

SUMMARY OF THE DISCUSSION AND  
DECISIONS TAKEN BY THE COMMITTEE OF GOVERNORS  
AT THE RESTRICTED MEETING OF 12th DECEMBER 1989

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The first issue discussed was the adoption of a system of monetary policy monitoring aimed at strengthening the co-ordination of monetary policies in the Community. There was general agreement that price stability should be the primary objective of monetary policy, as stated in the proposed amendment of the 1964 Council Decision, and that achievement of this objective by all Member States in Stage One of Economic and Monetary Union would require the reinforcing of monetary policy co-ordination. A system of monetary policy monitoring based on mutually agreed monetary aggregates, as intermediate targets and leading indicators, would provide a common framework for formulating and evaluating the effectiveness of monetary policies. It was noted, however, that such a framework should be implemented flexibly in view of differences in the financial structures and economic conditions in member countries. The organisation and work of the Committee of Governors should contribute to strengthening the co-operation of Community central banks and the co-ordination of monetary policies.

The Governors then discussed issues relating to the reorganisation of the Committee in view of Stage One of Economic and Monetary Union. The discussion was partly based on the Report from the Committee of Alternates and on a paper prepared by President Pöhl. The following decisions were taken:

1. Committee of Governors

1.1. Seating arrangements

The seating arrangements will be changed. Only the Governors, a member of the Commission (as an invited guest), the Chairman of the Alternates, the Secretary General of the Committee of Governors and a rapporteur (alternating) will sit at the central table. Two representatives of each Governor, one representative of the member of the Commission, and two members of the Secretariat will sit at the tables at the back.

1.2. Voting

The present rules governing voting shall be maintained.

1.3. Chairmanship

The Committee shall appoint a Chairman from among its members for a period of three years. Should the Chairman be unable to attend a meeting, his duties shall be carried out by the longest serving member of the Committee.

1.4. Meetings

The frequency, date and place of meetings will remain unchanged. At the request of Committee members, the Chairman may convene restricted meetings attended by the Governors only.

2. Committee of Alternates

2.1. Tasks

The Committee of Alternates will be retained and its existence will be recognised in the Rules of Procedure. The principal tasks of the Committee of Alternates will remain unchanged.

2.2. Chairmanship

The Chairman of the Committee of Alternates will be appointed by the Committee of Governors for a period of three years. His term of office will not run concurrently with that of the Chairman of the Committee of Governors. To this end, the first Chairman of the Alternates will be appointed for a term of two years. The Chairman of the Alternates will come from a different institution to that of the Chairman of the Committee of Governors.

3. Sub-committees

The structure and composition of the three sub-committees will not be changed at this juncture. It was noted that the "Raymond Group" should be more involved in analyses of monetary policy matters.

#### 4. Research Unit and Secretariat

##### 4.1. Structure

The Research Unit and the Secretariat will be organised as one entity under the administrative authority of the Secretary General of the Committee of Governors. The head of the Research Unit could also be the Secretary General. The existing administrative and operational arrangements with the BIS will be maintained. Members of the Secretariat and the Research Unit will be employed by the BIS, but they shall report to the Chairman of the Committee of Governors. It was noted that these administrative arrangements implied no organic link between the Committee of Governors and the BIS.

##### 4.2. Mandate, composition and recruitment

The mandate of the Research Unit will be defined by the Committee of Governors.

The Research Unit shall consist initially of up to five professional economists. One of them will be appointed head of the Research Unit. Appointments shall be for a term of three years and could be renewable. Members of the Research Unit who are recruited from Community central banks would be seconded to the Unit. They shall be independent of their national central banks and function within the framework laid down by the Committee of Governors.

The members of the Research Unit shall be chosen on the basis of their professional qualifications. The composition of the Unit should ensure the necessary expertise and diversity of views. Members should have a broad spectrum of knowledge, and ["combine" academic background and] [solid academic background and] practical experience, especially in the field of monetary policy.

Professor Alexander Lamfalussy, General Manager of the BIS, will be asked to prepare a profile of the economists to be recruited for the Research Unit. Each Governor will propose a number of economists judged to possess the required qualifications. Applications should be sent to Prof. Lamfalussy. The Committee will select the members of the Research Unit upon the proposal of the Chairman.