

EXECUTION COMMITTEE

ACT NUMBER 51- 2005

Session 51-2001 celebrated at the *Banco de Guatemala* building, on Thursday, October, thirteenth, two thousand five, at fifteen hours.

The Coordinator, with the corresponding quorum submitted the project of the Order of the Day to the Execution Committee for its consideration.

SOLE POINT: Results of the proposal related to a participation rule of the *Banco de Guatemala* for the sale of foreign currency at the foreign exchange Market.

Not having any observation, the Committee approved the Order of the Day.

SOLE POINT: Results of the proposal related to the participation rule of the *Banco de Guatemala* for the sale of foreign currency at the foreign exchange market.

The Committee met to know the requested proposal to the technical departments in session 50-2005, on October 7th. of the current year, with respect to a participation rule of the *Banco de Guatemala* for the sale of foreign currency, within the rise context that has been observed in the nominal exchange rate, since it is advisable to review the participation rule on the side of foreign currency sales, in such a way that in the said rule can be seen a symmetry with respect to the established in the case of purchases, and with the fundamental purpose of moderate the exchange rate volatility.

The Committee, after knowing the details inherent to the participation rule, and after discussing upon the facts, it agreed that the presentation realized by the technical departments becomes of the knowledge of the Monetary Board at today's session. With respect to the participation rule that has been used when the exchange rate presents volatility toward a drop (Participation on the side of the purchase of foreign currency) will continue applying without modification.

The rule (As well as that one in force for the purchasing of foreign currency) bases itself in the calculation of a mobile average which corresponds to the simple average of the exchange rate of purchase reference, and the purchase reference act corresponding to the last 5 working days.

With respect to the indicated mobile average a superior limit will be calculated, which will be a reference to sell foreign currency in the following manner:

The first threshold will activate when the exchange rate of sale reference be the same as the mobile average of the last five days of the reference exchange rate plus a fluctuation margin of 0.5%, or when the prudent average exchange rate of the inter-institutional operations (Entities that constitute the Institutional Market of Foreign Currencies) of the previous day becomes superior in more than Q0.05 that the reference exchange rate of current sale, the *Banco de Guatemala* will have a position of selling at the SINEDI for US\$10.0 million at an equal price to the said superior limit or to the exchange rate of sale reference, the higher one. If the initial position becomes worn out, a new position will be set for US\$10.6 million at a price of Q0.0025 above the first position, and then successively, until it satisfies the market requirements.

The second threshold, when the exchange rate of sale reference becomes equal or higher to Q8.05 for US\$ 1.00, and minus to Q8.15010 for US\$ 1.00, the *Banco de Guatemala* will keep at SINEDI a sale position for US\$10.0 million with prices of Q8.05; and if it wears out during the day, a new position will be set for US\$10.0 million to Q0.001 above the first position price. On the following day, the price of the initial position will be equal to the exchange rate of sale reference in force, or to the last position of the previous day, which becomes higher, if the higher is the last one, it has to verify if the mobile average of the last five days of the reference exchange rate plus a fluctuation margin of 0.5% becomes higher to the price of the last position of the previous day, in such case the price of the first position of sale of the day will be equal to the value resulting of the said calculation.

The third threshold will activate when the exchange rate of sale reference becomes equal or higher to Q8.15010. The previous will implicate that the *Banco de Guatemala* will keep a sale position for US\$10.0 million at a price of Q8.15010. If the initial position becomes worn out, the *Banco de Guatemala* will make a second position for the same amount to an exchange rate higher in a tenth of a cent, independently of the day in which each position becomes worn out and thus successively when the mobile average of the last five days of the reference exchange rate plus a fluctuation margin of 0.5% becomes equal to the last sale price, the *Banco de Guatemala* will keep a sale position for US\$10.0 million at an equal price to the value which results from the said calculation.

The session finished at the fifteen hours and twenty four minutes by signing it accordingly by the persons therein.