

REPORT BY THE CHAIRMAN OF THE COMMITTEE OF GOVERNORS  
TO THE ECOFIN COUNCIL ON THE NOTE FROM THE IRISH PRESIDENCY  
CONCERNING THE IMPLEMENTATION OF SURVEILLANCE PROCEDURES  
DURING STAGE ONE OF ECONOMIC AND MONETARY UNION

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The Committee of Governors has examined the note from the Presidency concerning the implementation of surveillance procedures during Stage One of Economic and Monetary Union. This discussion has led to the following remarks.

The Governors welcome, in particular, the fact that the exercise would take place in very restricted sessions and the conclusions would be treated as secret. The Governors also support the idea that policy suggestions and, perhaps, formal recommendations should emerge from the surveillance procedure. In contrast, they would not find it useful to make a distinction between short-term and medium-term issues for the twice yearly exercises and, while supporting the use of indicators for appraisal of current trends and future prospects, would recommend limiting the number of such indicators.

The Committee is ready to play its role in the surveillance procedures in a manner consistent with the provisions of the Decision on co-operation between central banks and the existing national competences in the monetary policy field.

Thus, the Chairman of the Committee may participate in the meetings of the Council of Ministers whenever it deals with issues involving the tasks of the Committee and, in particular, in the twice yearly surveillance sessions. Furthermore, all Governors take part in the biannual informal ECOFIN meetings during which an exchange of views on the economic and monetary situation in the Community can take place.

It should also be recalled that the Committee - in the framework of its tasks defined in Article 3 of the new Decision on co-operation between central banks - may express opinions to individual governments and

the Council of Ministers on policies which might affect the internal and external monetary situation in the Community and, in particular, the functioning of the European Monetary System.

The Governors have already developed, particularly since the Basle-Nyborg Agreement of September 1987, a system of surveillance of the monetary policies pursued by the central banks of the Community. This surveillance is carried out on a monthly basis, at each meeting of the Committee and, in addition, three times a year in a wider context.

In connection with the impending implementation of Stage One of Economic and Monetary Union, the Governors have decided to strengthen existing procedures. They are, in particular, examining the possibility of establishing a set of commonly agreed and mutually consistent targets and indicators of monetary policies. This initiative is part of the anti-inflationary strategy of the central banks of the Community and their objective of strengthening the co-ordination of monetary policies.