ESCB / ECB - Draft statutes

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**STATEMENT BY PRESIDENT PÖHL ON RECENT WORK OF THE COMMITTEE OF GOVERNORS, TO BE GIVEN AT THE INFORMAL ECOFIN MEETING IN LUXEMBOURG, ON 10th TO 12th MAY 1991**

I want to inform you briefly of the recent progress made by the Committee of Governors with respect to both the draft Statute of the European System of Central Banks and the measures taken to strengthen the co-ordination of monetary policy.

As far as the Statute is concerned you may recall that in the proposal drawn up by the Committee of Governors in preparation for the Intergovernmental Conference, which was transmitted to the Presidency on 27th November 1990, several questions had been left open. These questions concerned certain more technical and legal aspects relating to Stage Three of Economic and Monetary Union, as well as the transitional arrangements required before entry into that final phase is effected. While the Committee of Governors has not yet addressed these transitional issues, it has finalised the Statute for Stage Three. The revised Statute sent to the Presidency on 26th April 1991 now contains the full set of provisions which should come into force at that moment when responsibility for monetary policy is transferred from national authorities to the System.

Apart from the revision of certain provisions governing the general aspects of the System, the completion of the Statute involved two important additions to the earlier text. Firstly, the Statute now includes detailed provisions governing the allocation of income among national central banks. The proposed scheme applies solely to monetary income, i.e. that income a central bank derives from performing its monetary policy function. Such income would be common to the System as a whole, whereas any other income earned by national central banks should be retained by them. The Statute specifies the method for measuring the actual amount of monetary income. However, it is also recognised that, if differences in the balance-sheet structures of national central banks do not yet permit the application of the proposed method at the time of the entry into force of the Statute, an alternative method may be used for a limited period. It is important to note that with the exception of certain clearly specified costs, no expenses would be deductible from monetary income before its allocation. This approach was considered to meet most appropriately the requirement of subsidiarity since it leaves to each national central bank the responsibility for controlling the level and the structure of its operating costs and other expenses.

The distribution of monetary income among national central banks would be based on a key determined by two objective indicators, GDP and population. The key would be adjusted every five years in accordance with these criteria in order to ensure that it reflected appropriately the relative position of the Member States of the Community. The key used for the allocation of monetary income would also be applied to the subscription of capital of the European Central Bank, the allocation of its profits and losses, the transfer of foreign reserve assets to it, as well as to the determination of weighted votes. The use of a single key is an essential prerequisite for an equitable system of balanced rights and obligations.

The second major addition to the draft Statute are proposals regarding procedures for amending certain Articles and for the steps to be followed where acts of Community legislation are called for in the Statute. The simplified amendment procedure allows certain, clearly defined Articles to be changed without going through the rigorous procedure of a Treaty revision under Article 236 involving unanimous agreement by all Member States and ratification by their parliaments. The proposed procedure for simplified amendment confers the right of initiative to the System, with the decision to be taken by qualified majority by the Council of the European Communities after consultation with the European Parliament and the Commission. This procedure, which was inspired by a similar provision concerning the Statute of the Court of Justice, is warranted in the view of the Committee of Governors because its application is strictly limited to technical provisions for which the need for change could be most competently judged by the System.

Turning now to the second major aspect of the work of the Committee of Governors - the promotion of closely co-ordinated monetary policies - I had already reported at the ECOFIN meeting in January on the development of a common framework for monitoring monetary conditions in the Community. Within this framework the Committee of Governors undertook in the autumn of last year its first common assessment of monetary policy targets and intentions for 1991. An ex post review of developments and a comparison with the objectives stated last year will take place in three days' time at the regular monthly meeting of the Committee of Governors. Of course, the creation of a common framework for co-ordinating monetary policies, with a view to achieving convergence, involves a fair amount of complex analytical work with regard to the establishment of common objective indicators and broadly harmonised monetary aggregates. This work is currently under way in the Governors' Secretariat and the Committee expects soon to consider proposals which aim at making broad monetary aggregates currently used within the Community more compatible. This will strengthen further the foundations on which the Committee's efforts to improve monetary policy co-ordination are based.