

EXECUTION COMMITTEE

ACT NUMBER 13-2008

Session 13-2008 celebrated in the *Banco de Guatemala* building located at *séptima avenida número veintidós guión cero uno, zona uno* of this city, on Tuesday, March eighteenth, two thousand eight, at seventeen hours and forty-five minutes.

The coordinator, with the corresponding quorum, for the consideration of the Execution Committee submitted the project for the order of the day.

FIRST: Knowledge of the project of act number 12-2008, corresponding to the session celebrated on March 14, 2008.

CIRCULATE: project of act number 12-2008.

SECOND: Information on markets and monetary variables.

- a) Money Market
- b) Exchange Market
- c) Indicative Variables
- d) Estimated Monetization Flow
- e) Proposal of quotas for bids in term deposits

THIRD: Discussion and determination for quotas for the bidding of term deposits.

- a) Discussion
- b) Determination of quotas for bidding of term deposits

FOURTH: Other matters.

Not having observations, the Committee approved the Order of the day.

FIRST: The coordinator submitted the project of the corresponding act for consideration.

Not having observations, the Committee approved Act number 12-2008.

SECOND: Information of markets and monetary variables.

The Coordinator requested the corresponding information be provided.

- a) The Sub-Director of the Department of Monetary Stabilization Operations, regarding the Money market informed that during the period from March 14 to 17, 2008, registered an attraction of LTD's for Q168.9 million and maturity for Q133.9 million, which gave as a result net fund-raising for Q35.0 million, associated to the operations made through the commodities exchange (net maturities for Q9.7 million);

in the Electronic Banking Money Table –MEBD- and in the *Bolsa de Valores Nacional*, S. A. stock exchange (net fund-raising for Q32.0 million); and at the window (net fund-raising for Q12.7 million).

Regarding the DP fund-raising, it was indicated that during the period of March 14 to 17, 2008, for the biddings case, the same would be held by due date and price and per term, for the biddings per due date and price, indicated that in the one made through the commerce exchanges, did not present bids, while for the bidding made directly, the cut price was of 93.5921% for the maturity on March 9, 2009, equivalent to a yield rate of 7.0001%; while for the direct bidding, the cut price was of 93.6007% for the maturity to March 9, 2009, equivalent to a yield rate of 6.9900%; and, for the term bidding, the cut interest rate was of 7.50%, for the term of 1092 days (3 years). As to the MEBD and in the *Bolsa de Valores Nacional*, S. A. stock exchange, the fund-raising was held for a 7 day term, the leading interest rate was of 6.50%.

Regarding liquidity injecting operations it was reported that, during the period of March 14 to 17, 2008, operations for Q24.3 million for a 7 day term, at an interest rate of 8.00%. It was indicated that in the referred operations they received Representative Certificates of Treasury Bonds from the Republic of Guatemala expressed in US dollars as a guarantee.

As to the weighted average interest rates of total operations of repurchase agreements made in the stock exchange of the country, it was indicated that, during the March 14 to 17, 2008 period, the minimum was of 7.50% observed on March 17, 2008 and the maximum was of 7.66% registered on March 14, 2008. It also pointed out that the amounts negotiated were guaranteed with public titles and that the weighted average interest rate during said period was of 7.56%.

On the other hand, it was informed that on March 17 of this year, they had repurchase agreement operations in the exchange market, in the over the counter, by the banks of the system and the financial stock companies, with term deposits from the *Banco de Guatemala* and Guatemalan Treasury Bonds for Q724.1 million with a yield of 7.5619% and US\$4.0 million with a weighted average yield of 4.2500%.

Finally, it was reported that during the period of March 14 to 17, 2008, regarding operations with treasury bonds expressed in quetzales, registered placements for Q3.3 million and maturity for US\$0.1 million.

b) The Sub-Director for the Monetary Stabilization Operations Department regarding the Institutional Market for foreign currency reported that during the period of March 14 to 17, 2008, the average daily operations for purchase were of US\$76.3 million and the sale was of US\$70.1 million and that the weighted average exchange rates of the referred operations showed a tendency to fall. In effect, on Friday, March 14, they were Q7.61726 per US\$1.00 for purchase and of Q7.64463 per US\$1.00 for sale; on Monday, March 17 they were Q7.59299 and of Q7.61477. Also, it was indicated that the current exchange reference rate for March 18 of the current year is Q7.60930 per US\$1.00.

In the operations of the electronic systems of negotiations of foreign currency administered by the *Bolsa de Valores Nacional, S.A.* (National Stock Exchange, S.A.), for the period of March 17 to 18, 2008, it was commented that the Private Institutional Foreign Currency System –SPID-, there were no operations. Regarding the Electronic Foreign Currency Negotiation System –SINEDI-, there were no operations, and also, that according to the established in the participation rules of the *Banco de Guatemala* in the exchange market, an auction was convened for the purchase of US dollars, on March 18, for the amount of US\$8.0 million, which, due to the fact that no bids were received, was declared deserted.

On the other hand, they informed that the Future Foreign Currency Market that is operated by the National Stock Exchange, S.A., during the period of March 17 to 18, 2008, did not close operations. They added that on Tuesday, March 18, there was no reference price for the market to settle in June 2008, since no operations had been closed.

c) A Sub-Director for the Economic Studies Department informed that, from March 13 and 17, 2008, according to preliminary numbers, the daily legal reserve of the banking system went from a position of Q935.5 million to one of Q394.2 million. They also mentioned that during said period they registered net placements of liquidity giving operations of the *Banco de Guatemala* for Q0.1 million. On the other hand, the average position of legal reserve in the mentioned period went from Q433.1 million to Q458.0 million.

The highlights during the period of March 13 to 17, 2008, the main monetizing factors of the monetary issue were the decrease in the balance of the deposits of the Central Government in the *Banco de Guatemala* for Q256.9 million and the legal

banking reserve for Q117.2 million; while the main demonetizing factors were the increase in the balance of the deposits of the rest of the public sector in the *Banco de Guatemala* for Q41.6 million and the term deposits constituted in the Central Bank for Q35.0 million; and the decrease in the balance of the Net International Reserves for the equivalent to Q33.6 million

As to primary liquidity it was indicated that monetary issue observed to March 17, 2008, is found within the programmed runner for said variable, which would indicate an invariable monetary policy, whereas the base of a broad monetary base, on that same date, is at Q682.5 million below the lower limit of the programmed runner, which suggests a relaxed monetary policy. The weighted orientation of the deviation for the present week (–Q341.3 million) would indicate relaxing the monetary policy.

Finally, they indicated that regarding the behavior of the nominal exchange rate, the upper limit for the estimated runner for the week of March 17 to 18, 2008 were of Q7.737 and Q7.617 per US\$1.00, respectively; and the observed level (calculated as the average of the exchange rates for purchase and sale in the Institutional Market of Foreign Currency for the period between March 17) was of Q7.609 per US\$1.00; with which the observed value of the nominal exchange rate is located below the referred runner.

d) A Sub-Director of the Department of Economic Studies informed the Committee of the monetizing and demonetizing factors forecast in the Estimated Monetization Flow for the week of March 24 to 27, 2008, which indicate an excess of primary liquidity for Q1,457.9 million, fundamentally due to the use of deposits by the Central Government in the *Banco de Guatemala* and the maturity of CDs; if we add the position of banking legal reserve for Q112.8 million resulting in an excess of aggregate liquidity for the referred period of Q1,570.7 million; if these factors are given, to make a compatible issue offer with the programmed demand, that the CDs that mature during the period (Q676.3 million; according to the registry to March 17, 2008) have to be relocated; and, besides make additional fund-raising for around Q894.4 million.

e) The Sub-Director of the Department of Monetary Stabilization Operations based on the estimated monetization flow and on the guidelines established for the determination of the quotas for the bidding of term deposits through the commodity exchanges, proposed that they be Q20.0 million, Q10.0 million, Q35.0 million and of

Q10.0 million for the following maturity dates: June 9, 2008 and September 8, 2008 and December 8, 2008, March 9, 2009, respectively.

THIRD: Discussion and determination of quotas for Term Deposits.

a) Discussion

In the Committee it was indicated that the variation of the reference exchange rate to March 18 reached the lower limit of daily fluctuation established in the participation regulation of the *Banco de Guatemala* in the exchange market, therefore the Central Bank convened and auction for the purchase of US\$8.0 million in the SINEDI, according to the established participation regulation, but when there were no bids presented for the auction, it was declared deserted. Also, it was reported that after the convening, a slight increase was observed in the quotes on the exchange rate in the exchange market.

b) Determination of quotas for bidding of term deposits.

Regarding the determination of quotas for the bidding on March 24, 2008 the Committee took into account; on the one hand, the proposal of the Department of the Monetary Stabilization Operations, to include the information provided by the estimated monetization flow for the following week, and, on the other hand, the guideline to keeping a limited number of weekly bids. Based on the above, the Committee agreed to approve the proposal of the technical departments and, therefore, approved the fund-raising quotas in the following manner: for June 9, 2008, Q20.0 million, September 8, 2008, Q10.0 million; December 8, 2008, Q35.0 million; and for March 9, 2009, Q10.0 million.

FOURTH: Other matters.

Not having other matters to discuss, the session ended at eighteen hours and thirty minutes, in the same place and on the same date indicated, the participants signed in agreement.