

# EUROPEAN MONETARY CO-OPERATION FUND

9th May 1977

## THE RULES GOVERNING THE ACTIVITIES OF THE EUROPEAN MONETARY CO-OPERATION FUND

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The decisions and directives adopted by the Board of Governors of the European Monetary Co-operation Fund since the Fund's establishment<sup>1)</sup> constitute only a part of the body of regulations governing the EMCF's activities; the other part consists of the agreements concluded by the central banks of the EEC before the establishment of the EMCF, that is to say:

- the Agreement of 10th April 1972 between Central Banks of the Member States of the Community on the narrowing of the margins of fluctuation between Community currencies;
- the Agreement of 9th February 1970 setting up a system of short-term monetary support among the Central Banks of the Member States of the EEC, to which the central banks of Denmark, Ireland and the United Kingdom acceded with effect from 8th January 1973<sup>2)</sup>.

In accordance with Article 4 of the Council Regulation (EEC) No. 903/73 of 3rd April 1973 establishing a European Monetary Co-operation Fund, the provisions contained in these two agreements became the administrative rules of the EMCF, subject to a number of technical adaptations which were necessitated by the EMCF's rôle in the operations provided for under these agreements.

On the other hand, after the establishment of the EMCF the central banks of the EEC made a number of modifications to the above-mentioned agreements in two sets of texts whose content is identical but one of which was adopted within the framework of the Committee of Governors of the Central Banks of the EEC and the other by the Board of Governors of the Fund in its Decision (No. 4/74) of 12th March 1974 and Decision (No. 6/75) of 8th July 1975.

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- 1) Only the texts still in force, that is to say Decisions Nos. 1, 4, 6, 7, 8 and 9 and the three Directives, have been attached to this note.
  - 2) The text of these two agreements is to be found in the Compendium of Community Monetary Texts published by the Monetary Committee of the European Communities in 1974.

The rules governing the activities of the EMCF are therefore contained in the body of texts referred to above and may be summed up as follows:

I. RULES CONCERNING THE ORGANISATION OF THE EMCF

The rules concerning the organisation of the EMCF are contained, on the one hand, in the Statutes annexed to the Regulation (EEC) No. 907/73 of the Council of 3rd April 1973 establishing the Fund and, on the other hand, in the Fund's provisional Rules of Procedure\* approved by the Council of the European Communities and by the Board of Governors of the Fund on 28th June 1973.

The EMCF is at present composed of its Board of Governors. It has no administrative organism of its own and for the execution of its various tasks it has hitherto relied principally on the services of the Bank for International Settlements, which acts as its Agent in accordance with the provisions laid down in the Decision (No. 1/73) of the Board of Governors of 14th May 1973. With the new technical tasks that arose in connection with the financial administration of Community loan operations, these provisions were slightly modified by the Decision (No. 9/77) of the Board of Governors of 8th February 1977.

The Agent of the Fund is entrusted with the execution of technical aspects of the Fund's operations in accordance with Directives laid down by the Board of Governors. The Board has so far adopted three Directives (see below).

Pursuant to Article 12 of the Fund's provisional Rules of Procedure, on 9th March 1976 the Board of Governors adopted Decision (No. 8/76) defining the power of the Chairman of the Board of Governors to commit the Fund vis-à-vis third parties in connection with the execution of the financial operations relating to Community loan operations.

The functions of Secretariat of the Board of Governors of the EMCF are carried out, on a provisional basis, by the Secretariat of the Committee of Governors of the Central Banks of the Member States of the EEC.

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\* This text is published in the Compendium referred to in the footnote to page 1.

## II. RULES CONCERNING OPERATIONS CARRIED OUT BY THE EMCF

### 1. Very short-term financing and the settlement of balances resulting from interventions carried out by member central banks in Community currencies

The rules governing the mechanisms, duration, terms and renewal and unwinding of very short-term financing operations are laid down in the above mentioned Agreement of 10th April 1972, as amended by the Decision (No. 6/75) of the Board of Governors dated 8th July 1975, and in the First Directive from the Board to the Agent. These documents also deal with the settlement of balances resulting from interventions carried out in Community currencies.

It should be recalled in this connection that in 1975 it was decided to exclude gold provisionally from the calculation of gross reserve holdings that serves as a basis for intra-Community settlements and from the reserve assets that creditors are obliged to accept in settlement. Accordingly, the third paragraph of Article 8 of the Decision (No. 6/75) of 8th July 1975 suspended the provisions laid down in Articles 2 and 4 of the First Directive and in the Second Directive concerning settlements in gold at the official price through the EMCF.

### 2. Short-term monetary support operations

These operations are governed by the provisions of the above-mentioned Agreement of 9th February 1970, which were partly modified by the Decision (No. 4/74) adopted by the Board of Governors on 12th March 1974.

When the short-term monetary support arrangements are activated as an extension of very short-term financing, the operation is carried out in accordance with Articles 11 to 15 of the Second Directive from the Board of Governors to the Agent, dated 28th June 1973, with the exception of those provisions concerning settlements in gold that have been suspended.

All other recourse to short-term monetary support is governed by Articles 2 and 4 of the First Directive.

3. Financial operations relating to Community borrowing and lending

These operations are carried out by the EMCF on behalf of the European Economic Community, in accordance with Article 10 of Regulation (EEC) No. 398/75 of the Council of 17th February 1975 implementing Regulation (EEC) No. 397/75 concerning Community loans. The technical tasks entrusted to the Agent by the EMCF in connection with the administration of these loan operations are set out in the Third Directive from the Board of Governors to the Agent, dated 9th March 1976.