

EXECUTION COMMITTEE

ACT NUMBER 3-2006

Session 3-2006 celebrated in the *Banco de Guatemala* building on Thursday, January nineteenth, two thousand six, at ten 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 offer received by the *Instituto Guatemalteco de Seguridad Social –IGSS- (Guatemalan Social Security)* of making a term deposit expressed in US dollars.

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

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The Committee met today, with the purpose of evaluating the offer received from the *Instituto Guatemalteco de Seguridad Social –IGSS- (Guatemalan Social Security)* of making a term deposit expressed in US dollars, for approximately US\$26.0 million, from the maturity of investments in Treasury Bonds, expressed in US dollars. Said offer is made by the IGSS in the frame of the established in clause a) of article 47 of its Organic Law, in the sense of coordinating its investment policy with the activities of the *Banco de Guatemala*, constantly, in order to cooperate with this entity in the creation and maintenance of the most favorable monetary, exchange rate and credit conditions for the orderly development of the national economy.

The Committee analyzed the referred offer in the context of the Monetary, Exchange Rate and Credit Policy for 2006 and deliberated on the convenience of accepting said investment in the 91 day or 364 day term, for which it took into consideration, among other aspects, the following:

1. That the current policy establishes that the instrument of fund raising for term deposits in US dollars has as its objective of, if the circumstances warrant it, softening the behavior of the exchange rate;
2. That given the accelerated behavior toward the appreciation that in the last days has shown the exchange rate, if the resources offered by the IGSS were not sterilized by the Central Bank could generate additional pressure on said variable.;
3. That since it is a public entity, it would be convenient to neutralize said resources, excluding them from the mechanisms of competitive fund raising in order to avoid unnecessary distortions in the determination in the market prices;
4. That the interest rate would be recognized should not cause additional costs to the Central Bank, taking as a reference interest rate that which the Federal Reserve of the United States of America recognized for the Treasury Letters in the indicated terms; and,
5. That according to the guidelines of the Execution Committee for the present week, yesterday it convened bidding in the LTDs in US dollars in the 91 and 364 day terms, foreseeing that during the week there would be important maturities of Treasury Bonds expressed in US dollars.

In that sense, the Committee agreed to grant the petition of the IGSS for the constitution of the term deposits in US dollars, instructing the administration to make available the option of constituting said deposits of the same terms convened in the bidding made yesterday (91 days and 364 days), at interest rates of 4.30% and 4.45%, respectively.

Not having any other matter to see, the session ends at ten hours and thirty minutes, all who attended sign in agreement.