

**IMMEDIATE  
ATTENTION**

EBD/07/137

December 17, 2007

To: Members of the Executive Board  
From: The Secretary  
Subject: **European Central Bank—Observer Status—Review of Decision**

Attached for consideration by Executive Directors is a paper on the 2007 review of the decision on the observer status of the European Central Bank.

It is not proposed to bring this matter to the agenda of the Executive Board for discussion unless an Executive Director so requests by **noon on Wednesday, December 26, 2007**. In the absence of such a request, the draft decision that appears on page 2 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Questions may be referred to Mr. Hubloue (ext. 38530) and Mr. Meyers (ext. 35912) in SEC, and Mr. Leckow, LEG (ext. 34799).

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

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Department Heads



INTERNATIONAL MONETARY FUND

**European Central Bank—Observer Status—  
Review of Decision**

Prepared by the Legal, European, and Secretary's Departments  
(In consultation with the Policy Development and Review Department)

Approved by Sean Hagan, Michael Deppler, and Shailendra J. Anjaria

December 17, 2007

1. At the time of last review of the Decision on the observer status of the European Central Bank<sup>1</sup> (the "ECB Observer Decision"), it was agreed that the ECB Observer Decision would be reviewed again before January 1, 2008.<sup>2</sup> In light of the generally satisfactory experience with the arrangements on the ECB's observer status, it is proposed to complete this review with no changes to the ECB Observer Decision, and to conduct further reviews on an as-needed basis.
2. The following EU candidate countries remain accession countries for purposes of the ECB Observer Decision: Croatia; Macedonia, former Yugoslav Republic of; and Turkey.
3. A proposed decision completing the review is attached, along with a consolidated version of the ECB Observer Decision (Appendix I). A list of the meetings on policy items that the Board has authorized the ECB representative to since the ECB was granted observer status in the Fund in 1998 is also attached as Appendix II. Directors may find this list useful in considering requests for ECB attendance at Executive Board meetings on policy items in the period ahead. In the period ahead, an up-to-date listing will be maintained on the web site of the Secretary's Department.

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<sup>1</sup> Decision No. 12925-(03/1), December 27, 2002.

<sup>2</sup> Decision No. 13856-(07/1), December 29, 2006.

**Proposed Decision**

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

1. Pursuant to Decision No.13856-(07/1), adopted December 29, 2006, the Executive Board has reviewed Decision No. 12925-(03/1), adopted December 27, 2002, as amended, on the European Central Bank's Observer Status.

**EUROPEAN CENTRAL BANK—OBSERVER STATUS**

1. The European Central Bank (ECB) shall be invited to send a representative to meetings of the Executive Board on:

- Euro-area policies in the context of the Article IV consultations with member countries under Decision No. 12899-(02/119);
- Fund surveillance under Article IV over the policies of individual euro-area members;
- Role of the euro in the international monetary system;
- World economic outlook;
- Global financial stability reports; and
- World economic and market developments.

2. In addition, the ECB shall be invited to send a representative to meetings of the Executive Board on agenda items recognized by the ECB and the Fund to be of mutual interest for the performance of their respective mandates.

It is understood, for purposes of this paragraph and provided that there is no objection from the member concerned, that the ECB shall be invited to send a representative to meetings of the Executive Board on:

- Fund surveillance under Article IV over the United States of America and Japan;
- Fund surveillance under Article IV over the non-euro area member countries of the European Union; and
- Fund surveillance over the policies of, and on use of Fund resources by, members that are accession countries to the European Union. Currently, the following members are accession countries to the European Union: Croatia, Macedonia, former Yugoslav Republic of, and Turkey. The Executive Board will be informed by management, after consultation with the Presidency of the Council of the European Union, of any changes to that list.

3. At Executive Board meetings, the representative of the ECB will have the status of observer and, as such, will be able to address the Board with the permission of the Chairman on matters within the responsibility of the ECB. The ECB representative may circulate written statements in advance of Board meetings to which the ECB has been invited. Such statements may be acknowledged by the Chairman to become part of the record of the Board meeting.

4. The Fund shall communicate to the ECB:

(i) the agenda for all Board meetings, and

(ii) the documents for the Executive Board meetings to which the ECB has been invited.

5. The Board notes that the ECB has agreed to preserve the confidentiality of all information and documents communicated by the Fund to the ECB, as specified by the Fund, and that any such information and documents shall be solely for the internal use of the ECB.

**ECB Attendance at Board Meetings and Seminars on Policy Items, in Accordance with Paragraph 2 of Decision No. 12925<sup>3</sup>**

<b>Date</b>	<b>Item</b>	<b>Type of meeting<sup>4</sup></b>
2/19/99	Code of Good Practices on Transparency in Monetary and Financial Policies	SEM
3/10/99	Further Considerations Toward a Contingent Credit Line	DIS
3/23/99	Second Review of the Special Data Dissemination Standard—Further Considerations	DIS
4/2/99	Further Considerations Toward a Contingent Credit Line—Follow Up	DIS
4/9/99	Code of Good Practices on Transparency In Monetary & Financial Policies—Further Considerations and Revisions	DIS
4/21/99	Further Considerations Toward a Contingent Credit Line—Further Follow Up	DIS
7/9/99	The Role of the Fund in the Liberalization of Capital Movements—Options for Consideration	SEM
9/21/99	Exchange Rate Regimes in an Increasingly Integrated World Economy	DIS
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1/29/01	Assessing the Implementation of Standards—A Review of Experience and Next Steps	DIS
3/16/01	Guidelines for Public Debt Management	DIS
6/15/01	Methodology for Current Account and Exchange Rate Assessments	SEM
6/25/01	Macprudential Indicators	DIS
7/6/01	Capital Account Liberalization and Financial Sector Stability—Considerations and Sequencing	SEM
9/7/01	Guidelines for Foreign Exchange Reserve Management	DIS
12/12/01	SDR Allocation in the Eighth Basic Period—Basic Considerations	DIS
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5/10/02	Data Provision to the Fund for Surveillance Purposes	DIS
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3/19/03	International Standards-Strengthening Surveillance, Domestic Institutions, and International Markets	DIS
5/14/03	Deflation: Determinants, Risks and Policy Options—Findings of an Inter-Departmental Task Force	ISEM
5/22/03	Financial Stability in Dollarized Economies; Macroeconomic Policies in Dollarized Economies	SEM
6/2/03	Financial Soundness Indicators	DIS

<sup>3</sup> In accordance with paragraph 2 of the decision, ECB observer attendance at every Board meeting listed below was specifically approved by the Executive Board.

<sup>4</sup> SEM – seminar; DIS – discussion; ISEM – informal seminar

<b>Date</b>	<b>Item</b>	<b>Type of meeting<sup>4</sup></b>
7/9/03	Fifth Review of the Fund's Data Standards Initiatives	DIS
11/10/03	Evolution and Performance of Exchange Rate Regimes ***	ISEM
2/20/04	Global Economic Model	ISEM
2/24/04	Fund Staff Position on the New Basel Capital Proposals	Inf.Briefing
3/15/04	Review of Data Provision to the Fund	DIS
3/23/04	Integrating the Balance Sheet Approach into Fund Operations	ISEM
4/15/04	Recent Developments in Sovereign Debt Litigation and Implications for Debt Restructuring and Debt Relief Processes	ISEM
5/24/04	Liquidity Management	SEM
10/20/04	Debt Related Vulnerabilities and Financial Crises—An Application of the Balance Sheet Approach to Emerging Market Countries	SEM
10/27/04	Financial Sector Regulation—Issues and Gaps	DIS
11/17/04	Monetary Policy Implementation at Different Stages of Market Development	SEM
12/13/04	Operational Aspects of Moving Toward Exchange Rate Flexibility ***	SEM
3/11/05	Oil Market Developments and Issues	SEM
3/18/05	FSAP—Review, Lessons, and Issues Going Forward	DIS
5/11/05	IEO Report on the Evaluation of the IMF's Approach to Capital Account Liberalization	DIS
7/22/05	Managing Systemic Banking Crises in the Context of Sovereign Debt Restructurings	SEM
7/25/05	The Standards and Codes Initiative	DIS
10/26/05	Implementation of Basel II – Implications for the World Bank and IMF	DIS
11/2/05	Sixth Review of the Fund's Data Standards Initiatives	DIS
11/23/05	Review of the Method of Valuation of the SDR ***	DIS
1/27/06	IEO Report on the Evaluation of the FSAP	DIS
2/17/06	Inflation Targeting and the IMF	SEM
2/27/06	Growth in Central and Eastern European Countries of the European Union: A Regional Review	SEM
3/24/06	IEO-An Evaluation of the IMF's Multilateral Surveillance	DIS
4/3/06	The Managing Director's Report on Implementing the Fund's Medium-Term Strategy	DIS
5/16/06	Draft Issues Paper on the IEO's Evaluation of the IMF's Advice on Exchange Rate Policy	ISEM (Chaired by IEO)
7/19/06	Review of the 1977 Decision on Surveillance Over Exchange Rate Policies – Preliminary Considerations	DIS
8/30/06	Treatment of Exchange Rate Issues in Bilateral Surveillance – A Stocktaking	SEM

<b>Date</b>	<b>Item</b>	<b>Type of meeting<sup>4</sup></b>
	***	
1/05/07	Regional Reserve Pooling Arrangements	ISEM
2/14/07	Review of the 1977 Decision on Surveillance Over Exchange Rate Policies—Further Considerations	DIS
3/05/07	IEO Report on the Evaluation on the IMF and Aid to sub-Saharan Africa	DIS
4/06/07	Integrating Finance and Financial Sector Analysis into Article IV Surveillance	ISEM
6/15/07	Review of the 1977 Decision—Proposal for a New Decision	DIS
7/20/07	Report on the Multilateral Consultation on Global Imbalances with China, the Euro Area, Japan, Saudi Arabia, and the United States	DIS
11/07/07	Financial Soundness Indicators—Experience with the Coordinated Compilation Exercise and Next Steps	DIS