

OPINION OF THE EUROPEAN MONETARY INSTITUTE

on a consultation from the Austrian Federal Ministry of Finance under Article 109f (6) of the Treaty establishing the European Community (the “Treaty”) and Article 5.3 of the Statute of the EMI as elaborated in the Council Decision of 22 November 1993 (93/717/EC) (the “Decision”)

concerning a draft Federal Act on the participation of Austria in the New Arrangement to Borrow with the International Monetary Fund

CON/97/16

1. On 18 July 1997 the EMI received from the Oesterreichische Nationalbank on behalf of the Austrian Federal Ministry of Finance the request for an opinion on a draft Federal Act on the participation of Austria in the New Arrangement to Borrow (NAB) with the International Monetary Fund (IMF).
2. The subject matter of the draft Act is intended to authorise the Oesterreichische Nationalbank to grant, in the name of the Republic of Austria, a loan of a maximum of SDR 412 million to the IMF. This loan will be part of a credit facility established in January 1997, the New Arrangement to Borrow, which will amount in total to SDR 34 billion. The decision to grant the loan shall be made by the Federal Minister of Finance in agreement with the Oesterreichische Nationalbank.
3. The EMI’s competence to deliver an opinion is based on Article 1.1, second indent, of the Decision. Clearly, the draft act concerns arrangements in relation to the IMF to which the Member States are parties rather than national central banks. However, the fact that the draft act explicitly involves the Oesterreichische Nationalbank in the individual implementation of this arrangement by granting - in the name of the republic of Austria - a loan to the IMF influences the status and powers of the Oesterreichische Nationalbank foreseen by the national law.
4. The EMI welcomes the general approach of the Act. The participation of EU countries in the NAB can be an important contribution to safeguard the international financial system against systemic crises. The NAB will enable the IMF to ward off a threat to the international monetary system even in the presence of large and volatile capital movements. This objective is of considerable importance to the euro area, which will host one of the world’s largest financial markets.

5. The EMI confirms that the arrangement does not interfere with Article 104 of the Treaty as according to Article 7 of Council Regulation (EC) No 3603/93 of 13 December 1993 the financing by the national central banks of obligations falling upon the public sector vis-à-vis the International Monetary Fund shall not be regarded as a credit facility within the meaning of Article 104.

6. The EMI would like to note that the possible implications of the activation of the NAB on the monetary policy of the ESCB, in particular liquidity effects, would need some special consideration. Therefore, it would be recommendable to ensure that the ECB is informed prior to granting a loan to the IMF in order to enable the former to sterilise any liquidity effects resulting from it, as appropriate.

7. This opinion does not prejudice the right of the ECB to express its views on national central banks' involvement in the implementation of the NAB.

The EMI has no objection to this opinion being made public.

27 August 1997