Working Group on Printing and Issuing a European Banknote, the implications and costs of both a "one-shot" and a gradual introduction of ECU banknotes should be determined.

<u>Mr. de Larosière</u> said that, at the beginning of Stage Three, the ECU should have the same legal status as the domestic currency in all Member States. Thereby, a creditor would not be in a position to be able to refuse a payment made in ECU. It would also be important for some ECU banknotes to be circulated at the start of Stage Three. In the absence of these features, the ECU might only be a unit of account, or to some extent a foreign currency; it would not be the type of currency described in the Treaty.

<u>Mr. Christodoulou</u> suggested that it would appropriate to exchange views with the Finance Ministers, possibly during an informal ECOFIN meeting.

4. <u>Matters relating to the Secretariat</u>

<u>Mr. Baer</u> said that it would be helpful if the principal considerations outlined in the Secretariat's note dated 8th April entitled "Some issues relating to continuity in and the future size of the Secretariat" could be regarded as generally acceptable and could be applied once a decision had been made with regard to the future work programme. It would also be of assistance in assessing staffing requirements if the mandates of working groups and sub-committees were very clearly defined and included a timetable of when certain tasks were to be completed.

The <u>Committee</u> approved the said note by the Secretariat.

VII. Co-operation between ERM countries and non-Community countries

the Referring to memorandum dated 2nd April from the Sveriges Riksbank, the Chairman said that this contained a request for participation in the ERM parity grid supported by bilateral swap agreements and for participation in all discussions which were relevant to the efficient functioning of the ERM. This issue had already been discussed in the Monetary Committee and, since it was on the agenda for the informal ECOFIN meeting in May, the Finance Ministers might welcome the Governors' opinion.

<u>Mr. Schlesinger</u> said that it would be advantageous for Sweden and for the existing EMS countries if some form of association could be formed. Currently, the Swedish central bank undertook very large amounts of interventions, particularly using Deutsche Mark, without prior consultation with other central banks. It would be in the interests of all parties if the rules of the EMS governing the use of Community currencies could be applied to Sweden. However, as long as Sweden was not a member of the European Community, the central bank could not be represented at the meetings of the Committee of Governors, although it could be invited to take part in the discussions of the Monitoring Group; any issues of importance could then be reported to the Governors.

<u>Mr. Duisenberg</u> suggested that the Foreign Exchange Policy Sub-Committee be asked to define the rules and procedures which might be applied to Sweden so as to impose on the Swedish authorities obligations similar to those which bound existing EMS member countries. Consideration would also be needed of the extent to which the Swedish authorities should be included, and at what stage, in the discussions on any future realignments.

Mr. Schlesinger supported this suggestion.

<u>Mr. de Larosière</u> said that the Swedish authorities wished to gain monetary credibility through an association with the ERM currencies. However, the consequences of this for the functioning of the ERM before Sweden was bound by the terms of membership of the European Community needed to be examined. There might be other formulae for greater co-operation with non-Community countries.

<u>Mr. Leigh-Pemberton</u> said that care should be taken against having a range of ancillary members of the EMS whose relationship might vary from country to country. The Sveriges Riksbank seemed to envisage having full participation of the Swedish krona in the narrow ERM band with mutual intervention obligations but, presumably, with bilateral swap facilities in place of the Very Short-Term Financing mechanism. Would such an arrangement be credible? What bilateral swap facilities would each EMS central bank have to enter into and under what obligations would that place them? These matters needed to be investigated in greater detail.

<u>Mr. Doyle</u> agreed with Mr. de Larosière and Mr. Leigh-Pemberton. Caution should be adopted when using the word "association". There was a difficulty of principle with the concept of a country, which was not a member of the Community, being at the very heart of its operations by way of having a relationship with the EMS. Circumstances could be envisaged whereby the movement of the Swedish krona itself inhibited movements of the existing ERM currencies; implicitly that might give more rights to the Swedish currency than the ERM currencies.

The <u>Committee</u> agreed that there was not time for the Committee to clarify its thoughts before the ECOFIN meeting, the Governors should report that Sweden's request raised many complicated issues and that the Committee was prepared to study formulae for greater co-operation with Sweden in the monetary and exchange rate field.

VIII. Other matters falling within the competence of the Committee

1. <u>Meeting with the staff unions</u>

The <u>Chairman</u> said that he had had a meeting with representatives of the staff unions on 31st March. While none of the parties had been empowered to act in a negotiating capacity, the union officials requested information on the Committee's activities and expressed a wish to maintain what was described as a social dialogue in the future. Naturally, public documents such as the Committee's Annual Report could be made available.

The <u>Committee</u> agreed that the union representatives might be invited by the Chairman to have a further discussion with him in the autumn.

2. <u>Performance of the teleconference network</u>

The <u>Chairman</u> described the difficulties he had had in connection with instigating a teleconference among the Governors with respect to Portugal's entry into the ERM. He suggested that a note be prepared on the procedure on how to arrange teleconferences.

3. <u>Continued representation of the Committee of Governors on the EC</u> <u>Commission's Payment Systems Technical Development Group ("PSTDG")</u>

<u>Mr. Baer</u> referred to the letter dated 8th April 1992 which the Secretariat had received from Mr. Tresoldi, Banca d'Italia, who was one of the six central bank representatives appointed by the Committee of Governors on the PSTDG, which had been established in March 1991 and chaired by the Commission. This Group had prepared a report on retail payment systems which had been published by the Commission on 25th March 1992. The request had been made in

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Mr. Tresoldi's letter that the Committee approve the continuing participation of the six individuals in the PSTDG.

The <u>Committee</u> agreed that a letter should be sent to Mr. Tresoldi confirming the Committee's agreement to this request.

IX. Date and place of next meeting

The next meeting of the Committee of Governors would take place in Basle on Tuesday, 12th May 1992 starting at 9.30 a.m.

Before closing the meeting the <u>Chairman</u>, to mark the occasion of Mr. Tavares-Moreira's last attendance at a Committee of Governors' meeting, said that the Committee members had deep respect for his dedication and for the way in which he had supported the transformation of the Portuguese economy and the institutional framework of the Portuguese central bank.

265th MEETING OF THE COMMITTEE OF GOVERNORS

14th April 1992

Those present were:				
Chairman of the Committee of Governors	Mr. Hoffmeyer			
Banque Nationale de Belgique	Mr. Verplaetse Mr. Rey* Mr. Michielsen			
Danmarks Nationalbank	Mrs. Andersen Mr. Hansen			
Deutsche Bundesbank	Mr. Schlesinger Mr. Tietmeyer Mr. Rieke			
Bank of Greece	Mr. Christodoulou Mr. Papademos Mr. Karamouzis			
Banco de España	Mr. Rubio Mr. Linde Mr. Durán			
Banque de France	Mr. de Larosière Mr. Lagayette Mr. Cappanera			
Central Bank of Ireland	Mr. Doyle Mr. Coffey Mr. Reynolds			
Banca d'Italia	Mr. Ciampi Mr. Dini Mr. Santini			
Institut Monétaire Luxembourgeois	Mr. Jaans			
Nederlandsche Bank	Mr. Duisenberg Mr. Szász Mr. Boot			
Banco de Portugal	Mr. Tavares Moreira Mr. Borges Mr. Beleza			
Bank of England	Mr. Leigh-Pemberton Mr. Crockett Mr. Foot			
Commission of the European Communities	Mr. Pons			
Chairman of the Foreign Exchange Sub-Committee	Mr. Saccomanni			
Chairman of the Heads of the Statistical Depts.	Mr. Fournier			
Secretariat of the Committee of Governors	Mr. Baer Mr. Scheller Mr. Stubbe			

* Chairman of the Committee of Alternates

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