

EXECUTION COMMITTEE

ACT NUMBER 53-2005

Session 53-2005 celebrated in the *Banco de Guatemala* building on Wednesday, October nineteenth, two thousand five, at seventeen hours.

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

ONLY POINT: Evaluation of the participation of the *Banco de Guatemala* in the exchange market with an exchange rate showing a tendency toward appreciation.

Not having more observations, the committee approves the order of the day.

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The Committee analyzed the behavior of the exchange rate that in the last days has showed a tendency to decline. When counting on complete information on the exchange market, whose process of recollection concluded that around 18:40 hours, the Committee was informed that the purchase reference exchange rate current for October 21, 2005 would be of Q7.68637, which implied that the *Banco de Guatemala* would participate in the exchange market in the second threshold of the defined purchase rule, with a purchase position of US\$10.0 million at a price of Q7.68637, higher by approximately Q0.06 to the market exchange rate at operations closing (Q7.63 per US\$1.00) on October 19, 2005. Also the Committee was informed that as of October 14 the exchange rate reverted its tendency to rise and that due to that the average mobile was influenced by the behavior of the exchange rate of the last five working days (that already incorporates the delay of two days in the calculation of the reference exchange rate), the lower limit, added to the fluctuation margin of 0.5%, for October 21, would be Q7.69972, which is higher than the purchase reference exchange rate that would be current for that date (Q7.68637) and higher also than the average of the exchange rate at closing on October 19, reported by the

institutions for operations greater than US\$50.0 thousand, of Q7.64217. The aforementioned would have implied that the Central Bank, when participating in the market, would have bought foreign currency unnecessarily and at out-of-market prices. On the other hand, the Committee was also informed that on October 19, at operations closing, some bank operators commented that they were waiting for the participation of the Central Bank to negotiate significant volumes of foreign currency. After ample deliberation, the Committee agreed that *Banco de Guatemala* modify its participation in the exchange market, in the sense that said participation will be made until the purchase reference exchange rate is equal to or lower than Q7.58900, from that point the Central Bank would be applying the participation rule, in the case of foreign currency purchase, that has been defined for the third threshold.

The session ended at twenty hours, those who assisted signed in accordingly.