Changes to Banco de la República's liquidity operations framework

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In 2020, Banco de la República's board of directors (BDBR) took a series of steps to ensure liquidity in the economy and in financial markets in response to the risks and adverse effects caused by the COVID-19 pandemic. In an environment of extraordinary tension, these steps included the introduction of new liquidity provision mechanisms and adjustments to some of the instruments that Banco de la República had at its disposal to regulate liquidity in the economy and facilitate the proper functioning of financial markets and the payments system.

Given current liquidity conditions in financial markets in the country, and aiming to promote the adequate functioning of the payments system, the BDBR has decided to adjust its liquidity operations framework in normal conditions starting on April 4, 2022. The framework will return to its form prior to March 2020, with three improvements:

- Broker dealers, trust companies, and investment management firms will be allowed to participate in repo operations with public debt instruments exclusively on behalf of open-ended mutual funds under their management. In other words, Banco de la República's counterparties in repo operations with public debt instruments will be the following: (i) credit institutions (including Bancóldex) with liabilities to the general public; (ii) credit institutions and broker dealers that participate in the Ministry of Finance and Public Credit's public debt market makers program; and (iii) broker dealers, trust companies, and investment management firms exclusively on behalf of open-ended mutual funds under their management.
- All institutions participating in Banco de la República's CUD system will be authorized as eligible counterparties in intraday repo operations (and its automatic conversion to o/n), with the exception of social security information operators, the Ministry of Finance and Public Credit, the Colombian Institute of Educational Credit and Technical Studies Abroad (ICETEX), and financial market infrastructures. Central counterparty clearing houses will remain as eligible counterparties for these operations. This change will give securitization companies, insurance companies, capitalization partnerships, foreign exchange and specialized financial services intermediaries, and companies specializing in electronic deposits and electronic payments access to intraday repo operations (and its automatic conversion to o/n).
- Banco de la República will daily auction 7-day repo operations and o/n repo operations with public debt instruments in a cascade scheme, with the aim of reducing financial institutions' operational burden in their liquidity management. Under normal circumstances, 7-day repo operations will not be auctioned concurrently with contractionary liquidity operations.

As Banco de la República’s liquidity operations framework returns to normal conditions, repo operations with private debt instruments and loan promissory notes will be suspended as of April 4, 2022. Nine-month and 1-year repo operations with public debt instruments will also be suspended as of the same date. These mechanisms can be reinstated should the liquidity situation of the economy so require.

Banco de la República will continue to monitor market conditions and, if necessary, will take the steps required to maintain the adequate flow of liquidity in the economy.

Fuente: https://www.banrep.gov.co/en/changes-banco-republicas-liquidity-operations-framework