EXECUTION COMMITTEE

ACT NUMBER 46-2005

Session 46-2005 celebrated in the *Banco de Guatemala* building, on Friday, September sixteenth, two thousand five, at fifteen hours and 30 minutes.

The coordinator, with the corresponding quorum, submitted the projects of the Order of the Day to the Execution Committee for consideration.

FIRST: Approval for projects in Deed number 45-2005, corresponding to session celebrated on September 9, 2005.

(Project deeds circulated.)

SECOND: Evaluation of the positions for bidding of Term Deposits in *quetzales*. Number DP-113-2005.

THIRD: Market Information and Monetary Variables.

a) Money and Exchange markets

b) Monetary Variables

FOURTH: Inflation Risks Balance

FIFTH: Analysis of the Monetary Situation and Definition for the Guidelines of Monetary, Exchange and Credit Policy execution for the following week.

SIXTH: Other Matters

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

FIRST: The Coordinator presented the project of the corresponding deed for consideration.

Not having observations, the Committee approved Deed number 45-2005.

SECOND: Evaluation of the bidding positions for Term Deposits in *quetzales*. No. DP-113-2005.

The Committee recognized the positions received in the bidding for long term deposits –CDP's- (50.0 million for 2912 days (8 years), at an interest rate of 8.40%; taking into account the yield curve for reference calculated through interpolation of current interest rates for public titles, the three positions received are subject to awarding, therefore it agreed to award said positions, for Q50.0 million. About this, a member of the committee declared, that due to the higher financial cost that these operations represent, that the possibility of not accepting the totality of these proposals be accepted; other members of the Committee indicated that although this proposal is reasonable and is in line with the declared uncertainty of a member of the Monetary Board, it is a decision that should be based within the previously described procedures, therefore it was agreed to petition the technical departments to analyze the origin and the continuity of said operations in the current conditions, of establishing quotas for them or introducing criteria to propitiate major competition in market positions for these terms, with the purpose of making a decision in the next session.

THIRD: Market and Monetary Variable Information

The coordinator requested that the corresponding information be presented.

a) The Director of the Department of Operations for Monetary Stabilization, regarding the Money Market informed that during the period of September 12 to 16, 2005, with partial numbers to this date, they registered raising funds of CDP's for Q1, 957.8 million and maturity for Q1, 821.0 million, which gave a result of net maturity for Q136.8 million, associated to the operations performed in bidding (net fund raising for Q21.6 million), in the Electronic Banking Money Table –MEBD- and in the stock exchange (net fund raising for Q99.0 million) and in window (net raising funds for Q16.2 million). Regarding applied interest to raising funds of CDP's, they indicated that during the September 12 to 16, 2005 period, for bidding cases the cut interest rates were of 5.00% for 91 days, 5.70% for 182 days, 6.2998% for 364 day and 6.9949% for 728 days. For their part, the MEBD and the stock exchange raising funds were for 7 day fixed terms, and the interest rate was of 3.50%.

As to the average pondered interest rates of the total operations for the repurchase agreements in the stock exchange of the country indicated that during the September 12 to 16, 2005 period, with partial data to date, the minimum was 2.11%, observed on September 12, 2005, and the maximum was 3.66%, registered on September 16, 2005. Also, it was pointed out that the negotiated sums were higher with public titles and that the pondered average interest rates for said period were of 2.65% for public titles and of 3.87% for titles from the financial sector. On the other hand, they informed that during the September 12 to 16, 2005 period, regarding the treasury bonds operations they registered a maturity for Q20.5 million and US$0.2 million.

As to biddings for long term deposits in dollars from the United States of America, made on September 13, 2005 period, it was mentioned that there were no purchase orders presented. Regarding the Institutional Foreign Currency market they informed that during the September 8 to 14, 2005 period, the average daily purchase operations were for US$64.1 million and sales were of US$66.7 million and that the exchange rates showed a tendency to the rise. In effect, on Thursday, September 8 it was Q7.58817 for US$1.00 for purchase and Q7.60451 for US$1.00 for sale, on Monday, September 12 they were Q7.59368 and Q7.60935, on Tuesday, September 13 they were Q7.59539 and Q7.60991, and on Wednesday, September 14 they were Q7.59845 and Q7.61765.

Regarding the electronic systems operations for negotiation of foreign currency administered by the National Stock Exchange, S.A., corresponding to the September 9 to 16, 2005 period, they commented that the Private Institutional System for Foreign Currency –SPID-, made the following operations: Monday, September 12 for US$100.0 million, at a pondered exchange rate of Q7.61000, and on Friday, September 16 US$3.4 million, at a pondered exchange rate of Q7.62638. Regarding the Electronic Negotiation System of Foreign Currency –SINEDI-, presented that during the period no operations were closed and only the *Banco de Guatemala* made a daily income proposal for purchase of US$10.0 million, at a price of Q7.58800, according to the Execution Committee's guidelines. On the other hand, they informed that Future Foreign Currency Markets that operate the National Stock Exchange, S.A. did not close operations for the September 9 to 16, 2005 period. As to the closing, for reference, on Friday, September 16 they indicated that the maturity to liquidate in September of 2005 was of Q7.65000, for the maturity to liquidate in December, 2005 it was of Q7.67000 and for the maturity to liquidate in March, 2006 it was of Q7.71000.

b) The director of the Economic Studies Department informed that on September 15, 2005, the excess of daily float and the average of the banking system were located in a position of Q362.2 million with a negative average position of Q137.2 million. It was highlighted that in the period of September 8 to 15, 2005, the main monetizing factors was the decrease in the banking float balances for Q228.3 million and the deposits to the Central Bank from the public sector for Q61.7 million, while the main demonetizing factors were the increase in the balance of the Central Government deposits in the *Banco de Guatemala* for Q96.8 and the long term deposits constituted in the *Banco de Guatemala* for Q47.6 million; and the decrease in the balance of the Net International Reserves –RIN- for the equivalent of Q56.0 million. Regarding the indicative variables for the Monetary, Exchange and Credit Policy they indicated that the projection to August, for December, 2005 the total estimated inflation with a model of ordinary minimum squared is of 6.69% and with a softened exponential model of 8.37%; the simple average of both models is located in 7.53%, which is found in the goal range for policy (4.0% to 6.0%), which suggests a restrictive monetary policy.

Regarding the expected subjacent inflation for 2005, with data to August, 2005, estimated with a mobile averages integrated auto-regression model ARIMA, was of 7.43%, and estimated with a softened exponential model it was of 7.89%; the simple average of both models is of 7.66%, which is above the goal range of policy (4.0% to 6.0%), which suggests a restrictive monetary policy. Regarding the parameter rate, the report for September 8, 2005, the lower limit was of 3.11%, whereas the upper limit was at 11.01%, while the resulting simple average between repurchase agreements at 8 to 15 days (3.62%) and the average pondered rate of the open market operations –OMA- of up to 91 days (3.69%) was located at 3.66%, which is located within the parameter rate limits, situation which suggests the convenience of an invariable monetary policy. Regarding the parity passive rate, they declared that to September 8, 2005, the inferior limit was of 6.56% and the upper limit of 8.14%, as to the pondered average rate of long term deposits in the banking system was of 6.90%, which is within the parity passive rate range, which advises an invariable monetary rate.

Regarding monetary issue observed to September 15, 2005, they indicated that the present deviation of Q405.0 million with regard to the upper programmed limit for said variable, which would indicate an existing space to restrict monetary policy. As to total payment means, up to September 8, 2005, they exhibited an inter-annual growth of 14.5%, which is within the estimated range for said variable on the same date (12.8% to 14.8%), which advises that monetary policy remain invariable. Also, up to the same date, the banking credit for the private sector registered an inter-annual growth rate of 21.1%, which is above the upper limit of the estimated range for September 8, 2005 (18.5% to 20.5%), which suggests a restrictive monetary policy.

Regarding the inflation expectations of private analysts, they indicated that, according to the polls of August, 2005, for December, 2005 they expect an inflationary rhythm of 8.39%, which is above the goal range for monetary policy (4.0% a 6.0%), aspect which suggests restricting monetary policy.

They mentioned the Monetary Conditions Index –ICM-, to September 8, 2005, was of -2.75 percentage points which is within the estimated range for said variables for that date (-4.19 to -2.59 percentage points), advises that the monetary policy remain invariable.

To conclude, they informed that the orientation of the indicative variable remain the same as the week before: five variables suggest the monetary policy be restrictive (the total inflation projection, the subjacent inflation projection, the expectations of inflation by private analysts, the monetary issue and the banking credit to the private sector); four variables suggest that the monetary policy remain invariable (the parameter rate, the parity passive rate, the Monetary Conditions Index and the total payment means); and none suggest to relax it.

FOURTH: Inflation Risks Balance

The Economic Manager, with the purpose of illustrating the decision to be adopted, regarding the adjustment or maintaining the invariable leading interest rate of monetary policy, referred to the inflation risks balance with data to August 2005 prepared by the advisors, emphasizing the following:

As to External Conditions, they indicated the tendency of the price of oil to rise, which continues to be the main inflationary risk, particularly because to today, the future oil prices for December 2005 increased, regarding the expected the previous month for that same date (of US$64.00 to US$66.0), so that, here, the risks balance did not improve compared to the previous month.

As a reference point, they mentioned that in the first two weeks of September the price of gasoline in the United States decelerated regarding the observed the final weeks of August, but in Guatemala said prices continued to rise as a consequence of the delay of the transfer of prices due to the increase in prices registered in August; that way, they indicated the current levels of crude oil prices, the inflationary rhythm could decelerate in the next three months, but in lower than expected proportions.

They indicated that the impact of external inflation of the main commercial partners of Guatemala continued to increase, particularly because the inflationary rhythm of the United States (country with the heaviest influence within the index) increased 3.2% in July to 3.6% in August, through which we could receive higher inflationary pressures.

The estimations made by international analysts were analyzed in regards to the economic effects of Hurricane Katrina in the American economy, particularly the impact on the gross national product, in the fiscal deficit and in the inflation of the country.

Regarding this, they indicated that the analysts estimated that the gross national product be decelerated 0.5 percentage points and 1.0 percentage points for the rest of 2005, even though we expect an increase in 2006 for the reconstruction activities; it is expected that in 2005 there be a slight increase in the fiscal deficit and that in the 2006 fiscal year the effect be substantially greater; and they foresee that there will be an increase in inflation in the next three months. As to internal conditions, they indicated that since the second semester of this year the level of operations of the open market is below the programmed, whose monetizing effect has been compensated by a higher level of Central Government deposits to the *Banco de Guatemala*, regarding the programmed for the same period, which reflects support that the fiscal policy has offered the monetary policy; however, in the last weeks they have observed a reduction of said deposits which indicate an acceleration of the budgetary execution rhythm, which is consistent to the foreseen for 2005, therefore in a context of major flow of resources toward the economy and if the level of interest rates is not attractive to the investors, said flow of resources could not materialize in major operations in the open market, inducing higher inflationary pressure.

Regarding the indicative variables, they mentioned that, if its true that to date that the informed variables that suggest that the monetary policy should be restricted were the same as those observed to August 19 (last adjustment date of the leading interest rate), three of them with greater intensity indicated that the monetary policy should be restricted (the projections of the total inflation, monetary issue and the inflations expectations) and a variable that suggested the monetary policy not be modified (total payment means) tend to suggest that it be restricted.

The econometric projections prepared by the Technical Departments, using data observed to August, estimate a total inflation for December 2005 and December 2006 higher than that estimated the month before, which also coincides in a deterioration of the inflation risks balance. In that sense, they emphasized the fact that it is the first time that a projection for 2006 goes over 6%, which puts the existence of inflationary pressures into perspective, in the absence of opportune measures, could be manifest in the mid-term.

They also indicated that private analysts, according to the survey of inflation expectations made at the end of August, they foresee inflation for the end of 2005 and 2006, which is higher than that estimated the previous month. They indicated that the impact that the political measures of the United States could have on domestic inflation, generated by the reduction of the domestic and foreign interest rate breach (which at the same time could generate a depreciation of the exchange rate) would not be significant, given the empiric evidence for Guatemala that indicates that the pass-through effect is low. The subjacent inflationary rhythm observed to August as the econometric projection of said variable for December 2005 and of 2006 decreased regarding the month of July; also, that in August the domestic inflationary rhythm was reduced, situation that would provide a certain margin to maneuver the monetary policy.

FIFTH: Analysis of the monetary situation and definition of the Guidelines of execution for the Monetary, Exchange and Credit Policy for the following week.

a) Analysis of the Monetary Situation

The committee noted that the monetizing and demonetizing factors foreseen for the week of September 16 to 22, 2005 indicate an increase in the creation of primary liquidity for Q2, 348.7 million, fundamentally due, to maturity of CDP’s. They also foresee an increase in the demand of monetary issue for Q330.3 million and an accumulated position for banking liquidity for Q46.9 million. Also, that the monetary issue is deviated in Q496.9 million above the central programmed point of said variable, therefore the excess of added liquidity for the referred periods is located at Q3,222.8 million; if these factors are given, the Committee considered it would be necessary, to make the issue offer compatible with the programmed demand, that the CDP that expire during that period (Q2,141.3 million, according to registries to September 15, 2005) have to relocate; and, also, make additional raising funds for about Q1,081.5 million.

Based on the analysis made, the Committee coincided that in the risk balance to August the factors had higher preponderance that suggested restricting the monetary conditions, which made it convenient to adjust the leading interest rate of monetary policy. They made emphasis on the fact that if it is true that the greater part of the excess of inflation regarding the goal is attributable to exogenous factors, it is also, in part that a growing inflations can generate auto-complying expectations regarding future inflation and that, for and economy like Guatemala's, it is very important to maintain inflationary rhythm to one digit levels, in order to avoid inconvenient decisions in consumer, savings and investment matters on the part of economic agents; and on the other hand, that if we add domestic inflation (5.85%) to historic imported inflation (0.52%), the "normal" inflationary rhythm would be higher that the goal, which implies that a space exists for the monetary policy to act to moderate the rise in prices.

In that sense, in congruence with the moderate adjustments that have been made in previous occasions, the Committee agreed to raise the leading rate in 25 basic points. Also, the committee agreed to be explicit with the new adjustment, like the ones before, it pursues moderation of the inflationary expectations, therefore in the context in which it is observed, on one hand, credit to the private sector is growing in a dynamic manner, and on the other hand, up to this point in the year the long term interest rates have not been have not been affected by the increases in the leading interest rates, it is estimated that this moderate adjustment should not obstruct the economic growth in the short term, and much less in the perspectives of growth in the mid and long terms. In this regard, the Committee also agreed to indicate that they must keep in mind the mid term execution of monetary policy, if monetary conditions permit it should not discard the possibility that the leading interest rate can also (or should) be lowered in the future. After the deliberations, the Committee resolved to issue the following press release:

"THE EXECUTION COMMITTEE OF THE BANCO DE GUATEMALA INCREASES THE INTEREST RATE OF MONETARY POLICY FROM 3.50% TO 3.75%, AS OF MONDAY, SEPTEMBER 19, 2005

1. The general level of prices, measured by the Consumer Price Index, registered an increase of 0.36% in August, although it is the lowest monthly increase to date, it did not impede the inflationary rhythm (inter-annual variation) from rising to 9.37%. The increase in prices is still fundamentally determined by the increase in price oil and its derivatives, which continue to show uncertain and volatile behavior.

2. The mentioned behavior of the international price of oil and its derivates, added to the increase in inflationary rhythm, forms a stage that influences negatively on the expectations of the economic agents, therefore the Execution Committee considered it necessary to elevate the leading interest rate of monetary policy with the purpose of placating said expectations.

3. It is worth mentioning that the inflation in Guatemala does not reach alarming levels when compared to those registered in other countries of the region, and also, that the subjacent inflation (which eliminates from the equation, among other factors, those of a stationary nature) decelerated in August, even though it shows a level above the inflation goal for December 2005. Notwithstanding the above, we should not lose sight of the importance for an economy like Guatemala's to maintain the total inflationary rhythm at one-digit levels, in order to avoid inconvenient decisions in consumer, savings and investment matters on the part of economic agents, therefore the Central Bank has considered it appropriate to moderately adjust the leading interest rate of the monetary policy.

4. The Execution Committee expects that with this last adjustment to the leading interest rate, the inflationary rhythm will begin to decelerate and gradually converge in the next few months to between 4% and 6% rate, so as to, in the measure that they occur, and in the frame of satisfactory results reached in the execution of fiscal policy, the levels now reached by said leading interest rate would result adequate in maintaining the domestic inflation under control and continue being compatible with the perspectives of greater dynamics to the national economy.

ANNEX TO THE PRESS RELEASE

THE INFLATIONARY GOAL AND THE INTERNATIONAL PRICE OF OIL

1. THE INFLATION GOAL IS ESTABLISHED BASED ON SUPPOSITIONS OF DIFFERENT ECONOMIC VARIABLE BEHAVIOR AND THEIR USE AS A PARAMETER FOR MONETARY POLICY DECISIONS

The inflation goal is established based on the estimations of the expected evolution of different indicative variables (monetary issue, credit to the private sector, mean payment volume, etc.), that the Central Bank uses to propose and evaluate monetary policy. The observed inflation and the projection of its future evolution is contrasted by the inflation goal, so that growth greater than the prices gives way to monetary restriction so that observed inflation is closer to the established goal. The unforeseen phenomenon, be they internal (atmospheric phenomenon that affect production) or external (war or high international prices) must be considered differently, so as to assure the meeting of the goal without affecting other parameters such as employment and economic growth. A deviation of real inflation regarding the goal generates an explanation for the reasons of the deviation, but must not give way to a change in the goal, because otherwise it would lose its orienting character.

2. THE INFLATION EXCESS IS MAINLY ATTRIBUTABLE TO THE WORLD PHENOMENON OF THE INCREASE OF OIL PRICES

- The increase in the price of oil is manifest, on the one had in the direct increase in the components of the basic food basket that are fuel and lubricants (directly imported inflation) and, on the other hand, through the effect it has over the rest of the prices of goods and services that use said fuels in their production process or transportation (indirectly imported inflation).
- To August, 2005, around 38% of total inflation is attributable to imported inflation. .
- Domestic inflation to August was 5.85%, and is located within the established goal range for 2005.

3. THE PRIOR DOES NOT IMPLY ANTERIOR NO THAT THE BANCO DE GUATEMALA SHOULD NOT REACT BEFORE THE INFLATIONARY PHENOMENON

- There are at least two reasons that justify the actions of the monetary policy ("pinching" the monetary conditions) to modify inflation, including the fact that if the excess of it regarding the goal is attributable to exogenous factors (out of control of said policy).

- The first reason to act has to do with the management of expectations. A growing inflation can generate self-complying expectations regarding future inflation; for an economy like Guatemala's it is important to maintain inflationary rhythm down to one-digit levels, in order to avoid generating inconvenient decisions in consumer, savings and investment matters on behalf of the economic agents used to stable prices.
- The second reason that justifies "pinching" the monetary policy refers to the fact that there has always been a historic level ("normal") of imported inflation. In Guatemala's case, the recent historic level of imported inflation is located at 0.52 percentage points. The extraordinary imported inflation (due to the increase in oil) is then located at 3.0 percentage points.
- Therefore, if domestic inflation (5.85%) is added to the historic imported inflation (0.52%), the "normal" inflationary rhythm is located at 6.37%, which is still higher than the goal, which implies that there is room for monetary policy to act (raising the leading interest rate), to moderate the rise in the price level and lead it towards the goal, at least in its "normal" component.
- Therefore, the monetary policy goal is not modified, since it serves as a parameter to measure if the "normal" inflation (sum of domestic inflation and imported historic inflation) is behaving according to the foreseen. The estimates of the *Banco de Guatemala* point towards total inflation (sum of normal inflation and extraordinary imported inflation) will end the year at 7.53%, which would imply that the normal inflation could be located within the goals at the end of the year.

4. THE ADJUSTMENTS TO THE (LEADING) INTEREST RATE OF THE MONETARY POLICY SHOULD BE DONE PRUDENTLY

- An abrupt increase in the leading interest rate could make credit and investment unnecessarily expensive, affecting the level of productions and employment, which would complicate difficulties that would cause productivity to elevate costs due to fuel prices.
- Other factors exist that give the monetary policy relief and permit it to act in moderation:

a) The stable behavior (and of occasional tendency toward the low) that have manifested the exchange rate help the prices of imported products to have a lower effect over the level of prices.

b) The inflation in Guatemala is even lower than that of other Central American countries that have their own currency.

c) The substantial support that the fiscal policy has offered the monetary policy through 2004-2005. To September 13 the government deposits in the central bank were more than Q1, 700.0 million, the amount that had been originally programmed, which contributes to creating stable conditions that decidedly support monetary policy."

Regarding the determination of quotas for biddings in the following week, the information that provide the daily flow of estimated monetization for the following week was taken into account and the established rule for the determination of quotas, based on this the Committee agreed that the quota for raising funds for the 91 and 364 day terms to be convened Monday were established at Q10.0 million and Q20.0 million, respectively, and for the 182 and 728 day terms to be convened on Wednesday to be of Q20.0 million for each.

Regarding the biddings of CDP's in United States dollars the Committee considered it convenient to reduce the frequency of these to one per week, taking into account, on the one hand, the inexistent demand for said deposits in the last events, and on the other hand, they have no significant maturities programmed for public titles in US$ in the following weeks. As to the long term deposits constituted directly by the official entities, the Committee analyzed the suggestion of one of the members of the monetary board in the sense that, to avoid unnecessary fluctuations in the interest rates that are recognized over these operations: and to the effect that said rates reflect the market conditions in the best manner; the determination will be revised. The Committee agreed that the suggestion was pertinent and agreed that as of next week, the interest rate that is recognized in the reception of deposits be determined, for each term, as the mobile average of the average pondered interest rate resulting in the previous four bidding events.

b) Definition of the guidelines for execution of Monetary, Exchange and Credit Policy for the following week.

Regarding the analysis of the monetary situation, the Execution Committee agreed that for the week of September 19 to 23, 2005, it should maintain the execution guidelines for the monetary policy observed during the present week; in other words, continue operations in MEBD and in the stock exchange, in raising funds as well as in giving liquidity to the market.

The raising funds operations at 7 day term, without quota, at an interest rate of 3.75%, whereas, the proposal for the liquidity offer at a 7 day term, at an initial interest rate of 7.65%, whose guarantee of said operations will be constituted receiving only public titles. It is worth mentioning that the Committee reiterated the importance of participating in both venues; in other words, maintaining simultaneous positions for giving liquidity to the market and retiring liquidity, considering that said participation constitutes a sign of disposition of the Central Bank for moderating the volatility in the short term interest rate.

The Committee, taking into account the agreed in coordination matters with the fiscal policy for the participation in the money market, agreed that the summons for biddings for long term deposits should continue on Mondays, Wednesdays and Fridays of every week; therefore; on Monday, 91 day terms and 364 day terms, with a quota of raising funds of Q10.0 million and of Q20.0 million, respectively; and on Wednesday, the 182 day and 728 day terms, with a quota for raising funds of Q20.0 million, for each of the terms. The interest rates will be determined according to the conditions of the market, reflected in the received positions, considering the established yield curve by the technical departments; and on Friday the 1456 day (4 year), 2184 day (6 year) and 2912 day (8 year) terms, without a pre-established quota for raising funds. For the corresponding awarding, the Committee will decide on the amount to award for each term and for the determination of the interest rate to apply, as a reference they will take each corresponding term onto a calculated yield curve and through interpolation of the interest rates of 364 day (1 year) and 10 year terms to determine the awards. The payment of interest for the terms of more than 364 days will be per semester, that, with the goal of maintaining the same conditions with which the *Ministerio de Finanzas Públicas* (Equivalent to the Department of the Treasury).

On the other hand, the Committee agreed to continue raising funds through its window, directly, with official and public entities. In the case of the official entities, the raising of funds will continue to be according to the prevalent financial conditions; in other words, the interest rate for the 7 day term will be the one applied by the *Banco de Guatemala* in the MEBD and in the stock exchange and, for the other terms, the interest rate will be a mobile average for each term, of the pondered average interest rate that results in the previous four biddings. As to the raising of funds with the public, the interest rate, for each term, can not be higher than the pondered average corresponding to the bidding minus one percentage point.

On the other hand, the Committee agreed that the summons for bidding of term deposits in United States dollars –DP in US$- be made on Tuesdays of each week in 91 and 336 day terms, for up to US$30.0 million. The proposals received can be awarded an interest rate of up to 3.05% for the 91 day term and up to 3.75% for the 336 day term. However, if the positions that receive higher interest rates are worthwhile, a special Committee session to decide the awarding will be convened.

The Committee agreed to continue accepting the constitution of long term deposits in dollars from the United States of America, directly at the window, from public entities, in the current terms (91 days and 336 days) and that the applied interest rates will be the pondered average interest rates resulting in the latest bidding awarding of long term deposits expressed in said currency.

As to the participation of the *Banco de Guatemala* in the exchange market, the Committee analyzed the behavior of the exchange rate that in the last days shows a slight tendency to the rise; in this respect, in virtue of the regulation of participation in the second and third thresholds, was defined in the context in which the tendency of the exchange rate was to decline; it was considered convenient to adjust said regulation for the effect of avoiding the purchase of foreign currency unnecessarily, therefore the Committee agreed that the third threshold will be activated when the reference exchange rate for purchase is equal to or less than Q7.58900 and for the participation of the *Banco de Guatemala* in the second threshold to follow the established procedure in Act No. 31-2005 of June 17, 2005. The latter implies, in the current circumstances, that the *Banco de Guatemala* would maintain its position of buying US$10.0 million at a price of Q7.58900 until the mobile average of the last five days of the reference exchange rate (sum of the purchase and sale exchange rates divided by two), minus a fluctuation margin of 0.5%, be equal to said price; point in time in which the *Banco de Guatemala* will maintain its position to purchase US$10.0 million at a price equal to the value of the result of said calculation.

SIXTH: Other matters.

Not having other matters to deal with, the session ends at seventeen hours and thirty-three minutes, the attending parties sign in agreement.