

SECRETARIAT OF THE MONETARY BOARD

Guatemala,

November 26, 2004

JM-140-2004

RESOLUTION JM-140-2004

Insert Sixth Point of Act 47-2004, corresponding to session celebrated by the Monetary Board of November 17, 2004.

SIXTH POINT: Payment System of Guatemala: Evaluation and Modernization Proposal.

RESOLUTION JM-140-2004. Having heard Decision CT-3/2004 approved by the Technical Council of the *Banco de Guatemala* on October 21, 2004, that contains the Modernization evaluation and proposal for the Payment System of Guatemala; and, WHEREAS: That according to the agreed in clause c) of article 4 of Decree Number 16-2002 of the Congress of the Republic, Organic Law of the *Banco de Guatemala*, the Central Bank has, among other functions, that regarding the correct functioning of the payment systems; WHEREAS: That this Board, in Resolution JM-235-2000 dated June 1, 2000, approved the Matrix of the National Financial System Strengthening Program and, due to this, the *Banco de Guatemala* in its Strategic Institutional Plan 2003-2007, among other strategies, contemplated continuing with the modernization of the payment system process; WHEREAS: That according to the merit document, a payment system consists of a series of instruments, banking procedures and, generally, inter-banking systems of funds transfers that ensure monetary circulation; WHEREAS: That the payment system in order to ease the economic transactions and the funds mobility come to constitute an important factor for the smooth working of the economy, cooperating in the effectiveness of the monetary policy; to the development of the goods and financial company markets; and, to the financial and monetary stability; WHEREAS: That in the design and operation of the payment system the “Basic Principles for the Payment System of Systemic Importance” approved by the Bank for International Settlement must be taken into account, with the consensus of the Payment System and Settlement Committee of the Central Banks of the Group of Ten Countries, of the European Central Banks, the International Monetary Fund and the World Bank, which are directed toward increasing the security and efficiency of the payment system; to giving incentive forms of systemic risk minimization; and, to creating mechanisms of implementation so their application is not onerous; WHEREAS: That together with the approval of the “Basic Principles for the Payment System of Systemic Importance” tour responsibilities of the central banks were approved in the application of said principles, which are contracted in that they must clearly define their objectives in the payment system matters and making public their role and their most important policies regarding said systems; that it must be ensured that said systems that operate fulfill the

Basic principles; that they must match over the fulfillment of the referred principles for the systems that do not operate and must be authorized to match over; and, that when promoting security and efficiency of the payment systems, through the Basic principles, must cooperate with other central banks and with any other pertinent national or foreign authority; WHEREAS: That the Central Bank has an important role in the administration of the payment system, specifically when it must function efficiently and securely, which strengthens the fulfillment of the fundamental objective of the *Banco de Guatemala*, as to propitiating the monetary, exchange and credit conditions that promote stability in the general level of prices; WHEREAS: That if within the Guatemalan payment system processes and operations are made with the support of modern technology, which has given room to the uprising of electronic payment means and to certain facility in financial operations, the clearing and settlement processes of operations are still made traditionally with the use of the payment means, such as cash and check, therefore said situation demands the operation of a Real Time Gross Settlement System in an environment of security and efficiency as fundamental characteristics of the modern payment systems; WHEREAS: That with the implementation of a Real Time Gross Settlement system, the Guatemalan financial system will obtain important benefits of which the following can be mentioned: on the one hand, the reduction of execution time in the registry of operations, as well as the payment liquidation among economic agents, making it possible for the beneficiaries to have an immediate manner of financial resources and, on the other hand, the strengthening of the security of operations with the use of sophisticated electronic and mechanical means of computer security, developing for the effect a well founded legal and regulatory basis; WHEREAS: That in the context of the modernization of the national payment system that the *Banco de Guatemala* has begun, significant steps have been taken into translating the approval, on behalf of the Board, of the Banking Clearing House Regulation, instrument that includes, among other decisions, those regarding the instruction booklet for the standardization of the check in the national banking system; the contracting of the administration services of the check clearing process; the acquisition of a gross settlement system in real time; and, the hiring of the access services, electronic use and of communication that will be used among the participants of the gross liquidation system in real time; WHEREAS: In order to continue advancing with the process of modernization of the national payment system, it is deemed pertinent to have activities that tend to strengthen, in a manner that counts on a legal basis and regulation founded in the basic principles made reference to, that contributes to the efficiency and to the transparency of the financial operations that are made in the payment system; to the implementation of a payment system that counts on the modern technological tools to optimize the efficiency in the settlement of the operations, applying international standards; and, to the institutional cooperation that requires said modernization, which can be achieved in the measure in which the discussion process of the participants in the payment system in the country is promoted, just like in the rest of the central banks of the region, in order to harmonize the payment system in the Central American countries and the Dominican Republic; WHEREAS: That the activities that allow reaching the objectives enunciated in the previous whereas, are found described in the “Matrix of Modernization of the Payment System”, which approval is deemed convenient;

THEREFORE:

Based on the considered, in the decided in articles 132 and 133 of the Political Constitution of the Republic; 4, clause c), and 26, clause m), of Decree Number 16-2002 of the Congress of the Republic, Organic Law of the *Banco de Guatemala*, as well as taking into account Decision CT-3/2004 of the Technical Council of the *Banco de Guatemala*, and in the opinion of its members.

**THE MONETARY BOARD
RESOLVES:**

1. Approve, according to annex of the present resolution, the Matrix of Modernization of the Payment System.
2. Instruct the *Banco de Guatemala* to let the participants of the national payment system know of the document that contains the evaluation and proposal of modernization of the payment system of Guatemala.
3. Urge the participants of the national payment system to contribute in the process of modernization of the same, in order to incorporate the “Basic Principles for the Payment System of Systemic Importance”.
4. Urge the *Banco de Guatemala* to implement the necessary actions that allow the modernization of the payment system to take place, therefore it must coordinate the participation of the institutions of the public sector that are associated to the normal operation of said system.
5. Urge the *Banco de Guatemala* to create an institution that will function as the National Council of the Payment System.
6. Authorize the Secretariat of this Board to publish the present resolution, which will be enforced as of the date of publication.

Armando Felipe García Salas Alvarado
Secretary
Monetary Board