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AUTHORS AND/OR EDITORS

[Gamboa-Estrada, Fredy Alejandro Sebastian Sanin-Restrepo](#)

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This box aims to analyze the relationship between the rate spread between the overnight IBR and the MPR, and the liquidity demand in the financial system.⁸² To achieve this objective, the differences in monetary policy implementation among Colombia, the United States, and the European Union are analyzed. Secondly, it is evaluated whether the methodology proposed by the IMF (Chen, et al., 2023) to analyze the relationship between the rate spread and the demand for reserves in the United States and the European Union could be applied to the Colombian context. Finally, an update of the estimates provided in Box 3 of the 4Q22 Financial Markets Report (Cardozo et al., 2022) is provided, which assessed the main determinants of the IBR-MPR interest rate spread in Colombia prior to the COVID-19 pandemic. This exercise also includes other explanatory variables, such as TES purchases by Banrep and DGCPTN deposits at Banrep, which may play an important role in the dynamics of the rate spread.

