

REPORT OF THE ACTIVITIES RELATED TO THE MODERNIZATION OF THE PAYMENT SYSTEM CORRESPONDING TO OCTOBER, 2007

Guatemala, November 15, 2007

According to the established by the third point of the Agreement of the General Management number 1-2005 dated January 21, 2005, the Committee of the Payment System must report monthly to the General Management, the advances and results obtained in the exercise of their functions. Due to the above, the following presents a summary of the main activities developed during September of the current year.

1. Review of the resolutions issued by the General Management, regarding the Gross Settlement System in Real Time, from the agreement from Management on the creation of the Payment System Committee and of the settling of the commission for the messages sent through the SWIFT network.

As was reported in September of this year, the Payment System Committee reviewed resolution GG-01-2006 from General Management that fixed the LBTR System schedules; resolution GG-02-2006 that fixed the services commission that the *Banco de Guatemala* applies for participants in the referred system; the agreement from General Management number 6-2002 through which the Payment System is created. The memorandum through which they would recommend the following to General Management was made: a) incorporate the schedules from the negotiation system that is currently settled in the LBTR System; b) keep the LBTR system services commission for 2007; c) update the integration of the Payment System Committee, incorporate its attributions and those of the secretariat; and, d) document the commission fee of US\$10.00 for each message sent through the SWIFT network. In that sense, during the month reported, the projects of resolutions through which the General Management would approve the referred modifications were reviewed by the Juridical Advisory of the *Banco de Guatemala*, foreseeing that the merit projects would be subject to consideration of the General Manager of the institution in the course of November of this year.

2. Review of the administrative procedures of the LBTR system.

With the purpose of counting on updated administrative procedures, the Accounting Department reviewed the procedures of the Gross Settlement System in Real Time –LBTR [For its acronym in Spanish.] remitted the projects for updating and revision of Internal Auditing and to the Organizational Analysis Section of the Human Resources Department, according to the Methodology to Make or Update Administrative Procedures of the *Banco de Guatemala*. Due to the above, during the month reported, the Accounting Department incorporated the mentioned administrative procedures and the observations made by Internal Auditing and by the Organizational Analysis Section. Therefore, it is estimated that during November of this year, the corresponding procedures will be submitted for consideration to the General Manager of the institution for his corresponding approval.

3. Review of the final report of the Marketing Investigation on the International Payments within the Central American Region and the Dominican Republic.

As was reported in September 2007, the Executive Secretariat of the Central American Monetary Council –SECMCA [For its acronym in Spanish.] – transferred the first version of the final Marketing Investigation report on International Payments within the Central American Region and the Dominican Republic to the titular representatives of each central bank that make up the Technical Committee of the Payment System –CTSP [For its acronym in Spanish.] -, made by the Central America Academy entity, based in San José, Costa Rica. In that regard, the Technical Committee of the Payment System in their October 1 and 2, 2007 meeting held in the city of San José, Costa Rica, made several observations and comments, which were included in the report by the Central America Academy, in order that the new version be reviewed in the Fourth Meeting of the Technical Committee of the Payment System to be held on November 8 and 9, 2007 in the *Banco de Guatemala* installations, since the results obtained in said meeting will be given to the Central America Council in its 250th meeting, to be held on November 16, 2007, in Managua, Nicaragua.

4. Follow up of the IDB on the Strengthening and Harmonization Project of the Payment System for Central America and the Dominican Republic.

In September of this year Mr. Jesse Wright, consultant hired by the Inter-American Development Bank -IDB-, visited the central banks of the region with the purpose of evaluating and obtaining information on the project advances of Strengthening and Harmonization of the payment systems in Central America and the Dominican Republic, in order to inform the mentioned international organization on the relevance, effectiveness, efficiency, innovation, sustainability and the ability to add on of the project. Said report was presented by Mr. Wright to the IDB on October 11 of this year and the Executive Summary concludes the following: *“This must be seen as a successful project. The achievements are substantial and go beyond the contractual requirements of the Donor Memorandum. We repeat, SECMCA and the central banks signed a regional agreement that move the region forward, approaching financial integration. The disadvantages of the project are less important. Although their advance has been slow momentarily, it has not affected the final outcome of the project.”*

5. Apprenticeship of officers from the Central Bank of Honduras in the *Banco de Guatemala*.

At the request of the President of the Central Bank of Honduras, from October 22 to 24 of this year, officers from the Central Bank of Honduras held an operational, administrative and technical apprenticeship on the processes of modernization of the Payment System and of the Gross Settlement System in Real Time –LBTR [For its acronym in Spanish.] – in the *Banco de Guatemala*. Said officers were assisted by officials in the Accounting and Information Technologies Departments of the *Banco de Guatemala*. The referred apprenticeship was for project development support in the Honduran payment system and the transfer of knowledge obtained by officers and personnel of the *Banco de Guatemala* in the modernization process of the Guatemalan payment system.