

12th November 1990

Speaking notes for President Pöhl on the draft Statute

I. Status and scope of work on the draft Statute

- Work commenced in late spring 1990; hope to finalise at Governors' meeting a draft for transmission to the Italian Presidency in preparation for the Intergovernmental Conference; although some questions are still open, broad agreement among the Governors, especially on the fundamental principles defining the System.

- Governors' work based on the assumption of a clear political will and firm commitment to continue to final stage of EMU.

- Draft Statute addresses only Stage Three (i.e. when exchange rates are locked permanently and when a single Community currency eventually replaces national currencies); Statute does not yet deal with transition to the final Stage; Governors also retain the right to reconsider some Articles should circumstances warrant.

- draft Statute to be annexed to EEC Treaty and will thus have the status of primary EEC law.

II. Organisation of the System

- The Statute erects a System consisting of a new central institution - the European Central Bank (ECB) and the central banks of Member States.

- System has no legal personality and thus describes the existence of the ECB and the national central banks as integral parts of the System, governed by a common set of rules and committed to the objectives and tasks entrusted to it.

- System is governed by the Council and the Executive Board, which are the decision-making bodies of the ECB.

III. Fundamental principles on which System is built

- Four pillars:

- price stability is the primary objective; without prejudice to this objective, also support of general economic policies of the Community;
- independence of the System and its decision-making bodies from instructions by political authorities;
- recognition of indivisibility of monetary policy which implies a centralisation of monetary policy decisions and the loss of decision-making at the level of the national central banks;
- denial of monetary financing to public sector entities.

- While independence is a prerequisite for attaining primary objective, also recognition of need for democratic accountability (through approval of Statute by all Member States and ratification by national parliaments but also through participation of members of Council of Ministers and Commission in meetings of the Council of the System as well as reporting and publications explaining activities of the System.

- To give independence practical effect also provisions establishing security of tenure of members of decision-making bodies as well as operational and financial autonomy of the System.

IV. Main operational features

- Indivisibility of monetary policy means that all decisions need to be taken centrally: Council (supreme decision-making body) in charge of strategic decisions (intermediate monetary objectives, key interest rates, supply of reserves); Executive Board in charge of day-to-day implementation of the strategic decisions.

- All decision, except those relating to certain financial arrangements, are on the basis of one person, one vote.

- Execution of monetary policy operations is possible at the level of the ECB as well as national central banks; but in accordance with

principle of subsidiarity emphasis to be given to involving national central banks in operations.

- Exchange market operations conducted by the System; recognition that decisions on exchange rate regime in the hands of political authorities; but given impact of such decisions on monetary policy the ECB shall be consulted with a view to reaching a consensus prior to decisions relating to exchange rate regime.

- Instruments cover the range of typical central bank tools: open-market operations; credit facilities; possibility of introducing compulsory minimum reserves.

- In addition to monetary policy the tasks encompass all typical activities of a central bank.

V. Financial arrangements

- Designed to ensure financial autonomy of the System.

- ECB will be endowed with capital, subscribed by national central banks, and foreign exchange reserves transferred by the national central banks; both will be based on a single key reflecting objective economic criteria.

- Key will also determine weighted votes which will only be applied to decisions relating to capital, assets, income and profit.

- Income of the System is basically to be pooled and, after a part has been set aside for the ECB, is to be redistributed among the national central banks in accordance with the single key; this procedure for income allocation is a consequence following from the fact that an indivisible monetary policy is conducted for the System as a whole.