

23 December 2002

CMFB Opinion on the treatment of the case of the “Bond conversion under Law No 483/93 in Italy”

Following the ECB’s Opinion of 6 December (CON/2002/30), the CMFB took the initiative to deliver its opinion on the recording of the above-mentioned bond conversion for the purpose of the excessive deficit procedure. A questionnaire and a background document were sent to the CMFB members on 13 December 2002. The deadline for returning the questionnaire was 18 December 2002. Both the procedure and the content of the consultation were agreed by the CMFB Executive Body.

Thirteen (13) national statistical institutes and fourteen (14) national central banks from the Member States returned the questionnaire. A total of twenty-seven (27) national institutions, from fourteen (14) Member States, thus participated in the consultation. The ECB also responded to this consultation.

The outcome of this consultation was that, on the basis of the information available for the consultation, the CMFB could not provide a clear-cut opinion.

While this consultation was taking place, the Italian authorities provided the CMFB Chairman on 18 December 2002 with a revised draft bill, and officially requested Eurostat to launch a new consultation based on this revised text. In accordance with the published "Code of best practices", which states that "Member States may request that the CMFB be consulted before Eurostat decides", the CMFB Chairman, in agreement with the CMFB Executive Body, decided to launch a new consultation on 19 December 2002, with a deadline on the following day, i.e. on 20 December 2002. This consultation basically asked whether the CMFB members confirmed or changed the response sent to the previous consultation on the basis of the revised draft bill.

Three (3) national institutions (two (2) national statistical institutes and one (1) national central bank) participated in this second consultation in addition to the 27 that already participated in the first consultation. Accordingly, all (30) national institutions from all (15) Member States participated in one or both of the consultations.

The result of the second consultation was as follows:

- Six (6) national institutions favoured **Option 1** in the questionnaire (Banca d’Italia’s coverage of the loss resulting from the decrease in value of assets from the bond conversion is to be recorded *as a capital transfer in kind, with an immediate and complete impact on government deficit*).
- No national institution favoured **Option 2** (Banca d’Italia’s coverage of the loss resulting from the decrease in value of assets from the bond conversion is to be

recorded as a negative income tax, with an immediate and complete impact on government deficit).

- Sixteen (16) national institutions favoured **Option 3** (Banca d'Italia's coverage of the loss resulting from the decrease in value of assets from the bond conversion is to be recorded as an ordinary tax credit compensated by future income taxes due to be paid, with an uncertain impact on government deficit in the future).
- Seven (7) national institutions favoured the option "other", but provided comments for some preferential treatment (two of them rather in favour of option 3).
- One (1) national institution expressed that it had no opinion due to insufficient information

Accordingly, on the basis of the information available for the new consultation, a majority of the CMFB members expressed a preference for **Option 3** (Banca d'Italia's coverage of the loss resulting from the decrease in value of assets from the bond conversion is to be recorded as an ordinary tax credit compensated by future income taxes due to be paid, with an uncertain impact on government deficit in the future).

In addition to this opinion, the following has been transmitted to Eurostat and will be kept in the records of the secretariat of the CMFB: a document putting together the answers of all the institutions; a summary of the vote, and the original replies of the institutions.

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CMFB Chairman