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4.1 COMMUNIQUÉ DE LA BCL

4.1.1 Production des billets en euro pour le Grand-Duché de Luxembourg

Communiqué du 17 mars 2000

La préparation de l'émission à partir du 1^{er} janvier 2002 des billets et pièces libellés en euro, est entrée dans une nouvelle phase.

La Banque centrale du Luxembourg (BCL) fait savoir que les contrats pour l'impression et la livraison des billets en euro pour les besoins de l'économie luxembourgeoise viennent d'être conclus. Ces contrats ont été signés pour compte de la Banque par deux membres de sa Direction, à savoir M. Yves Mersch, Directeur général et Mme Andrée Billon, Directeur. La délégation de la Banque comportait aussi M. René Link, Chef du Département «Monnaie fiduciaire».

Ces deux contrats portent sur la production de sept types de billets, à savoir les sept dénominations suivantes: 5, 10, 20, 50, 100, 200 et 500 euros.

Les deux imprimeries ont été sélectionnées par la BCL selon des critères rigoureux.

Le premier contrat pour l'impression et la livraison des billets en euro a été signé le jeudi 16 mars avec la Bundesdruckerei à Berlin, en présence de Son Excellence M. Julien Alex, Ambassadeur du Grand-Duché de Luxembourg en Allemagne.

Le deuxième contrat a été signé le vendredi 17 mars avec l'imprimerie Joh. Enschedé en Zonen à Haarlem, en présence de Son Excellence M. Marc Courte, Ambassadeur du Grand-Duché de Luxembourg aux Pays-Bas.

Les cérémonies de signature des contrats furent suivies d'une visite des lieux de production.

Production de 46 millions de billets en euro

La BCL a commandé 46 millions de billets auprès de ces deux imprimeurs, sur une production totale de 13 milliards de billets au sein de la zone euro. Pour ce qui concerne les pièces en euro, leur fabrication et leur émission incombent au Ministère des Finances, mais la BCL assurera leur mise en circulation.

Le calendrier de production des billets en euro commandés par la BCL à la Bundesdruckerei prévoit le lancement de la production des billets début 2001. Les billets en euro en commande aux Pays-Bas seront imprimés durant la période 2000 jusqu'à mi-2001.

Les billets en euro – un miroir de la culture européenne

Contrairement aux pièces qui présentent une face nationale, le graphisme des billets ne comporte aucun signe national distinctif. Les dessins des billets évoquent les styles architecturaux qui caractérisent sept époques de la culture européenne: le classique, le roman, le gothique, la Renaissance, le baroque et le rococo, l'architecture «verre et acier» et l'architecture moderne du XX^e siècle.

Au recto de chaque billet, fenêtres et portails symbolisent l'esprit d'ouverture et de coopération qui règne au sein de l'Union européenne. Les douze étoiles de l'Union européenne, qui traduisent le dynamisme et l'harmonie de l'Europe d'aujourd'hui, sont également reproduites sur cette face.

Le verso de chaque billet représente un pont qui est caractéristique de la période de l'histoire de l'Europe évoquée par la coupure. Par métaphore, le pont symbolise le lien qui unit non seulement les peuples européens entre eux, mais aussi l'Europe avec le reste du monde.

Les caractéristiques visuelles et tactiles des billets facilitent leur identification

Chacun des sept billets en euro est facilement reconnaissable à sa couleur dominante et à ses dimensions. Le billet de 5 euros est gris, celui de 10 euros rouge, celui de 20 euros bleu, celui de 50 euros orange, celui de 100 euros vert, celui de 200 euros jaune et celui de 500 euros violet. Plus la valeur du billet est élevée, plus sa taille est grande.

Ces caractéristiques ainsi que la valeur faciale des billets en euro, imprimée en chiffres particulièrement visibles, permettent de bien distinguer chaque billet. En outre, certains éléments graphiques sont imprimés en relief. Les billets de 200 et 500 euros contiennent chacun une marque tactile spéciale, ce qui facilitera leur identification par les aveugles et les malvoyants.

Les billets en euro ont été tout spécialement conçus pour protéger les billets contre le faux-monnayage. Ils comportent d'importants éléments de sécurité visibles par le public, et d'autres, invisibles, mais détectables à l'aide de machines très spécialisées, permettant d'en vérifier l'authenticité.

Pour tout renseignement supplémentaire sur l'euro, veuillez visiter les sites Internet de la BCL (<http://www.bcl.lu>) et de la BCE (<http://www.ecb.int>). Une brochure d'information «Les billets et pièces en euro», existant aussi en anglais «Euro banknotes and coins» et en allemand «Die Euro-Banknoten und -Münzen», est gratuitement disponible auprès de la BCL (Secrétariat général: télécopie: 4774-4910, e-mail: sg@bcl.lu).

4.2 CONFÉRENCES

4.2.1 European integration at the beginning of the new millennium

Excerpts from lecture given by Professor Otmar Issing, member of the Executive Board of the European Central Bank, at the Forum Dialogue organised by the Banque centrale du Luxembourg on 8 February 2000

Europe at the turn of the millennium

As I was preparing this speech and wrote down 8 February 2000 on the title page, I found that the title for a speech on this subject practically wrote itself. Of course, I could not call it “European integration in the new millennium”. Who would have the courage or the nerve to even want to watch how this process unfolds over the next few decades. Yet, even though the international date line merely represents an arbitrary break in the continuum of time – and this demarcation has also been proven incorrect – it is nonetheless difficult to totally ignore the charm of the figure 2000.

Although we know that the first millennium passed unnoticed, this does not prevent us from attempting to comment retrospectively on the events happening around that time. “Around the year 1000, unsuccessful attempts to fly and hover using artificial wings were made, and together with shepherds and blacksmiths, Benedictine monks and, in Germany, Arabs and Jews emerged as doctors, and there were others testing urine and selling cures at markets” (Ludger Kühnhardt). Even today, all kinds of unsuccessful attempts to hover can still be witnessed. However, more important than this is the link with today’s topic: Otto the Third, Kaiser at the turn of the century, who harboured a vision of a revival in the spirit of Rome, based on the example of Charlemagne.

On the one hand, our ambitions are far greater than those of one thousand years ago. On the other hand, the public are faced with warnings of the risks which could arise from further European integration contrasting with high-flying expectations for Europe’s future.

First of all I would like to turn to the question of the future shape of Europe, which is certain to change for two reasons.

On the one hand, the introduction of the euro will increasingly leave deep marks. Monetary Union subjects the institutional arrangement of the 11 participating Member States to a new test. The scenario of one currency, one market and 11 member countries has no historical parallel. There is an important issue as to whether the status quo demands supplementary steps, if not completion, of the union in the realm of politics, a union already achieved in the monetary and economic fields. The resolution of this fateful issue will determine Europe’s way forward into the next millennium.

On the other hand, politics has set the course for enlargement. The four Member States of the European Union, which are not yet involved in Monetary Union, certainly do not all want to remain “outside”. What is more, numerous states wishing to join sooner rather than later are already lining up outside the EU’s door. New Member States are likely to put additional pressure on the triangle: state-market-currency.

Monetary UNION and its consequences

Although the Maastricht Treaty falls short of the original and ambitious expectations in the field of politics, it certainly fulfils the intentions laid down in the preamble with respect to Monetary Union. The introduction of the single currency lies, in a sense, in the interstices between the economy and the state in that it combines functional economic elements with institutional political ones.

The single currency does away once and for all with internal exchange rate fluctuations, completes the Single Market and, with a single money (already at the start) for almost 300 million people, increases the efficiency of currency use in an unprecedented manner. The transfer of national currency sovereignty to the European Central Bank represents a partial surrender of political sovereignty, which is rightly perceived by citizens as marking a deep change in the way in which nations consider themselves. For the Federal Republic of Germany, for example, the law on the Deutsche Bundesbank was an important element in the order of the state. The monetary order established by the Maastricht Treaty with the detailed statute of the European System of Central Banks by itself represents an important building block for the development of a European statehood. The following assertion holds true, irrespective of individual opinions on the merit of the project: the success of the European Central Bank's monetary policy and the stability of the euro constitute a test case for European integration above and beyond monetary and currency issues.

With the onset of Monetary Union the Maastricht Treaty has created a unique, historical asymmetry. On the one hand, a European, supranational monetary order, yet predominantly national sovereignty in most other areas. This combination creates a tension that will leave its mark on the future integration process.

There can be no turning back, as the failure of Monetary Union would not only be extremely costly from an economic point of view, but the political fallout would be unimaginable and would be tantamount to a catastrophe. The brightest and most respected former sceptics have conceded this much and now share the conviction that, once it has been set in motion, European Economic and Monetary Union must not fail.

So what does the future hold? Anyone who believes in the role of a single currency as a pacesetter in achieving political unity ("Europe will be

created by means of a single currency or not at all" – Jacques Rueff, 1950) will regard the decisive step as having already been taken. This does not provide an answer as to how the "rest" of the journey should be approached.

Those who choose the "historical norm" as a reference must call for the rapid development of political union which should, ideally, have come first. "A Europe which ventures to monetary union cannot avoid making a decision over the shape of the political union" (O. Issing, 1996)¹. This assertion is still valid today. Nowadays, however, Europeans seem even less prepared than they were in the past for political integration as regards, for example, agreeing and implementing an European constitution.

But need one really regret that the will for a grand political design is lacking? Could pragmatic, step-by-step progress not prove to be a more promising approach? Or must the status quo be considered to be so fragile, due to the asymmetry mentioned earlier between the monetary-economic and the political dimension, that the EU itself could eventually be threatened without the completion of political unity? To put the question the other way round, can Monetary Union possibly also function in the longer run without political union?

It is probably simpler to approach this thought experiment from a different angle and consider the economic threats to successful monetary union before speculating about the prospects for political integration. These dangers can be identified relatively easily. The most obvious one is the lack of flexibility in the labour market. In conjunction with the high initial level of unemployment at the start of Monetary Union, this poses an almost lethal threat to Monetary Union. One scientific study after the other, as well as an impressive array of political declarations, not least in the context of European summits, point to the rigidity of European labour markets and the

1 Issing, O., "Europe: Political Union Through Common Money?"
Institute of Economic Affairs Occasional Paper 98, London, February 1996, p.29.

misguided incentives provided by the social security and welfare systems as the decisive causes for the continued alarmingly high level of unemployment...

A serious problem is in evidence here for Monetary Union in general and for the European Central Bank in particular. In order to detract attention from their own failures, politicians are constantly tempted, in this context, to pass the responsibility for continued high unemployment levels onto European monetary policy, when in fact the responsibility and competency for the necessary structural reforms lies in their own hands.

For this reason it is all the more important for the European Central Bank to gain the support of the general public in all 11 Member States for a stability-oriented monetary policy. It is true that in its decision-making, the ECB can rely on its Statute, which (with constitutional status) offers the best possible protection from a legal point of view for its independence and for its policy of maintaining price stability. In the long term, however, even an independent central bank headed by people committed to stability cannot implement a policy that meets with a lack of understanding or even encounters strong resistance from the citizens.

By signing the Maastricht Treaty, in a democratically legitimate act, the 15 EU Member States established a constitution for stable money. With the promise of a currency with a stable value, politicians have promoted the support of Monetary Union. Being well aware of the temptations that are inherent in the electoral cycle and in party politics, they wisely transferred the task of keeping this promise to an institution that is removed from day-to-day political business. It seems that some of the leading actors are only now beginning to realise that the consequences of this monetary constitution in fact go far beyond the monetary and financial sphere.

The political process is subject to a great number of temptations to follow the easiest course and to be generous with promises, if need be even in constitutional matters. Considering the risks to the public good that can arise from any premature commitments, we need not necessarily regret, as far as economic and monetary affairs are concerned, that the Maastricht Treaty did not initially go further in terms of political integration. Nevertheless, it remains indispensable for the success of Monetary Union and the maintenance of price stability that congruent institutional arrangements and appropriate behavioural patterns can now develop.

Europe – a New Economy?

In examining the medium-term prospects for the euro area economy at the start of the new millennium, one of the most fascinating and important issues facing European policymakers is the potential for growth of the euro area economy over the next decade or so. Dedicated readers of the financial press will no doubt have noticed an increasing incidence of articles dealing with a relatively novel topic called the New Economy. All of these papers have been inspired by the unprecedented peacetime expansion of the US economy, which is now on the verge of breaking all records. The reasons for the extraordinary, and increasingly favourable, combination of low unemployment and relatively subdued inflation in the US during the 1990s is not yet well understood. Economists have been persistently surprised by these developments and consistently too pessimistic in their forecasts of both output and inflation.

What cannot be denied is that the overall macroeconomic performance of the US economy in the last decade has been exceptional. There is no doubt that as Alan Greenspan said “something special has happened in the US economy in recent years”⁽²⁾.

² *Testimony to the Joint Economic Committee, June 14, 1999.*

The remarkable coexistence of vigorous growth combined with surprising low inflation is prompting speculation in certain quarters that technological breakthroughs, particularly in data processing and communication, is unleashing a new era of strong, low inflation, growth in the US economy. It has even led some observers to speculate in a rather wild, not to say dangerous, way about “the end of the business cycle” and the “death of inflation”.

Before proceeding further, it is important to try and clarify what could be meant by the concept of the New Economy. This is such a new idea that nobody, at least that I am aware of, has as yet worked out a precise definition. What appears to be meant by the New Economy is that the speed limits of the economy have been increased. Such an economy can now operate at higher rates of growth than in the past without generating an acceleration of inflation. This, of course, is only a description of the symptoms of the New Economy. It does not say anything about the underlying causes of this improved capability of the US economy. To endeavour to identify these causes is to venture in the world of speculation. As Alan Blinder has recently said: “We are all scratching our heads on this issue.” The challenge in trying to explain the particular US success in the 1990s and thereby to explain the New Economy has to address two things – apparently sustained higher growth rates accompanied by either stable inflation or even, for some of this period, disinflation.

According to some accounts, the New Economy is being driven by a confluence of four factors, which have mutually reinforced each other.

First, there is the remarkable technological progress in a range of fields, especially data-processing and telecommunication. In addition, improved managerial techniques – facilitated by IT advances – have also apparently succeeded in harnessing these new technologies so as to boost productivity.

Second, the process of globalisation and increased competition in the markets for goods and some services, have stimulated improved efficiency and reduced pricing power. There is also a direct favourable effect on inflation coming from significant output price reductions in the information and communication technology industries themselves.

Third, the highly competitive and unregulated market structure of the US economy has facilitated the emergence of new lines of business and the harnessing of the new technologies to promote efficiency. This has been helped by a deepening of financial markets (also facilitated by the advances in information technology) which has enabled entrepreneurs in the high-tech sector to start up whole new lines of activity.

Finally, the US has benefited from a very favourable and stable public policy environment – with a commitment to sound public finances and price stability at the macrolevel and a business-friendly low-tax low-regulation approach at the microlevel. This has reduced uncertainty, encouraged entrepreneurial activity and facilitated the expansion of investment.

Despite this, it is still fair to say that views, as expressed in the financial press, tend to be polarised on the issue of the New Economy. There are the pessimists and the optimists. Generally speaking, academic economists tend to belong to the former category. Indeed, it is notably difficult to find many serious academic economists endorsing the New Economy view. To a large extent, this reflects the fact that New Economy effects are difficult to identify in the aggregate productivity statistics on which these economists focus. You are no doubt by now familiar with the quip by Solow that “You can see the computer age everywhere but in the productivity statistics”. At the other extreme can be found some financial market columnists in the financial press. Whatever the verdict from the commentators, whether

press or academic, financial markets themselves seem much less restrained in their views. They have voted enthusiastically, with the investment of their savings, in favour of the New Economy with the result that stock market rallies have broken all the records.

The naysayers argue that the exceptional performance of the US economy in the 1990s was, to a large extent, fortuitous. There was a very lucky and unique combination of events, which coincided and allowed the US to grow faster than would be regarded as normal without generating inflation. Examples are weak oil and commodity prices and a strong dollar.

While I think it is fair to say that the verdict on the New Economy in the US is, for now, “not proven”, it is legitimate to ask what are the chances that the new millennium will see the birth of a New Economy in the euro area? Could the factors, which are supposedly behind the New Economy in the US, exert a similar favourable influence on the euro area economy? The answer is probably yes. The potential is clearly there to be exploited. First, regarding technology, there is considerable scope for the euro area to benefit from these emerging technologies. In a sense, the US economy has served as a kind of a laboratory for the application and testing of these technologies over the last decade or so. By adopting these tried and tested techniques, which is undoubtedly happening at the moment, the euro economy could achieve the US New Economy performance more rapidly than it was achieved in the US itself. Second, the increasing integration of the euro area into the global economy will greatly facilitate this transfer process. Third, deregulation is already underway in the euro area and its effects are already being felt in a number of areas, such as telecommunications and electricity industries. Finally, the monetary union and the completion of the single market are promoting corporate restructuring and facilitating a reorganisation of economic activity which is improving the efficiency of the economy. This is

already evident in the surge in mergers and acquisitions which is being currently observed.

On their own, however, these favourable factors may not be sufficient to reap fully the potential gains of these new technologies. As I noted earlier, an appropriate market structure is essential for this purpose. Here there are significant differences with US. It is well known that the euro area is hampered by a number of severe structural rigidities, which would diminish the benefits of new technological possibilities. These include rigidities affecting especially the labour markets, a relatively high tax burden and a regulatory environment, which is much less favourable to entrepreneurial activity than is the case in US. In addition, financial markets – especially regarding the provision of risk capital – are still less developed in Europe although notable advances have been made in recent years as the new financial engineering techniques developed in the US are adopted in Europe. Realising the potential for a New Economy in Europe will thus depend in a fundamental way on the adoption of a comprehensive process of structural reform.

The possibility of a New Economy has important implications for monetary policy. The real problem relates to the many uncertainties surrounding the New Economy. Does it exist at all? If so, is it now just embryonic? How long will the transition to a fully-fledged New Economy take – assuming that such a thing exists at all? Without a more in-depth study, the central bank does not even know what exactly are the reliable indicators to look at to reveal the presence of elements of the New Economy. Finding such indicators is far from a trivial task. In view of the increasing importance of intangible capital (software, research and development,...) in the economy, the traditional approach, based on growth accounting, is extremely difficult if not impossible to implement satisfactorily. In addition, the calculation of potential output requires some estimate of the level of structural unemployment. As recent experience in the US

shows, this is an extremely problematic area. What approach should a central bank take in face of uncertainty regarding the New Economy phenomenon? In this respect, central banks find themselves in uncharted waters.

Confronted with very considerable uncertainty with respect to the likely influence of the information technology revolution on economy-wide productivity and output growth, the best prescription for central bankers is to keep an open mind about likely developments.

The monetary policy of the Eurosystem is directed at the objective of price stability achieved on the basis of the ECB's stability-oriented monetary policy strategy, comprising a prominent role for money (as reflected in the reference value for M3) and a broadly-based assessment of the prospects for price stability. It does not focus on cyclical fine-tuning of real activity. Such a framework means that monetary policy is less dependent upon specific measures of potential output and the output gap. Thus, the Eurosystem's monetary policy would not be an impediment to faster growth, which might emerge as a result of New Economy effects. This is helped by the fact that the strategy is designed in a very flexible way which enables it to react to any indicators regarding the future prospects of price stability, including those which would suggest the arrival of a New Economy. It will therefore not slip into any pitfalls. It can safeguard price stability while allowing the economy to realise its growth potential.

Price stability is a fundamental precondition for ensuring that growth can be sustained and that the benefits of a kind of New Economy can be fully exploited. A specific condition for the euro area to be able to gain from these very favourable new developments is that the EU 11 governments take structural reforms seriously. Otherwise the undeniable benefits that can in principle be derived from the new technologies will pass them by.

Conclusions

At the beginning of the new millennium, Europe is undoubtedly facing great challenges. But there are good reasons for optimism.

But, despite some imponderable risks, Monetary Union opens up immense opportunities. The success of the Union so far is the most obvious among the many grounds for optimism. I should like briefly to go back to the beginning of this success story. Before all economic achievements and the prosperity, which was advanced considerably through economic integration in Europe, one should pay tribute to over 50 years of peace between countries, which were once bitter enemies. That is a political foundation that one needs to build on when tackling the necessary reforms ahead.

As long as Europeans do not forget where they have come from, they should also know where they stand today and where they are going in the future.

4.2.2 The role of the Central Banks in Euroland. Institutional aspects

by Yves Mersch, Governor of the Banque centrale du Luxembourg

at the occasion of the European Banking & Financial Forum 2000 in Prague on 28th March 2000

1. Introduction

“Prague is a famous, ancient, kingly seat. In situation and in state complete, in architecture stately.” So wrote an English volunteer who fought at the battle of the White Mountain in 1620, John Taylor.

Ladies and Gentlemen,

it is a privilege to have been invited to this historical, beautiful and charming city of Prague, in the heart of Europe. Much of the beauty of this lovely city is due to building work commissioned by members of the House of Luxembourg, notably Charles IV.

I am delighted to speak before such a distinguished audience of the role of the Central Banks in Euroland. Such a title could be ambiguous. My purpose is not to describe the general functions entrusted to Central Banks. We know that most of the Central Banks in Europe were set up in their home countries as early, in many cases, as the 19th century. Their main function was to issue banknotes. Progressively their role has changed profoundly: they were just issuing banks, but now they have been transformed into institutions charged with the definition and implementation of monetary policy.

From 1st January 1999, the euro has been introduced in eleven of the fifteen EU Member States. The former national currencies remain as temporary expressions of the single currency. Apart from introducing the euro, the Eurosystem has been set up primarily to conduct monetary policy. Its first objective is, as we know, to maintain price stability. Let me remind you that if the Treaty refers to

the European System of Central Banks (ESCB) as a new institution and the ECU as a new currency, the terms which have been used since last year, are the Eurosystem and the euro respectively.

The Eurosystem is composed of the newly created European Central Bank (ECB) together with the National Central Banks (NCBs) of the States participating in Economic and Monetary Union (EMU). For these countries this is a new challenge and it provides them with a new framework in which to develop their activities.

In this context the Luxembourg situation is specific: the Banque centrale du Luxembourg (BCL) had to be established (together with the ECB on 1st June 1998) in order to comply with a specific provision of the Maastricht Treaty. The new law establishing the BCL is dated 23rd December 1998. It entered into force at the beginning of the activities of the Eurosystem on 1st January 1999. So undoubtedly the BCL is the most recently born NCB; its statute was drafted so as to comply fully with the requirements of EMU. If the BCL is the youngest NCB, it is not really the smallest one. The relative weight is not to be judged only in view of the number of staff members or by the key of capital subscription of the European Central Bank (ECB). This gives the BCL 0.15% of the capital of the ECB. At the Board its Governor is represented with an equal vote alongside ten other Governors of NCBs and six members of the Executive Board. This voting weight of 1/17th is sometimes depicted in the media of larger countries as an example of overrepresentation of small countries. They forget to mention that a Central Bank is about liquidity in the economy and Luxembourg

represents far more than 1/17th of the total liquidity of the euro area.

I now wish to comment more specifically on the institutional framework, leaving to other speakers the discussion of the practical organisation of the Eurosystem and the division of labour between the ECB and the NCBs.

2. The dual capacity of the NCBs

The NCBs are legal entities set up by the laws of their respective States. They are, at the same time, an integral part of the ESCB. The Treaty imposes basic tasks on the Eurosystem. Among the main priorities, the first is to define and implement the monetary policy of the Community.

The Treaty confers some competences on the ECB, others on the NCBs. Article 14 of the Statute of the ESCB-ECB, refers specifically to the NCBs as Members of the Eurosystem.

The statutes of NCBs themselves must be compatible with the Treaty, and have to that extent been partially harmonised in the process of legal convergence. The cohesion inside the system is guaranteed: “the NCBs are an integral part of the ESCB and shall act in accordance with the guidelines and instructions of the ECB”.

This applies of course to the functions of central banks transferred to ESCB, mainly monetary policy, payment systems, reserve management, exchange rate operations, banknote issuance and advisory functions, but not prudential supervision since the Treaty limits the role of the ECB to contribute to the work of national authorities in this area.

If NCBs are independent from Governments, the Eurosystem is also independent from individual NCBs in the area of transfer of sovereignty to the European level. In other areas NCBs remain independent from the Eurosystem and subject to

the rules of national organisations of constitutional power.

NCBs have thus a dual capacity at national and European level. This is true for the division of competence according to functions of Central Bank transferred to the Eurosystem and functions that remain of national competence according to the European Treaties like prudential surveillance.

But this dual capacity applies also to the implementation of monetary policy and to the decision making process involving Governors of NCBs in the Governing Council of the ECB in their personal capacity.

3. The NCBs and the decision-making process of the ECB

3.1. Personal independence of members of the Governing Council

Each Governor enjoys a dual capacity, acting both as Chief Executive of his NCB and as Member of the Governing Council. As a Member of the Governing Council the Governor acts in his personal capacity and not as the representative of his NCB. Each Governor contributes to the work of the Governing Council through his personal participation, but in such a way that the Eurosystem can benefit from the work done in his NCB.

In fact, it is quite simply not appropriate to consider the participation of the Governors of NCBs in the Governing Council as protection of national interests in the decision-making process of the ECB. The Governors do not represent their own NCB. Indeed, the participation of Governors from countries of very different sizes provides an element of independence and, even more, of cohesion. Even though Governors are not appointed according to a common procedure but according to separate national procedures, the mandate of each Governor is protected, under the Statute for the duration of his term of office. His removal during his term of office (which shall be not less

than five years) is subject to Community procedure and, eventually to a judgement by the Court of Justice of the European Communities.

The basic voting procedure is one man, one vote. Weighted voting is limited to financial (as opposed to monetary) decisions where the NCB Governors are representatives of the ECB. Comparisons should not be made with the Council of Ministers of the EU where qualified weighted voting is becoming the normal voting method. The EU procedure takes into account the importance of each Member State. On its side, the Governing Council of the ECB should not be seen, legally, as a body in which national interests are debated. Thus, even the enlargement of the European Union will not lead to a "re-nationalisation" of the ECB.

The Governing Council of the ECB is empowered to take the most important and strategically significant decisions affecting the Eurosystem.

"The Governing Council shall formulate the monetary policy of the Community including, as appropriate, decisions relating to intermediate monetary objectives, key interest rates and the supply of reserves in the ESCB, and shall establish the necessary guidelines for their implementation."

The role of a Governor should not be compared with that of "Landeszentralbankpräsident" in the Deutsche Bundesbank, neither with that of the Governor of a US regional Reserve Bank.

The Federal Open Market Committee (FOMC) is composed of eight permanent members, seven members of the Federal Reserve Board (FRB) and the President of the Federal Reserve Bank of New York. This committee also includes four members from among the other eleven Governors of the Regional Reserve Banks on a rotating basis. The US approach is more centralist. The presence of the Governor of the Federal Reserve Bank of New York is explained by the fact that the New York Bank has exclusive competence for the operational implementation of policy. This structure is quite

different from that of the Eurosystem. At the Deutsche Bundesbank the nine "Landeszentralbankpräsidenten" are members of the "Zentralbankrat" together with the President, the Vice-President and up to eight further members of the "Direktorium". The "Landeszentralbanken" are fully integrated into the Deutsche Bundesbank. They have no legal personality. The former principle, under which each "Land" enjoyed the presence of its own "Landeszentralbank" no longer applies.

3.2. Committees of the ESCB

The decision-making process of the Governing Council benefits also from the ESCB "committees". These committees are composed of representatives of the ECB and of the NCBs of each participating Member State. They provide for technical analysis, contribute to the preparation of decisions, and help to follow up the implementation of these decisions. Thus forecasts developed inside some committees and involving staff from both the ECB and NCBs have contributed to the decision-making process. Nevertheless, it should be recalled that the work of the ESCB committees is preparatory. The committees help the decision-making bodies of the Eurosystem but they are not part of these bodies and they do not take any binding decisions. The Governing Council remains sovereign.

3.3. NCB preparatory analysis

Beyond their participation in the committees, the NCBs also contribute directly to the decision-making process in the Eurosystem insofar that each NCB has to prepare the analysis of the relevant problems so as to enable its Governor to take part in the discussions of the Governing Council.

In the area of statistics, euro area figures are not published nationally, but aggregated at the ECB to prepare decisions on the ground of common euro area wide statistics.

Other statistical material is prepared by NCBs to assist their Governor for the Governing Council meeting; yet other statistics are required for national purposes.

In the Eurosystem research work remains largely decentralised but is co-ordinated. Much research is conducted in the various departments of NCBs, in the economic, financial, legal and technical fields. The single voice policy which is a basic requirement, does not imply the absence of decisions inside the system.

4. The implementation of monetary policy

4.1 Decentralised implementation

The Statute contains the general principle that “to the extent deemed possible and appropriate” it is up to the NCBs to carry out those operations that are required to perform the tasks of the system.

There is a presumption that the operational activities of the system, which have been decided upon by the ECB, take place at decentralised level.

Usually, for commentators, this provision relates to the principle of subsidiarity. It is true that according to the Treaty this principle applies only in areas “which do not fall within the exclusive competence of the Community”. Although monetary competences have been definitively transferred from the NCBs to the ECB, the implementation of monetary policy decisions is conducted on a “shared” basis within the Union.

For the implementation of monetary policy, the NCBs are responsible for maintaining relations with their counterparts, which are local credit institutions. A centralised approach is not necessarily ruled out, but any decision in this field has to be taken by the ECB on a case-by-case basis according to the discretion of its decision-making bodies.

The operations required to implement decisions of the ECB are conducted at national level under national legislation. Contrary to other operations in the field of payment and security settlement systems there is so far no “remote access” for the credit institutions. These must make use of the facilities provided by their own central bank. In the event of a default on a part of a credit institution, the sanction procedure is initiated by the relevant NCB, on behalf of the ECB.

In implementing its monetary policy, the Eurosystem bears in mind principles such as equal treatment, decentralisation, cost-benefits ratio and harmonisation.

The Eurosystem is not comparable with the FED in which the Federal Reserve Bank of New York conducts operations according to decisions taken at federal level.

The NCBs also contribute to the communication policy of the Eurosystem in the monetary field. Until there is a complete integration of financial, economic and social policies the single monetary policy has different consequences in the different Member States. The monetary authorities not only have to keep the market informed but must also keep in touch with policy-makers, to contribute to an adequate policy mix in view of the needs of national and regional authorities.

The NCBs will be responsible for issuing the euro banknotes as from 1st January 2002. They are actively involved in the preparatory work for this operation. The manufacture of euro banknotes has already started. The Treaty provides for the exclusive right of the ECB to authorise the issue of such notes. An intensive information campaign will be conducted by the Eurosystem from 2001 onwards.

The Treaty provides that some areas shall be treated through joint actions on the part of the ECB

and the NCBs, for example international cooperation where improvements are expected.

The NCBs have provided the ECB with foreign reserve assets totalling an amount to 50 000 million euros. This amount will probably be increased when the regulation “on further calls of foreign reserve assets” is adopted. These assets are managed on behalf of the ECB by those NCBs which have transferred them. The other foreign reserve assets held by NCBs are managed by them according to common rules.

4.2 Direct implementation

Some specific functions are entrusted exclusively to the ECB under EU rules (legal acts, sanctions, external representation, opinions...).

In most cases it is up to the discretion of the decision-making bodies of the Eurosystem to decide on the way in which such functions should be carried out, either on a centralised basis or on a decentralised one. So theoretically the ECB has a choice between direct or indirect implementation, but any centralised implementation must be justified in view of the principle of subsidiarity. Such centralisation can be expected with respect to the external representation of the ESCB – for instance, relations with international organisations and third countries.

The objective is to achieve operational efficiency inside the Eurosystem. Generally this efficiency is to be enhanced with local proximity. National procedures may be used. Common policy can tolerate some divergence, in order to cope with particularities of national banking systems, historical and structural differences. Smooth functioning is compatible with decentralisation as long as it does not lead to a new fragmentation of the single market of financial services. The monetary policy is single. This is an overriding principle. It must therefore be implemented without discrimination

ensuring a level-playing field. This principle has to be borne in mind when the opportunity for some operations of the system to be centralised, either totally or partially, is debated.

5. The other functions of NCBs

The NCBs perform functions other than those directly related to monetary policy. Some of these functions are mixed, carried out in accordance with decisions of the ECB. The Statute permits NCBs to carry out, also, non-Eurosystem functions unless these interfere with the objectives and tasks of the Eurosystem.

5.1 Mixed functions

I will not discuss the involvement of NCBs in matters which complement the implementation of monetary policy.

The ESCB decides how the ECB shall be represented in measures of international cooperation concerning the tasks entrusted to the Eurosystem.

Most important, we must remember the significance of the role of NCBs in the fields of payment systems, communication policy and statistics. As far as statistics are concerned, the Statute assigns to the NCBs the task of assisting the ECB to collect the necessary statistical information.

May I draw your attention to an important competence mentioned in the Statute: “the ECB and national central banks may provide facilities, and the ECB may make regulations, to ensure efficient and sound clearing and payment systems within the Community and with other countries”.

The payment systems oversight is one of the core competences attributed to the NCBs. That an adequate distinction between prudential supervision and oversight of payment systems is made, is a

matter for national legislation. This is the reason why the ECB has recently adopted a critical opinion on draft legislation in a Member State because that State failed to make a distinction between the two tasks.

The main focus of prudential supervision, however, is the safety and soundness of individual financial institutions, whereas the primary focus of oversight is placed on the clearing and payment systems themselves, in order to ensure their smooth operation, to avoid systemic risk within or between such systems and to ensure the efficient and sound transmission of monetary policy impulses.

5.2 National functions

“National central banks may perform functions other than those specified in this Statute unless the Governing Council finds, by a majority of two thirds of the votes cast, that these interfere with the objectives and tasks of the ESCB. Such functions shall be performed on the responsibility and liability of national central banks and shall not be regarded as being part of the functions of the ESCB.”

One of the main activities assumed by NCBs outside the Eurosystem is that of prudential supervision. In this field the ESCB has an advisory function and has to contribute to the stability of the financial system. The Treaty also provides for the possibility of assigning to the ECB specific tasks in prudential supervision of credit institutions and other financial institutions with the exception of insurance undertakings.

In the long run one might imagine that certain functions developed with success at one national level might encourage the NCBs of other countries to develop them. Discussions have already begun, for instance, concerning certain central bank services such as:

- credit registers,
- databases on annual accounts,
- research and analysis of national economy,
- fight against money laundering,
- investment advisor and manager for governments or other public bodies,
- communication, and so on.

6. Conclusion

At present, there are nearly 60 000 staff members in the different NCBs which participate in the ESCB and less than 800 at the ECB. Such figures are not to be seen as the expression of some balance of power. The Eurosystem is composed of the ECB together with the NCBs. It is a complex architecture which has avoided a difficult legal merger between different legal entities. The NCBs, on their side, contribute effectively to the smooth functioning of the system as a whole. The NCBs enjoy legal, financial and social autonomy, but they must comply with decisions of the ECB, in particular with guidelines and instructions relating to operational tasks.

The present situation is not final. The organisation of the system is still in progress. A number of studies are in progress, aimed at providing a blueprint of the future organisation of the system and the full participation of both present and future members of the Eurosystem. Many important problems, such as income distribution and social policy, and the external representation of the Eurosystem will need consideration in the future. These subjects are not for today.

Thank you, Ladies and Gentlemen.

4.3 LISTE DES CIRCULAIRES DE LA BCL

- Circulaire BCL 98/151 du 24 septembre 1998 concernant les aspects comptables du basculement vers l'euro
- Circulaire BCL 98/152 du 6 novembre 1998 concernant l'introduction d'un système de réserves obligatoires
- Circulaire BCL 98/155 du 9 décembre 1998 concernant le rappel des obligations en matière de réserves obligatoires
- Circulaire BCL 98/156 du 21 décembre 1998 concernant la décomposition des corrections de valeur constituées par les établissements de crédit au 31.12.1998
- Circulaire BCL 99/157 du 17 décembre 1999 concernant la révision du pourcentage de déduction uniforme de la base de réserve
- Circulaire BCL 2000/158 du 25 février 2000 concernant la modification des tableaux statistiques S 1.1 «Bilan statistique mensuel» et S 1.2 «Bilan statistique mensuel simplifié»

4.4 PUBLICATIONS DE LA BCL

BULLETIN DE LA BANQUE CENTRALE DU LUXEMBOURG

- Bulletin BCL 1999/1 (novembre 1999)
- Bulletin BCL 1999/2 (janvier 2000)
- Bulletin BCL 2000/1 (juin 2000)

RAPPORT ANNUEL DE LA BCL 1998 (avril 1999)

RAPPORT ANNUEL DE LA BCL 1999 (avril 2000)

EUROPRATIQUE. VADE-MECUM SUR L'INTRODUCTION DE L'EURO (mai 1998) (existe aussi en versions allemande et portugaise)

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4.5 DOCUMENTS PUBLIÉS PAR LA BANQUE CENTRALE EUROPÉENNE (BCE)

RAPPORT ANNUEL DE LA BCE

ECB Annual Report

Rapport Annuel 1998, *Annual Report 1998, April 1999*

Rapport Annuel 1999, *Annual Report 1999, April 2000*

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"The euro area one year after the introduction of the euro: key characteristics and changes in the financial structure", January 2000

"Foreign exchange reserves and operations of the Eurosystem", January 2000

"The Eurosystem and the EU enlargement process", February 2000

"Consolidation in the securities settlement industry", February 2000

"The nominal and real effective exchange rates of the euro", April 2000

"EMU and banking supervision", April 2000

"The information content of interest rates and their derivatives for monetary policy", May 2000

"Developments in and structural features of the euro area labour markets", May 2000

ÉTUDES

Working Paper Series

"Asymptotic confidence bands for the estimated autocovariance and autocorrelation functions of vector autoregressive models", by G. Coenen, January 2000

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"Is the yield curve a useful information variable for the Eurosystem?", by J. M. Berk and P. van Bergeijk, February 2000

"Indicator variables for optimal policy", by L. E. O. Svensson and M. Woodford, February 2000

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"House prices and the macroeconomy in Europe: results from a structural VAR analysis", by M. Iacoviello, [April 2000](#)

"The euro and international capital markets", by C. Dekten and P. Hartmann, [April 2000](#)

"Convergence of fiscal policies in the euro area", by O. de Bandt and F. P. Mongelli, [May 2000](#)

AUTRES PUBLICATIONS

Other publications

"Money and Banking Statistics: Handbook for the compilation of flow statistics", [December 1999](#)

"Payment systems in the European Union: Addendum incorporating 1998 figures", [February 2000](#)

"Interlinking: Data dictionary", Version 2.02, [March 2000](#)

"Asset prices and banking stability", [April 2000](#)

"EU banks' income structure", [April 2000](#)

"Rapport de Convergence 2000" / "Convergence Report 2000", [May 2000](#)

BROCHURES D'INFORMATION

Information brochures

"TARGET", [July 1998](#)

"The euro banknotes and coins", [July 1999](#)

"TARGET: facts, figures, future", [September 1999](#)

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4.6 LISTE DES ABRÉVIATIONS

ABBL	Association des Banques et Banquiers Luxembourg	IOSCO	International Organisation of Securities Commissions
AGDL	Association pour la garantie des dépôts, Luxembourg	IPC	Indice des prix à la consommation
BCE	Banque centrale européenne	LIPS-Gross	Luxembourg Interbank Payment System Real-Time Gross Settlement System
BCL	Banque centrale du Luxembourg	LIPS-Net	Luxembourg Interbank Payment System Real-Time Net Settlement System
BCN	Banque(s) centrale(s) nationale(s)	MFIs	Monetary Financial Institutions
BEI	Banque européenne d'investissement	NCB(s)	national central bank(s)
BERD	Banque européenne pour la reconstruction et le développement	OCDE	Organisation de coopération et de développement économiques
BIS	Bank for International Settlements	OECD	Organisation for Economic Cooperation and Development
BRI	Banque des règlements internationaux	OICV	Organisation internationale des commissions de valeurs
CAIL	Commission chargée d'étudier l'amélioration de l'infrastructure législative de la place financière de Luxembourg	OPC	Organisme de placement collectif
CEC	Centre d'échange d'opérations à compenser du système financier belge	OPCVM	Organisme de placement collectif en valeurs mobilières
CEE	Communauté économique européenne	OPEP	Organisation des pays exportateurs et producteurs de pétrole
CETREL	Centre de transferts électroniques Luxembourg	PIB	Produit intérieur brut
CPI	Consumer Price Index	PSC	Pacte de stabilité et de croissance
CSSF	Commission de surveillance du secteur financier	PSF	Autres professionnels du secteur financier
DTS	Droits de tirage spéciaux	RTGS	Real-Time Gross Settlement System
ECB	European Central Bank	RTGS-GIE	Groupement d'intérêt économique pour le règlement brut en temps réel d'ordres de paiement au Luxembourg
ECG	Enlarged Contact Group on the Supervision of Investment Funds	SDR	Special Drawing Rights
EIB	European Investment Bank	SEBC	Système européen de banques centrales
EMI	European Monetary Institute (1994-98)	SEC	Système européen de comptes
EMS	European Monetary System	SICAF	Société d'investissement à capital fixe
EMU	Economic and Monetary Union	SICAV	Société d'investissement à capital variable
ESCB	European System of Central Banks	SME	Système monétaire européen
EU	European Union	SWIFT	Society for Worldwide Interbank Financial Telecommunication s.c.
EUR	euro	SYPAL-GIE	Groupement d'intérêt économique pour la promotion et la gestion des systèmes de paiement au Luxembourg
EUROSTAT	Office statistique de l'Union européenne	TARGET	Trans-European Automated Real-time Gross settlement Express Transfer
FBCF	Formation brute de capital fixe	UCI	Undertaking for Collective Investments
FCP	Fonds commun de placement	UCITS	Undertaking for Collective Investments in Transferable Securities
FMI	Fonds monétaire international	UE	Union européenne
GAFI	Groupe d'action financière pour la lutte contre le blanchiment de capitaux	UEBL	Union économique belgo-luxembourgeoise
GDP	Gross domestic product	UEM	Union économique et monétaire
HICP	Harmonised Index of Consumer Prices	USD	Dollar des États-Unis d'Amérique
IADB	Inter American Development Bank	VNI	Valeur nette d'inventaire
IBLC	Institut belgo-luxembourgeois du change		
IGF	Inspection générale des finances		
IFM	Institutions financières monétaires		
IME	Institut monétaire européen (1994-98)		
IMF	International Monetary Fund		
IML	Institut monétaire luxembourgeois (1983-98)		