# An Exploration on Interbank Markets and the Operational Framework of Monetary Policy in Colombia

Working Paper No. 782 Keep in mind
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We set a dynamic stochastic model for the interbank daily market for funds in Colombia. The framework features exogenous reserve requirements and requirement period, competitive trading among heterogeneous commercial banks, daily open market operations held by the Central Bank (auctions and window facilities), and idiosyncratic demand shocks and uncertainty in the daily auction. The model highlights the institutional framework and the money supply mechanisms for the interbank market. We construct a data base for the Colombian case that incorporates the principal variables of the model and give us some insights about the behavior of them in a typical requirement period. We corroborate the Martingale hypothesis for the interbank interest rate.

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Fuente: https://www.banrep.gov.co/en/borrador-782