

- Suggestions with regard to the suggestions of mr Pöhl for features of a European central bank statute as mentioned in the text distributed on December 13, 1988

Instead of the fourth dash I would suggest three dashes with the following content:

- The mandate of the system must be to maintain the stability of money as the prime objective of the Community's monetary policy. While fulfilling this task, the system has to support the general economic policy of the Community. Stability of the currency in terms of prices must take precedence over exchange rate stability.
- The system will be responsible for the formulation of monetary policy at Community level, for the coordination of policy implementation at regional level and for the preservation of a properly functioning payments system. The instruments at its disposal will be enumerated in the statute of the system with a procedure for amending this enumeration.
- The system will be responsible for the formulation of banking supervisory policy at Community level and coordination of banking supervision policies of the national supervisory authorities.

With regard to the fifth dash I would suggest addition of the following two dashes as a consequence of this fifth dash:

- A proper democratic legitimization which might be effectuated through regular reporting to a committee of the European Parliament and through the European Parliament taking part in the appointment procedures with regard to the members of the Directorate.
- Supervision of the administration of the system independently of the Community organizations, for example by a supervisory council or a committee of independent auditors.

*halve stat!
regulering power*

- 12 -

b) The inter-governmental agreement would also enact a central bank statute as an essential component of future EMU. It should provide for a Community decision-making body with the following features:

- a federative structure of the central bank system, since this corresponds best to the political structure of the Community (e. g. a European Central Bank Council (ECBC) representing all the central banks in the union);
- a centralised body (Directorate) responsible for the implementation of ECBC decisions as far as they apply at Community level;
- responsibility of national central banks for policy implementation at regional level;
- a commitment to regulate the amount of money in circulation and of credit supplied by banks and other financial institutions under criteria designed to assure non-inflationary economic growth as well as to preserve a properly functioning payments system;
- independence of instructions from national governments and Community authorities;
- strict limitation of lending to all public authorities;
- equipment with monetary policy instruments that are oriented towards a free market economy;
- nomination of members of the Directorate for relatively long periods on an irrevocable basis;
- seat of the institution.

8. Institutional and legal issues

KCC. 12.12.60
By KOP

The responsibility for economic and monetary policy is to date vested in member states. Hence inception of EMU is conceivable only on a legal basis which envisages the transfer of national powers to Community level. This requires an international agreement of the type on which the Treaties of Rome are based. The new treaty would have to be extensive, laying down the legal and institutional requirements of the final stage of EMU in sufficient detail to leave no doubts as to the legal and political implications of EMU.

- a) The inter-governmental agreement on EMU would determine the assignment of economic and monetary policy responsibilities and the establishment of the relevant institutions at Community level. Consideration would have to be given to the question of full vs. limited membership from the outset, and possible criteria to be applied.

...