

OPINION ADDRESSED TO THE COUNCIL AND THE COMMISSION
ON THE PROPOSAL FOR A COUNCIL DECISION
SETTING UP A EUROPEAN MONETARY CO-OPERATION FUND

At its meetings on 12th February and 12th March 1973 the Committee of Governors discussed the proposal for a Decision which the Commission had laid before the Council with a view to setting up a European Monetary Co-operation Fund (document COM(73) 68 final, dated 24th January 1973). The present Opinion, which is addressed to the Council and the Commission of the European Communities, is the result of these discussions.

The comments of the Committee of Governors, which are set out below, follow the order of presentation used in the proposal for the Council Decision.

I. RECITALS

The Committee of Governors is in general agreement with the contents of the recitals. However, it suggests two changes of a formal nature and has a recommendation to make concerning the procedure which would be needed to extend or add to the scope of the Fund's activities.

- (a) It is proposed that in the first line of the third recital the words "in the Resolution of the Council and the Representatives of the Governments of the Member States of 21 March 1972" be inserted after "on this subject".*

* This word order applies to the French text. The English text would read: "Whereas the Council has been informed of the Opinions dated 5 and 11 September 1972 given on this subject by the Monetary Committee and the Committee of Central-Bank Governors pursuant to the Resolution of the Council and the Representatives of the Governments of the Member States of 21 March 1972, ...".

- (b) In order to make the fourth recital more consistent with the contents of Article 3 of the Decision, in particular by introducing a reference to the concertation needed for the Community exchange system to operate properly, it could be replaced by the following text: "Whereas it is necessary that from the outset the Fund be given the task of promoting the concertation needed for the Community exchange system to operate properly and facilitating the settlement of positions resulting from interventions in Community currencies, of ensuring in this way the multilateralisation of intra-Community settlements and of administering a financing mechanism combining the short-term monetary support mechanism provided for in the Agreement of 9 February 1970 between the central banks of the Community and the very short-term financing mechanism decided upon in the Agreement of 10 April 1972 between the same central banks".
- (c) The Committee notes that for progressively extending the scope of the Fund's activities, as mentioned in the fifth recital, it would be desirable if, at least in certain cases and especially where a possible allocation of resources to the Fund is concerned, a simpler procedure could be used than that laid down in Article 235 of the Treaty establishing the European Economic Community.

II. ARTICLES OF THE DECISION

These articles call for only one comment, which is a proposal to delete the words "the development of" from the beginning of the second indent of Article 2; the indent would then read "interventions in Community currencies on the foreign exchange markets". The Committee feels that "promote" and "development" present some element of repetition and that the underlying objective is more correctly expressed by the first of these terms.

III. ARTICLES OF THE RULES

The Committee of Governors have the following comments to make on Articles 2, 4, 5 and 6:

- (1) The Committee suggests that the last part of the first paragraph of Article 2 after the word "Council" should be replaced by the following text: "and in accordance with such Directives concerning the principles for administering the Fund as the Council may adopt on the proposal of the Commission and under procedures to be determined in the light of the Fund's future development". The Governors felt that any reference to a particular Article of the Treaty might lead to excessive rigidity in the drafting of Council Directives and that consequently a more general formula would be preferable.
- (2) It would seem premature and rather superfluous to deal with the appropriation of possible profits from the Fund, as provided for in Article 4. In these circumstances it might be preferable to omit the second paragraph of Article 4 and to leave the matter to be decided at a later stage in the development of the Fund.
- (3) Article 5, describing the European unit of account, calls for the following comments:
 - (a) The Committee supports the Commission's proposal to define the European unit of account in a weight of gold, but does so, in the first place, basically for reasons of expediency, which lie in particular in the fact that the units of account at present employed in the Community are defined in this way, and, secondly, with the following two reservations:
 - (i) this definition will in all probability have to be reconsidered and should therefore be adopted only on a provisional basis;
 - (ii) without waiting to be invited to do so, the Committee proposes to make known to the Commission as soon as possible its thoughts on the nature and mechanics of a European unit of account different from that now proposed.

- (b) The Committee suggests that the section relating to the unit of account be inserted in the Council Decision after the present Article 3 and accordingly be removed from the Rules. This position is more in keeping with the provisional nature of the definition of the unit of account referred to above and its evolution as the Fund's activities develop; it is, moreover, consistent with the order of the initial tasks which it is proposed to assign to the new Community organ.
- (c) The Committee would prefer that the clause relating to the unit of account should stipulate that "The Fund's operations in the currencies of the Member States of the Community shall be expressed in a European unit of account ...". The reason for this is that, primarily because of the exchange guarantee implied in the use of the latter, it hardly seems conceivable that during the initial stage of the Fund's activity all its operations (e.g. in dollars or gold) would be expressed in a unit of account.
- (d) On the matter of the automatic modification of the value of the unit of account, the Committee is in agreement with respect to the case quoted under the first indent of the second paragraph of Article 5 of the Rules. On the other hand, it is of the opinion that in all other cases any modification of the value of the unit of account should be effected in accordance with the standard procedure provided for under the final paragraph of Article 5, i.e. by a decision of the Council, acting unanimously on a proposal from the Commission after consulting the Monetary Committee.
- (e) However, the Committee feels it is desirable that the above procedure should include consultation of the Administrative Council of the Fund and, accordingly, it proposes that the phrase "and the Administrative Council of the Fund" should be added at the end of the final paragraph of Article 5 of the Rules. Since the unit of account is to become an essential element of the Fund's operation, it seems logical that the organ responsible for administering the Fund should be invited to express an opinion before any modification in the value of the unit of account is decided upon by the Council.

- (f) The Committee proposes that the period within which parity changes are to be regarded as simultaneous and within which the Council is to meet should be extended from three days to a maximum of ten working days. In practice, any changes in the parities of EEC currencies are likely to be spread over a certain length of time; they may require extensive examination by the various authorities concerned and, in any case, the operations of the Fund do not involve the same urgency or the same requirements as the agricultural sector, where the flow of goods must not be interrupted and where the basis for calculating prices must be fixed without delay.
- (g) The Committee of Governors also feels that, because of the importance that the date of entry into force of the change in value of the unit of account may have, particularly for intra-Community settlements, it might be agreed that this date should be determined either by the Council in its Decision or by the Administrative Council of the Fund and that it should normally be the date of the first of the parity changes which led to the modification of the unit of account.
- (h) Finally, the Committee proposes two amendments to the wording of the text:
- (i) in order to employ terms that have become sanctioned through their previous usage by Heads of State or Governments and Ministers of Finance of the EEC countries and also so as to indicate clearly the nature of the unit of account to be employed by the Fund, its title should contain the word "monetary"; it would thus be called the "European monetary unit of account";
 - (ii) in view of the diversity that now exists in the de jure or de facto status of the parities of the Community currencies, the Committee considers it desirable to use the phrase "parity or central rate" in place of "parity" in the text of the Article relating to the unit of account. This phrase could be inserted either in the text of Article 5 itself or as an explanatory foot-note to the word "parity".

- (4) The Committee of Governors suggests an addition to Article 6 in order to bring in some mention of aspects of the Fund's activities not explicitly referred to. The addition in question, to be inserted after the words "immovable or movable property", would consist of the following phrase: "open accounts for Community central banks and conclude agreements with the same".

CONCLUSIONS

The proposal for a Council Decision setting up a European Monetary Co-operation Fund meets, on the whole, with the approval of the Committee, which considers that it satisfies the twofold consideration already voiced in the Committee's Note on the Fund dated 11th September 1972, viz.:

- (i) on the one hand, that it would be preferable not to create from the very outset a large-scale Community institution, but a practical executive organ, designed primarily to assist in achieving a better organisation of intra-Community monetary relations and in furthering co-operation between the central banks;
- (ii) on the other hand, that the possibility should be kept open of such an organ developing and gradually evolving, leading, within the framework of economic and monetary union, to its being integrated in a Community organisation of central banks.

In its initial stage the practical organisation of the Fund should be governed by considerations of efficiency, by the technical facilities already existing among the Community central banks and by the rules of operation of the Committee of Governors.