

BANK OF ENGLAND
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EXECUTIVE DIRECTOR

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Athens*Dear Lucas*

EC COMMITTEE OF GOVERNORS

Ahead of our meeting on 6 October, I thought it might be helpful if I sent you some preliminary thoughts on the issues we shall need to address. Attached therefore is a list of questions which is structured in a way that is intended to facilitate our discussion. I do not aim at this stage to offer views on the issues covered, since we shall presumably all need to discuss these further with colleagues in our respective institutions. Moreover, it may well be the case that we should preserve flexibility in the early stages. The mechanisms for servicing the Committee of Governors should probably be allowed to develop in response to practical needs and be adapted in the light of experience.

I am copying this letter to our colleagues in the Committee of Alternates.

*Yours sincerely
Andrew Crockett*

A D Crockett

EC Committee of Governors: Practical Issues1 What should be the Relative roles of the Alternates, the Sub-Committees and the Secretariat in servicing the Governors' Committee?

- (i) Should the Secretariat work through the Sub-Committees and Alternates, or directly to Governors?
- (ii) Should a distinction be made among sub-committees? Is the supervisory/prudential sub-committee sui generis?
- (iii) How best can the risk of duplication in the work of the monetary and foreign exchange sub-committees be avoided?

2 What should be the tasks of the expanded secretariat?

Possible functions include:

- (i) Logistical support for periodic meetings of Governors (and/or the sub-committees).
- (ii) Preparation of statistical and other factual material.
- (iii) Analysis and appraisal of monetary issues facing community central banks as a whole (eg, adjustment process, intervention strategy, stance of monetary policy). Identification of issues for discussion.
- (iv) Preparation of periodic reports on monetary policy of individual countries. Identification of issues for discussion.
- (v) Development of an analytical framework (and operational procedures) for *ex ante* co-ordination of monetary objectives and policies.
- (vi) Preparation of background research papers on subjects related to the Committee's functions.
- (vii) Organising and commissioning research by outside experts.

3 What approach should the Secretariat adopt in the preparation of papers?

- (i) Should it aim at independent analysis or, rather, act as a channel to represent the views of member central banks?

- (ii) Related to the above, how far should it be prepared to go in questioning the policies of member central banks?
- (iii) What should be the balance between analysis of past developments and appraisal of future prospects/policy requirements?
- (iv) Assuming the secretariat prepares papers for the monthly meetings of Governors, should they aim to have a standard format (if so, what) or should there be more latitude to vary topics?

4 Organisation and Composition of Secretariat

- (i) Do we need to reach common understandings on the issues in 1-3 above before reaching decisions on the Secretariat's composition?
- (ii) Is it better to begin with a very small secretariat, and allow it to grow as the need for additional staff becomes apparent? How many individuals would constitute an initial nucleus?
- (iii) Should the secretariat initially undertake only some of the functions set out in 2 above? If so, which ones?
- (iv) How independent should the staff be of the BIS? What administrative arrangements (especially financial arrangements) would permit the desired degree of independence to be maintained? Should a distinction in this regard be drawn between the logistical work and the analytical work of the Secretariat?
- (v) What calibre of staff do we need with what particular expertise and experience? Should they be drawn from within the present staff of member central banks?

5 Other Issues

As well as reaching views on the functions and organisation of the Governors' Committee secretariat, there are a number of other procedural issues that it would be useful to discuss ahead of the Governors' meeting in November. These include:

- (i) the frequency and length of the regular Governor's meetings. Is the present timetable satisfactory?
- (ii) The structure and membership of the proposed sub-committees and the manner in which they report to Governors.
- (iii) The role of the Alternates, and in particular their relationship to the sub-committees.