40

18th November 1992

Confidential

Final

MINUTES

OF THE 269th MEETING OF THE COMMITTEE OF GOVERNORS

OF THE CENTRAL BANKS OF THE MEMBER STATES

OF THE EUROPEAN ECONOMIC COMMUNITY

HELD IN BASLE ON TUESDAY, 8TH SEPTEMBER 1992 AT 9.30 a.m.

Table of contents

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List of participants attached

The Chairman began the meeting by welcoming Mr. Rojo.

I. Approval of the minutes of the 268th meeting

The Committee approved the minutes of the 268th meeting.

II. Monitoring of economic and monetary developments in the EEC based on:

(a) preparation by the Foreign Exchange Policy Sub-Committee (monitoring)

(b) statistical charts and tables prepared by the Secretariat

(c) a note by the Economic Unit entitled "Recent tensions in exchange markets

1. Statement by Mr. Saccomanni, Chairman, Foreign Exchange Policy Sub-Committee (monitoring)

The current tension in the ERM had started in June, following the Danish referendum on the Maastricht Treaty, and had intensified in July. Doubt had been cast on the new Italian government's ability to tackle the serious imbalances of the Italian economy which, in turn, had led the Banca d'Italia to increase official interest rates. The tension had abated in late July following the adoption in Italy of a deficit reduction package and the conclusion of a wage moderation agreement which included the abolition of wage indexation. The firming of the US dollar after the concerted interventions on 20th July had allowed the Banca d'Italia to ease its tight monetary stance in early August. The exchange markets thereafter had remained generally calm until late August when confirmation of the poor US economic performance, and the persisting strong growth of monetary aggregates in Germany, had convinced market participants that the interest-rate differential between the United States and Germany would not narrow in the near term. The ensuing sharp decline of the US dollar, together with opinion polls in France which had cast doubts about the ratification of the Maastricht Treaty, had put the ERM under strain. Attention had again focused on the lira amidst rumours that the Italian government might be forced to seek a devaluation. To counter this pressure, the Banca d'Italia had allowed the lira to slide to the obligatory intervention margin, made use of the Very Short-Term Financing facility and had increased the discount rate by 1.75 percentage points to 15%.

The current episode of turbulence in the ERM was the result of a combination of internal and external factors: a general slowdown of economic activity coupled with a deceleration of inflation; domestic imbalances and inadequate policy mixes in a number of EMS countries, including Germany; uncertainties about the future of EMU; the absence of restrictions on capital movements in virtually all ERM countries; and an increasingly weak dollar. The large volume of intervention sales of Deutsche Mark and the increase of interest-rate differentials vis-à-vis Germany indicated that the crisis involved the whole ERM. Moreover, as market participants felt that a realignment just after the French referendum was probable, the cost of speculation against the weaker ERM currencies was negligible, even at the current high interest rates, compared with the potential gains from a realignment. Following the statements of EC governments on 28th August and of the Finance Ministers and Governors at the recent informal ECOFIN meeting, market participants were currently watching the behaviour of monetary authorities to detect any possible inconsistency with the commitment to avoid a realignment.

Against that background, the Monitoring Group had made the following points. Firstly, a resumption of central bank intervention in support of the dollar would be useful, although there was a risk that this might fail to impress market participants if the US authorities did not participate or did not back such action with a consistent monetary stance. At the same time, a passive attitude vis-à-vis the falling dollar might convince the markets that the EMS countries did not have a common position on the US currency. Secondly, the evolution of short-term interest rate differentials would be given the greatest attention. An increase of differentials between weak and strong currencies in the ERM was likely to have a stabilising effect provided that any such increase was seen to be the result of mutually supporting actions. In this respect, the Group had noted the slight easing of the call money rate in Germany in recent days and the reduction of money market intervention rates in Portugal in August. In contrast, official intervention rates had increased in the Netherlands and in Belgium, in the latter case just after the Belgian franc had reached the compulsory intervention point vis-à-vis the lira. Although the Group had recognised the rationale for such actions, it was argued that a more flexible management of short-term liquidity conditions and interest rates in strong currency countries would not jeopardise the basic stance of monetary policies. Thirdly, the Group had noticed that the massive intervention sales of Deutsche Mark had taken place in the EMS to meet the still strong demand for the German currency. Some members had argued that interventions should be conducted in a more co-ordinated manner and involve all EMS central banks jointly to protect the credibility of the parity grid. Such actions, which could be publicised as in the case of interventions initiated by the G-7 countries, could be undertaken in specific market situations so as to increase the cost of speculation. The Group had had a first round of discussions on the technical implications of such interventions, including the use of the Very Short-Term Financing facility, and was due to examine the issue further in a teleconference on the following day.

2. Statement by Mr. Rey, Chairman, Committee of Alternates

The Alternates had concentrated on the current situation in the exchange markets. The climate in the markets had begun to change in June since when it had worsened, with a short period of respite, even though it was not obvious that the fundamentals had changed to any great extent. Well before tension had started to appear, it was clear that policy requirements were divergent among Community countries with concern about inflationary developments in Germany and growing worries about the sluggishness of activity and rising unemployment elsewhere. Budgetary problems in some countries had existed for some time although the new Italian government had made a significant move in July to show that it was addressing the issue. The Deutsche Mark had recently strengthened but, as the German Alternate had forcefully pointed out, this was not connected with a rise in interest rates in Germany; market interest rates had come down in recent weeks, and the increase in July had been confined to the discount rate in order to avoid repercussions on the German money market. Doubt had been expressed about the possibility of doing anything to stabilise the level of the dollar which had fallen from a level which was already regarded as a matter of concern. While some had felt that Community countries should contemplate an initiative, either in the form of concerted interventions or by way of a collective effort to elicit more concern on the part of the US authorities, the prevailing view among the Alternates was that recent experience, as well as pronouncements by US officials, left little hope that this might prove successful. With regard to the future of EMU, market expectations were beyond the reach of monetary authorities and it was not easy to identify the appropriate collective response in the current situation.

While it was of prime importance to address the imbalances that were at the root of the tension through appropriate domestic policies in the individual countries, the Alternates had concentrated on the immediate prospects for the period up to the French referendum. There was disagreement as to how monetary policy could make a contribution to ease tensions in the ERM. Some Alternates had favoured some display of symmetry in interest rates, which implied a move on the part of the stronger currency countries in order to demonstrate the collective will to preserve the exchange rate mechanism. Other Alternates had stressed that the time was not appropriate to engineer such a move; market operators did not expect any change in the policies of the Deutsche Bundesbank and there was a danger that repeated calls to soften this attitude would only draw attention to the fact that a realignment was the inevitable outcome of the current conflict. With capital movements fully liberalised it was difficult for countries with weaker currencies to counter speculative outflows by raising interest rates; bank credit to foreign banks had been a major factor in the recent run on the Italian lira. The imposition of minimum reserves on lending to non-residents by banks was mentioned as a measure which might deserve consideration. The Alternates had briefly discussed ways to impress on the markets the ability of the authorities to resist speculative pressure. Some Alternates had seen merits in carrying out concerted intramarginal interventions with the weaker currencies being supported in joint action by all other ERM central banks, either against their own or a third currency; however, there was no unanimity on this among the Alternates. It had also been suggested that the ceiling on the use of the Very Short-Term Financing facility for intramarginal intervention could be increased, although most Alternates had expressed doubts or strong reservations about the effectiveness of such a move.

The Alternates had also considered how the Governors might respond to press enquiries following the Committee's meeting. It was suggested that reliance be placed on paragraph two of the statement which had been issued after the informal ECOFIN meeting in Bath, and, perhaps that the Governors should stress that they were satisfied with the existing instruments at their disposal. Although opinions had differed as to the wisdom and the form in which such a statement could be made, a draft had been prepared for the Governors' consideration.

3. Discussion by the Committee

Mr. Schlesinger wondered whether Mr. Saccomanni's report that the Banca d'Italia had allowed the lira to slide to the compulsory intervention rate, should be interpreted such that it could have been prevented had the central bank wished to do so. He stressed that the Deutsche Bundesbank had not supported the statement which had been made on 28th August by EC Finance Ministers on behalf of their governments. On the question of whether to take symbolic monetary policy measures, he pointed out that he had already said to the press following the Deutsche Bundesbank Council's meeting on the previous Thursday that in present circumstances there was no room to lower German interest rates, nor any reason to increase them. He would reiterate this to journalists following the current meeting. The interpretation placed by the German press on President Mitterand's recent statement in reply to a question about the status of a future European central bank had made the situation even more difficult; gathering support for the ratification of the Maastricht Treaty in Germany would not be made easier. Given the various factors, it would be impossible for the Deutsche Bundesbank to lower money market interest rates in Germany at this time. The interventions involving the Deutsche Bundesbank, amounting to DM 9.5 billion, had created central bank money that was currently deposited with various banks and the German money market would be flooded unless this creation was offset. Whilst the Bundesbank would seek to avoid an increase in German interest rates, it could not guarantee that the use of the instruments available for mopping up liquidity would be without any effect on interest rates; symbolic measures could not be envisaged for the time being.

Mr. Ciampi proposed initially that the Governors, given the delicate conditions prevailing at present in the exchange markets, refrain from making public statements; the Chairman would speak on behalf of the Committee. He agreed that the current tension was due to the dollar's position and to the expectations that surrounded the ratification of the Maastricht Treaty. As was usual in periods of tension, the weakest currencies suffered more. The Banca d'Italia had often expressed its concern about the need to achieve a greater degree of convergence in Italy in respect of the public sector deficit and the rate of inflation. Italy was paying the price for the power vacuum that it had suffered between the autumn of 1991 and 4th July 1992, when the new government was established. The Italian parliament had already passed some of the measures aimed at keeping the 1992 deficit at the same level as in 1991. In addition, the Italian government had reached an agreement with the unions and employers to give up wage indexation and to limit wage increases in 1993 to the expected increase in the rate of inflation (between 3.5% and 4%). Labour costs were growing at a rate close to 5% and, given the usual increase in productivity, it was realistic to forecast a rate of inflation of about 3.5% by the end of 1993. For these reasons, the Italian government was anxious to maintain the current exchange rate in order to avoid importing inflation and also for psychological reasons since any change in the parity of the lira would be interpreted by the markets as a sign of a less strict policy. The Banca d'Italia, which on 5th July had raised official interest rates upon the establishment of the new government by 1.5 percentage points, had symbolically cut them as soon as the government, at the end of July, had passed its first measures to indicate that it had the central bank's support; the markets had responded positively. Since then, however, the dollar had weakened and focus had concentrated on the Maastricht ratification process and, more specifically, French opinion polls; these elements had resulted, by the end of August, in fresh attacks being made on the lira. Despite numerous intramarginal interventions to try and avoid the lira reaching its obligatory intervention limit, the Italian currency had been pushed there by the markets. In response, and after having obtained the Italian government's further confirmation of its intention to maintain the parity, the Banca d'Italia had increased the discount rate by 1.75 percentage points to 15%. Furthermore, money market interest rates, because of the strict control of liquidity, went up to the level of about 25%. The current difficult situation was inciting the government to pass the remaining reform measures even more quickly. A number of bills were before the Italian parliament to amend the pension, health, social security, local authority financing and public sector employment systems. In addition, the government was due to present, before the end of September, a stringent 1993 budget. Hopefully, there would not be any events which might result in a realignment which could be interpreted by some as an easy way out of the current difficulties. It was extremely important for the safety of the system that all Member States act in a concerted manner, particularly in the run-up to the French referendum.

Mr. de Larosière said that it was essential that the Governors demonstrate as much solidarity as possible. In the campaign leading up to the French referendum, a number of uncertainties had emerged about EMU which had meant that some EMS currencies had come under pressure. He had been impressed by the strength of the measures contained in Italy's economic programme, in particular the elimination of wage indexation. Care should be taken to ensure that these efforts should not be jeopardised by a realignment, otherwise the unions in Italy would believe that inflation would re-emerge and wages would not be compressed as expected. It was not in the Community's interests to allow events in the exchange markets to force a realignment. It should be recognised that the strongest ERM countries had honoured their EMS obligations to act as stabilisers by intervening in sizable amounts, even if this had meant that the ensuing creation of liquidity had caused difficulties for themselves. The EMS had functioned well from a technical point of view, however, no statements should be made which gave the impression that solutions other than those envisaged by the Italian authorities could be considered. Furthermore, the Banque de France would be open-minded vis-à-vis any suggestions to widen the possibilities for intramarginal interventions with a view to enhancing the credibility of the ERM.

Mr. Leigh-Pemberton said that the Economic Unit's paper was uncontroversial in terms of recent events although it laid too much stress on the difficulties that were being experienced on account of the German/US interest rate differential and too little on the future of EMU in the context of the French referendum. The paper acknowledged that the market was concerned that if the prospects for EMU faded the present ERM parities would be endangered. Thus, the strength of the Deutsche Mark must be attributed considerably to it being regarded as a safe-haven currency which also offered an attractive rate of interest. With regard to the issues for discussion set out in the Economic Unit's paper, concerted intervention to sell Deutsche Mark for dollars was felt to have been useful even on those occasions when it had been followed by a sharp fall in the US dollar/Deutsche Mark rate and, therefore, had appeared to fail. Although it was impossible to prove, the Deutsche Mark was likely to have been stronger against the dollar had there been no intervention; the markets would have interpreted the absence of intervention as indicating an absence of concern. On the question of the wisdom of allowing a currency to slide to the intervention limit before taking policy action, the answer depended on the circumstances. There was a risk that such a downward move would generate expectations of a devaluation. The greater the credibility attached to a particular currency, the less serious was this risk and the more confidently could it be allowed to move towards the bottom of the ERM band. Turning to the measures which could be adopted for responding to future tensions in various ERM countries, it would be undesirable on domestic grounds if ERM developments forced UK interest rates to be raised; that would not only worsen the recession, but would also erode domestic political support for ERM and the Community more generally, and make it harder to maintain sterling's position in the wide ERM band. With regard to whether there were any additional policy instruments available besides intervention and interest rates, the announcement of massive foreign currency borrowing had been helpful to sterling and had noticeably affected the dollar/Deutsche Mark rate before being neutralised by the announcement of the US jobs data and the reduction in the Federal funds rate on 4th September.

Mr. Duisenberg said that, in principle, he was not against concerted intervention, particularly involving the dollar/Deutsche Mark although the way it had been executed in the recent past had been ineffective and counter-productive. He did not believe that any symbolic measures could usefully be taken to supplement the existing range of instruments which he regarded as adequate. Finally, the recommendation of the Monetary Committee to the Basle/Nyborg meeting on 12th September 1987, that official and semi-official statements on the exchange rate situation might exacerbate tensions and should be avoided as far as possible, remained valid.

Commenting on the rise in interest rates in Belgium, Mr. Verplaetse said the Belgian situation was complicated because wage indexation still remained and the public sector deficit was still too large. The central bank was exerting pressure on the Belgian government to reduce the deficit and new measures were envisaged to achieve this. Furthermore, import prices had to be kept low so as to retain competitiveness; therefore, a strong currency policy was necessary. When Belgian interest rates were increased, this did not signify any change in policy, rather it was a matter of daily money market management.

Mr. Rojo said that the central banks should co-operate as much as possible in order to prevent a realignment which, under present circumstances, would increase tension and have negative consequences for the future of the EMS. With regard to concerted intervention vis-à-vis the dollar, recent experience had shown that intervention was only useful if it included the co-operation of the US authorities. He asked Mr. Schlesinger to clarify whether the need to mop up surplus Deutsche Mark liquidity might result in an upward movement of interest rates in Germany.

Mr. Schlesinger said that there was a need to compensate for the DM 9.5 billion increase in liquidity in Germany. There had been only two cases in the Deutsche Bundesbank's history, in which higher levels of interventions had been experienced. On those occasions, the Deutsche Bundesbank had been forced to seek the help of the German government; this had resulted in floating exchange rates in 1973 and an EMS realignment in 1987. He stressed that the Deutsche Bundesbank had not asked the German government on the basis of the current high level of interventions to free it from further obligations to create central bank money against its will. Attempts were being made to compensate for the inflow of funds into Germany using the instruments available such that money market interest rates neither rose nor fell but, under present conditions and with the instruments at the disposal of the Bundesbank, undesired fluctuations in money market rates could not completely be ruled out. He stressed that the comments which he had made to the German press in his capacity as President of the Bundesbank had represented the Central Bank Council's collective view and that he intended to reiterate this point which related to the internal situation in Germany. He would not comment on what had been discussed by the Committee, that was a matter for the Chairman.

Mr. de Larosière asked Mr. Schlesinger whether it would be helpful to explain to the markets the reason for engaging in mopping-up operations as otherwise the apparent restriction might create the impression that monetary policy in Germany was being tightened.

Mr. Schlesinger said that the market was expecting that the recent inflow of liquidity would be taken into account at the next repurchase agreement which was due to be entered into the following day. Nevertheless, the situation would again be explained to the market.

Mr. Doyle noted that Ireland's contribution, which had been readily offered, to the recent concerted dollar interventions represented twenty percent of that of the US authorities.

With respect to the question of how to respond to press enquiries the Committee agreed not to issue a written press communiqué. Furthermore, it was agreed that the Chairman would speak on behalf of the Committee while the members would abstain from making any statements except those on questions relating to monetary policies in their respective countries.

With regard to the contents of his oral statement to the press, the Chairman suggested that he should tell the press that the Committee had had its usual discussions and that he had nothing to add to what had been stated in paragraph 2 of the declaration made by the UK Finance Minister following the informal ECOFIN meeting in Bath, i.e. "The Governors stand ready to intervene in the exchange markets to counter tensions in these markets, exploiting as fully as necessary the means and instruments provided under the EMS for Member States."

Mr. de Larosière suggested that the Chairman should strongly reaffirm what had been said following the Bath meeting and reread paragraph two of the statement which had been made by the UK Finance Minister.

Mr. Ciampi preferred that the draft statement which had been prepared by the Alternates be delivered orally by the Chairman.

Mr. Schlesinger said that the Chairman should make no reference to paragraph one of the Bath statement since the Deutsche Bundesbank had not been a party to the agreement to which it referred, nor could it be. With reference to the sentence in the draft statement prepared by the Alternates that the Committee of Governors was confident that the available means and instruments were fully adequate to preserve exchange market stability, he said that he did not share this confidence. There was a strong disequilibrium as far as real rates of exchange were concerned; he could not subscribe to the view that a statement along those lines would secure exchange rate stability.

Mr. Duisenberg said that repetition by the Chairman of part of the statement which had been made in Bath would be much stronger in the current circumstances than saying that the Committee had reviewed the means and instruments and had concluded that they were adequate.

Mr. Ciampi asked that the Chairman reaffirm with maximum conviction what had emerged from the recent informal ECOFIN meeting. It was in the interests of all to prevent as far as possible the lira returning to the bottom of the narrow ERM band, which would otherwise require considerable interventions.

III. Adoption of the Committee's report to the EEC Ministers of Finance on developments in the foreign exchange markets of the nineteen countries participating in the concertation procedure during July and August 1992 and the first few days of September

The Committee adopted the report, which would be sent to the EEC Ministers of Finance in the usual way.

IV. Preparatory work for the move to the final stage of EMU

Mr. Rey said that, with the Work Programme of the Working Group on the Printing and Issuing of a European Bank-note having already been approved by the Committee of Governors at its July meeting, the Alternates had acknowledged receipt of the work programmes of the sub-committees and other working groups. The Alternates had noted that the Secretariat would prepare for the Governors a synopsis of all the work programmes and, furthermore, that the Secretary General was to convene a meeting of the chairmen of the sub-committees and working groups on 15th October to discuss issues of co-ordination and other matters of common concern. The Alternates recommended that any substantive discussion of the work programmes should be deferred until the Governors' November meeting.

The Committee agreed to postpone discussion of the work programmes until its November meeting.

V. Monetary co-operation with third countries

The Chairman said that this issue, which had not been discussed during the recent informal ECOFIN meeting, was likely to appear on the agenda of the forthcoming ECOFIN meeting at which he would give the report which had already been agreed among the Governors. Against that background, it was not yet appropriate to formulate a mandate for either the Foreign Exchange Policy Sub-Committee or the Committee of Alternates with regard to the work on relationships with third countries. This should be returned to at the Governors' next meeting.

The Committee agreed on the Chairman's proposal.

VI. Issues relating to the European Monetary System

Mr. Rey said that there was no disagreement on the substance or wording of the texts which had been prepared by the Secretariat (Instrument amending Article 16.1 of the EMS Agreement and Memorandum of Understanding on principles governing prior agreement on intervention in Community currencies). However, it was felt that it was not appropriate to issue the proposed communiqué at the current time; the Alternates proposed that the issue be taken up again at the Committee's November meeting.

Mr. Duisenberg said that the Committee should accept the agreement but not make a statement to that effect following the current meeting because it would be interpreted by the markets, not as simply a statement of a slight change in techniques, but rather as an answer to the current tension.

While agreeing on the proposed texts, the Committee decided to postpone their formal adoption and the issuance of a press communiqué until its November meeting.

VII. Issues arising in the context of the Capital Movement Directive

Mr. Rey said that the Alternates had discussed the two issues on which the views of the Governors had been sought. The first related to the specific monetary safeguard clause provided for by Article 3 of the Council Directive on the liberalisation of capital movements. Under this clause, restrictions on short-term operations may be reintroduced under specified Community procedures if capital flows led to serious disturbances in the conduct of monetary and exchange rate policies. According to Article 3(5), this clause was to be reviewed by the Council before 31st December 1992 on the basis of a report from the Commission. Subject to the ratification of the Maastricht Treaty, the clause would lapse on 1st January 1994 when Articles 67 to 73 of the present treaty would be replaced by the new treaty provisions; there was thus the question of whether the monetary safeguard clause should remain unchanged beyond 31st December 1992 up to 31st December 1993, or whether a new regime should be introduced for the short interim period. The Alternates had unanimously agreed on following the first option. The introduction of a new regulatory regime, or even the abolition of the clause, would necessitate the enactment of Community legislation; in practice, not much would be gained by this course of action given the time which this was likely to take.

The second issue related to measures to regulate bank liquidity which had a significant impact on capital transactions. In accordance with Article 2 of the Directive, such measures were to be notified, inter alia, to the Committee of Governors. The Alternates had noted that no such measures had been taken or notified by Community countries.

The Committee endorsed the Alternates' view on these issues.

VIII. Other matters falling within the competence of the Committee

1. Use of languages in the working groups

The Chairman referred to his letter dated 25th August 1992 to the Committee members, concerning the request for interpretation facilities from and into Italian in the Working Group on Accounting Issues. He suggested that it would not be useful to have a discussion at that time on the principle of interpretation facilities for the various working groups and asked whether the proposed interim solution of asking those central banks which required interpretation facilities in addition to those from and into English, French and German to pay for them could be accepted.

Mr. Ciampi queried whether such countries should bear the cost for additional interpretation since the decision to send representatives to the various working groups' meetings was not so much dependent on who had an adequate knowledge of English but rather on who had the right degree of expertise.

The Committee recognised that there were drawbacks to the suggestion but accepted it as an intermediate solution.

2. Expenses incurred on behalf of the Committee in the second quarter of 1992

Since the Committee on Financial Matters currently only comprised two members, following the retirement of Mr. Rubio, it had not discussed the quarterly development of expenses. The matter was thus postponed until the Governors' November meeting.

3. Appointment of a new member of the Committee on Financial Matters

The Committee appointed Mr. Beleza as the new member on the Committee on Financial Matters.

4. Appointment of professional staff to the Secretariat

The Committee appointed Mr. Nierop from the Nederlandsche Bank and Mr. Boersch from the Danmarks Nationalbank as professional members of the Secretariat staff. Mr. Nierop would be the rapporteur to the Working Group on Accounting Issues and Mr. Boersch, who was presently serving as a research assistant in the Secretariat, would act as the rapporteur to the Working Group on Information Systems. It was noted that Mr. Boersch's appointment would leave vacant a position for a new research assistant which would have to be filled. By written procedure (Chairman's letter dated 3rd August 1992), the Committee had appointed Mr. Fagan from the Central Bank of Ireland and Mr. Klöckers from the Deutsche Bundesbank (both

Economic Unit) and Mr. Godeffroy from the Banque de France (rapporteur of the Working Group on EC Payment Systems) as professional members of the Secretariat.

5. Proposal for an edited version of the Report on "Issues of common concern to EC central banks in the field of payment systems"

Mr. Rey recalled that in May 1992, the Ad Hoc Working Group on EC Payment Systems had presented its report on "Issues of common concern to EC central banks in the field of payment systems" as a confidential document. At that time, it was suggested that an edited version should be produced on the basis of which the Committee would decide whether and how to make it available to the banking community. The Alternates recommended that it should be made available to the banking communities and, furthermore, that it should be distributed by the individual central banks. The Secretariat would send a small number of copies of the report to each central bank which would produce the necessary number of copies for onward distribution.

The Committee approved the Alternates' recommendation.

6. Timing of the forthcoming ex-ante exercise

Mr. Rey said that with regard to the forthcoming ex-ante exercise by the Monetary Policy Sub-Committee, the Alternates had noted that, if this was to be prepared in time for the Governors' meeting in November, the necessary data would have to be submitted by the central banks to the Secretariat by 18th September. Since these data might be strongly affected by the outcome of the French referendum, the Alternates had suggested that the exercise should instead be concluded in time for the December meeting of the Governors.

The Committee approved the Alternates' recommendation.

7. Connection of the Institut Monétaire Luxembourgeois to the concertation teleconference system

The Committee took note that the IML would be connected to the concertation teleconference system in the course of September 1992. With regard to the financial implications, the Alternates, on a proposal from the Secretariat which was supported by the Foreign Exchange Policy Sub-Committee (Monitoring Group), had agreed that the investment costs would be borne fully by the IML; and by analogy to the method adopted for contributions by the IML to costs in the Committee's other fields of activity, the IML would take over 25% of the Banque Nationale de Belgique's share in the current cost of the teleconference system. This would be subject to review when a new key for central banks' contributions was established following the creation of the EMI.

IX. Date and place of next meeting

The next meeting of the Committee of Governors will take place in Basle on Tuesday, 10th November 1992.

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To mark the occasion of Mr. Cappanera's retirement, the Chairman thanked him for the contribution he had made to the Committee of Governors' work.

269th MEETING OF THE COMMITTEE OF GOVERNORS

8th September 1992

Those present were:

Chairman of the Committee of Governors	Mr. Hoffmeyer
Banque Nationale de Belgique	Mr. Verplaetse Mr. Rey* Mr. Michielsen
Danmarks Nationalbank	Mrs. Andersen Mr. Hansen
Deutsche Bundesbank	Mr. Schlesinger Mr. Tietmeyer Mr. Rieke
Bank of Greece	Mr. Christodoulou Mr. Papademos Mr. Karamouzis
Banco de España	Mr. Rojo Mr. Linde Mr. Durán
Banque de France	Mr. de Larosière Mr. Lagayette Mr. Cappanera
Central Bank of Ireland	Mr. Doyle Mr. Coffey Mr. Reynolds
Banca d'Italia	Mr. Ciampi Mr. Dini Mr. Santini
Institut Monétaire Luxembourgeois	Mr. Jaans
Nederlandsche Bank	Mr. Duisenberg Mr. Szász Mr. Bakker
Banco de Portugal	Mr. Beleza Mr. Borges Mr. Bento
Bank of England	Mr. Leigh-Pemberton Mr. Crockett Mr. Foot
Commission of the European Communities	Mr. Pons
Chairman of the Foreign Exchange Policy Sub-Committee	Mr. Saccomanni
Secretariat of the Committee of Governors	Mr. Baer Mr. Scheller Mr. Alders

* Chairman of the Committee of Alternates