

EXECUTION COMMITTEE
MINUTES NUMBER 51-2023

Session 51-2023 held in the Bank of Guatemala building, located at *séptima avenida veintidós guion cero uno, zona uno* of this city, on November 3, 2023, at 11:00 a.m.

The Coordinator, with the corresponding quorum, submitted the draft of the order of the day for the consideration of the Execution Committee.

FIRST: Financial and Economic Information.

- a) Money Market
- b) Exchange Market
- c) Economic Information
- d) Estimated Monetization Flow

SECOND: Proposal of quotas for term deposit auctions in quetzals.

THIRD: Proposal for the implementation of a temporary liquidity injection mechanism in quetzals, for periods longer than one day, to the banks in the system and financial corporations, through repo operations, during November and December 2023.

FOURTH: Other matters and reports.

Not having observations, the Committee approved the order of the day.

FIRST: Financial and Economic Information.

a) The Deputy Director of the Open Market Operations Department presented the information regarding the Money Market, corresponding to the period from October 27 to November 2, 2023.

b) The Deputy Director of the Open Market Operations Department presented the information on the operations held by the institutions that make up the Institutional Market of Foreign Currency, corresponding to the period from October 27 to November 2, 2023, as well as the current reference exchange rate on November 3, 2023.

c) The Director of the Macroeconomic Analysis and Forecasting Department presented the information regarding the domestic and foreign macroeconomic performance corresponding to the period from October 26 to November 2, 2023, including the prospects for the short and medium-term of the relevant economic variables, particularly, those that may change the inflation trajectory.

d) One of the deputy directors of the Macroeconomic Analysis and Forecasting Department informed on the monetizing and demonetizing factors forecast in the Estimated Monetization Flow for the period from November 3 to 9, 2023.

SECOND: Proposal of quotas for term deposit auctions in quetzals.

The Deputy Director of the Open Market Operations Department, based on the Estimated Monetization Flow and the guidelines established for the determination of quotas for the term deposit auction, with due dates up to two years, through the *Bolsa de Valores Nacional, S. A.* [National Stock Exchange], proposed to the Execution Committee for the auction of Monday, November 6, 2023, to be as follows: to December 4, 2023, Q100.0 million; to March 4, 2024, Q100.0 million; to June 3, 2024, Q100.0 million; to September 2, 2024, Q100.0 million; to December 2, 2024, Q100.0 million; to March 3, 2025, Q100.0 million; to June 2, 2025, Q100.0 million; and for public entities, without pre-established quotas, without standardized nominal values, and due on the dates indicated.

The Committee approved the proposal of quotas for term deposit auctions, by the technical departments.

THIRD: Proposal for the implementation of a temporary liquidity injection mechanism in quetzals, for periods longer than one day, to the banks in the system and financial corporations, through repo operations, during November and December 2023.

The technical departments commented that recently, liquidity levels in national currency in the interbank market have been observed relatively low, particularly during October, when liquidity needs were recorded in net terms, a behavior that would be associated, among other factors, with the transfer of resources from the collection of taxes that are seasonally recorded and the ordinary business operations of the banking institutions. It was commented that regularly, in the interbank market, a certain volume of repo operations is matched between institutions that have liquidity needs with those that have surpluses; however, when registering a drop in liquidity levels in the banking system, these operations have not been carried out for the usual amounts, so that the volume of repo operations between financial institutions is among the lowest levels of the year. It should be noted that the institutions have made use of overnight liquidity injection operations, which are part of the monetary policy instruments with which the Central Bank has to provide liquidity in quetzals;

therefore, the frequency of these operations, the volume traded, and the number of institutions that appear as counterparties to them has increased. The technical departments estimated that if the need for liquidity in the interbank market continues for a prolonged period, it could cause upward pressure on the negotiation interest rates of inter-institutional repos and, consequently, divert them from the leading interest rate of monetary policy. To reduce possible pressure in the market and improve the liquidity management of banking institutions, the technical departments proposed to the Execution Committee to recommend to the Monetary Board the implementation of a temporary liquidity injection mechanism in quetzals for periods longer than one day, through repo operations, during November and December 2023. The financial conditions, such as terms, interest rate, and acceptable collateral, should be established by the aforementioned Committee.

The Execution Committee, after analyzing the proposal of the technical departments, agreed to recommend to the Monetary Board to implement the temporary mechanism to provide liquidity in quetzales to the national banking system, as proposed.

FOURTH: Other matters and reports.

Not having other matters or reports to discuss, the session concluded at 11:30 a.m., in the same place and date set forth, and the attendees signed in agreement.