

OPINION OF THE EUROPEAN MONETARY INSTITUTE

following a consultation by the Council of the European Union under Article 109f(6) of the Treaty establishing the European Community (“the Treaty”) and Article 5.3 of the Statute of the EMI (“the Statute”);

on a Proposal for a Council Regulation (EC) on the European System of National and Regional Accounts in the European Community (COM(94) 593 final, dated 16th December 1994).

CON/95/7

1. The present consultation was initiated on 28th April 1995 by the Council of the European Union which, for this purpose, transmitted document COM(94) 593 final containing the Proposal for a Council Regulation (EC) on the European System of National and Regional Accounts in the European Community (“the proposed Council Regulation”) to the EMI.
2. The purpose of the proposed Council Regulation is to adapt the European System of Integrated Economic Accounts by providing for (a) a methodology on common standards, definitions, classifications and accounting rules, referred to as the European System of Accounts 95 (ESA 95), and (b) a programme for transmitting for Community purposes on precise dates the accounts and tables compiled according to the ESA 95. ESA 95 is given in Annex A and the transmission programme of national accounts data is specified in Annex B of the proposed Council Regulation.
3. Amendments to the ESA 95 shall be adopted by Commission Decision in accordance with the procedure provided for in Article 5 of the proposed Council Regulation, provided that they do not change the underlying concepts of ESA 95, do not require additional resources for their implementation and do not cause an increase in own resources in the Community. In addition, any changes in the data requested from the Member States may also be the subject of Commission Decisions in accordance with the procedure provided for in Article 5 of the proposed Council Regulation.
4. The procedure provided for in Article 5 refers to the Statistical Programme Committee (SPC) established by Council Decision 89/382/EEC, Euratom of 19th June 1989. In addition, according to Article 4 of the proposed Council Regulation, the SPC shall examine all matters relating to its implementation that are raised by its chairman, either on his own initiative or at the request of a Member State. The SPC is composed of representatives of the statistical institutes of the

Member States and chaired by a representative of the Commission (the Director-General of the Statistical Office of the European Communities).

According to Article 6 of the proposed Council Regulation, headed co-operation with other committees, the Commission shall request the opinion of the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) established by Council Decision 91/115/EEC of 25th February 1991 on all matters falling within its competence. The CMFB shall be composed of one, two or three representatives per Member State coming from the institutions principally concerned with financial, monetary and balance of payments statistics, up to three representatives of the Commission and up to three representatives of the EMI.

5. The EMI considers the proposed Council Regulation as a major contribution to the establishment and multilateral surveillance of an Economic and Monetary Union. In addition, the EMI acknowledges that the ESA 95 is consistent with the System of National Accounts 1993. This will facilitate comparisons between the economic developments of the European Union, including the future Monetary Union, and other developed market economies.
6. The EMI welcomes in particular the integration of the concept of Monetary Financial Institutions (MFIs) for statistical purposes, as defined by the EMI, in the ESA 95 classification of institutional sectors. Subject to the proviso that the proposed definitions of the Financial Corporations sector and sub-sectors remain unaltered in the final text enacted by the Council of the European Union, the ESA 95 will provide the uniform standard for the sector classification of Monetary Union money and banking statistics. This approach complies with the users requirements for monetary analysis within a wide and integrated framework and enables also significant savings to be made in the reporting burden since it avoids divergent classification standards in the different fields of statistics.
7. The EMI takes also favourably note of the improvements achieved in the methodology of financial accounts statistics to which several of the National Central Banks (NCBs) have actively contributed. It supports, in particular, the implementation of financial balance sheets for the institutional sectors and the integration of measures of money in the financial accounts statistics, as outlined in the Annex of the ESA 95 financial transactions chapter. Financial accounts statistics, both balance sheets and flows, may be needed by the European Central Bank (ECB) in order to assess the effect of monetary policy and the influence of external developments on the different sectors of the Monetary Union. This includes, in particular, monitoring the development of sectoral monetary and financial positions and assessing the working of the transmission mechanism in the Monetary Union. Financial accounts statistics may also help analysis when disintermediation occurs.

8. The transmission programme of the accounts and tables, laid down in Annex B of the proposed Council Regulation, includes annual financial transactions (table 8) and financial balance sheets (table 9) of institutional sectors and sub-sectors. Both sets of tables shall be provided commencing with the year 1999 and shall be available within nine months after the recording date. In view of the timetable scheduled by the Treaty for the third stage for achieving Economic and Monetary Union, the EMI would consider that delay in the transmission of financial accounts statistics based on ESA 95 would not be warranted. The deadline of nine months after the recording date should be seen as a maximum workable for policy use of these tables.

9. The EMI has strong reservations about the procedure provided for in Article 5 of the proposed Council Regulation which refers to the SPC only. According to Article 109f (3) of the Treaty and Article 4.2 of the Statute, the EMI shall, for the preparation of the third stage for achieving Economic and Monetary Union, promote the harmonisation, where necessary, of the rules and practices governing the collection, compilation and distribution of statistics in the areas within its field of competence. The EMI considers financial accounts statistics as one of the statistical areas, where the EMI and later the ECB should share competence with the Commission, closely co-operating in a partnership of independent institutions. The reason is that these statistics meet a variety of policy needs of both the ECB and the Commission. Within the shared competence, one partner would take the lead in those conceptual questions and in providing instructions for the collection of those data where it had a clear policy need and expertise.

Furthermore, when financial accounts statistics based on ESA 95 will have to be reported the first time by end of September 1999, the European System of Central Banks (ESCB) shall be well established and shall collect statistical information in accordance with Article 5 of its Statute. At the same time, in the majority of the Member States of the European Union in which financial accounts statistics are regularly available, the NCBs are responsible for producing them. Commission Decisions in accordance with the procedure provided for in Article 5 of the proposed Council Regulation on changes in the data requested from the Member States are binding in their entirety upon those to whom they are addressed and these are typically the NCBs when the changes refer to financial accounts statistics. It is therefore very important to ensure that these statistical tasks of the ESCB and the Commission are assumed in a coherent manner.

Against this background, Article 6 of the proposed Council Regulation does not concede the EMI and the NCBs a sufficient influence on financial accounts statistics. In stage two for achieving Economic and Monetary Union, the influence would be appropriately strengthened by providing, in the procedure laid down in Article 5 of the proposed Council Regulation, the CMFB with the

same status as the SPC on all matters falling within the competence of the CMFB and by accordingly confining the responsibility of the SPC to all matters not falling within the competence of the CMFB. This would be deemed sufficient for the EMI to comply with Article 109f (3) of the Treaty and it would provide the NCBS with an appropriate right to a say in the preparation of Commission Decisions which are binding for them. Moreover, such an arrangement would comply with the Proposal for a Council Regulation (EC) on Community action in the field of statistics (COM(94) 78 final), in particular Articles 1.4 and 8 thereof. It may require an amendment of Council Decision 91/115/EEC of 25th February 1991 establishing the CMFB to enable it to exercise such functions as are attributed to it by acts of the Council in the field of statistics, in accordance with the procedures laid down by such provisions, in line with Council Decision 87/373/EEC of 13th July 1987.

Accordingly, the EMI considers that Articles 4, 5 and 6 of the proposed Council Regulation should be modified in order to properly reflect the status of the EMI and the future ESCB in the area of statistics as laid down in the Treaty and the Protocols annexed to it.

10. The Protocol on the excessive deficit procedure annexed to the Treaty defines government deficit by reference to the ESA. The CMFB advised the Commission on the statistical treatment of privatisation receipts with government deficit in mind at its meeting on 30th January 1995. The EMI strongly recommends to incorporate this statistical treatment of privatisation receipts in the ESA 95. Paragraph 4.165g of the ESA 95 (“Other capital transfers include that part of realised capital gains (or losses) which is redistributed to another sector”) is inconsistent with the CMFB advice on the treatment of privatisation receipts and should be deleted.

Furthermore, the discussions on the statistical treatment of debt assumption, initiated by the CMFB with government deficit in mind, revealed that several paragraphs of the ESA 95 relating to capital transfers (D.9) are ambiguous when applied on the relationship between general government and public corporations or quasi-corporations. The EMI urges the Council of the European Union not to accept any undue ambiguity in the ESA 95 concerning the compilation of government deficit in view of the excessive deficit procedure as laid down in Article 104c of the Treaty. The redraft of the ESA 95 section on capital transfers should explicitly state the borderline between capital transfers (D.9) and transactions in shares and other equity (F.5) when funds are exchanged between general government and public corporations or quasi-corporations.

11. Subject to the reservations expressed in paragraphs 9 and 10 above, the EMI welcomes the proposed Council Regulation.

12. The EMI has no objection to its opinion being made public.

13. This opinion refers exclusively to the draft Council Regulation as contained in the document COM(94) 593 final, dated 16th December 1994. In view of its importance for the statistical activities of the ECB, the EMI requests that the final amended version is submitted for consultation to the EMI before it is adopted by the Council.

21st June 1995