

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(74) 2106 final

Brussels, 11 december 1974

Proposal for a  
REGULATION (EEC) OF THE COUNCIL  
amending Council Regulation (EEC) No 907/73  
of 3 April 1973 establishing a European Monetary  
Cooperation Fund

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(submitted by the Commission to the Council)

COM(74) 2106 final

## EXPLANATORY MEMORANDUM

Since the establishment of the Community exchange rate system in 1972, great changes have taken place in monetary relationships, which are at present seriously disturbed:

- At the Community level, four currencies (the Irish pound, the British pound, the lira and the French franc) are floating separately and the rules laid down for intra-Community exchange rates now govern only the relationships between the currencies of the five countries whose authorities continue to comply with them;
- At the international level, the foreign exchange and capital markets are in general disarray, at a time when financing requirements have increased and orderly recourse to those markets has become a pressing need.

The Community must undertake concerted action, centered on the European Monetary Cooperation Fund, to remedy this situation.

The Community's first aim should be to attack the main cause of the disturbance which it is experiencing, namely, the lack of effective coordination of monetary policies. This is why the Commission proposes that the Fund should henceforth be made responsible for coordinating the internal monetary policies of the Member States of the EEC in so far as they affect interest rates, capital movements and foreign exchange rates.

Such action could not have all the desired results unless external monetary policies were also coordinated, particularly as regards international currency and capital markets. A distinction should be made here between:

- the need to tighten the discipline which must be observed by banks intervening on these markets, the organization of which has been excluded from the functions of the Fund since it would involve the introduction of administrative mechanisms requiring a specialized framework <sup>(1)</sup>, and
- the need to coordinate monetary policies to the extent that they affect the international markets in respect of which the Fund has responsibility.

In view of past experience and of the dangers to which movements of funds among the various centres could give rise in future if the Community has no means to deal with them, it is essential that the responsibilities of the Fund should include the regular exchange of information concerning all operations carried out in such markets and power to propose measures to be taken by the Central Banks of the Member States to avoid disrupting the monetary situation in the Member States, in particular their exchange rate relations.

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(1) Contact Committee of the Competent Authorities for the Supervision of Credit Institutions, set up by the Council Decision of

In order that the Fund may be able to carry out the above-mentioned tasks, it will be necessary, as provided for in the Regulation establishing the Fund, to amend and supplement that Regulation.

In view of the enlarged responsibilities of the Fund, the action of its board of Governors will require the support of a permanent administrative structure. To that end, a Fund Director-General should be appointed and given the means of establishing a specialised staff to support him.

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THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,  
and in particular Article 235 thereof;

Having regard to the proposal from the Commission;

Having regard to the Opinion of the European Parliament;

Having regard to the Opinion of the Economic and Social Committee;

Whereas Council Regulation (EEC) No 907/73 of 3 April 1973 established a  
European Monetary Cooperation Fund;

Whereas the Fund was intended in its first stage to serve primarily to  
administer the Community exchange system;

Whereas since the Fund was established great changes have taken place  
in monetary relationships;

Whereas it is in the interest of the Community to strengthen the cohesion of the internal and external monetary policies of the Member States and to facilitate the preparation and execution by Member States of common measures in these fields; whereas to that end the Fund should be adjusted and strengthened;

Whereas, in view of the Fund's increased responsibilities, a Director-General should be appointed;

HAS ADOPTED THIS REGULATION:

Article 1

Articles 2 and 3 of Council Regulation (EEC) No 907/73 of 3 April 1973 establishing a European Monetary Cooperation Fund are amended to read as follows:

" Article 2

The Fund shall promote:

- I. the proper functioning of the Member States currency exchange relations;
2. the coordination of the internal and external monetary policies of the Member States as specified in Articles 4 and 5.

"Article 3

The Fund shall be responsible for the administration and supervision of the Community exchange system and, in particular, for:

- the concerted action necessary for the proper functioning of the system;
- the multilateralization of positions resulting from intervention by Central Banks and the multilateralization of settlements;
- the administration of the very short-term financing provided for by the Agreement between the Central Banks of the enlarged Community of 10 April 1972 and of the short-term monetary support provided for in the Agreement between the Central Banks of the Community of 9 February 1970, as amended by the Council Resolution of 18 February 1974, and the amalgamation of these mechanisms to form an improved mechanism.

"Article 4

The Fund shall be responsible for arranging continuing, and prior, consultation on:

- the monetary and credit policies of the Central Banks of the Member States, particularly where they affect bank liquidity, interest rates, capital movements and exchange rates;
- the external monetary policies of the Member States, particularly in respect of international foreign exchange and capital markets.

"Article 5

The Fund shall organize the regular exchange of information concerning all operations on international foreign exchange and capital markets.

The Fund shall recommend measures to be taken by Central Banks to avoid disrupting the monetary situation in Member States and in particular their exchange rate relations.

"Article 6

1. The Fund shall submit to the Commission such opinions as it considers appropriate concerning the orientation of the internal and external monetary policies of the Member States, in order to assist it in the preparation of proposals to the Council.

2. The Fund shall provide for liaison, as appropriate, with the Monetary Committee and the Contact Committee set up by the Council Decision of

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Article 2

Articles 4, 5 and 6 of Regulation (EEC) No 907/73 are renumbered 7, 8 and 9 respectively.

Article 3

The text of Article 3 of the Statutes of the Fund annexed to Regulation (EEC) No 907/73 is replaced by the following:

"The Board of Governors shall represent the Fund. It shall decide on the organization of the Fund, the powers which will be delegated and who may commit the Fund vis-à-vis third parties.

The Board of Governors shall appoint a Director-General who shall organize the various departments of the Fund.

The Director-General shall be responsible for the day-to-day administration of the Fund and is authorized, within the limits of his powers, to represent the Fund vis-à-vis third parties.

The Director-General shall attend meetings of the Board of Governors in an advisory capacity.

The Board of Governors may delegate to an agent responsibility for technical aspects of the Fund's operations".

#### Article 4

This Regulation shall enter into force on

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

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For the Council  
The President

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