Transformation of Branches into Cultural Agencies: Provision of Cash and Currency Exchange

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- Banco de la República (the Central Bank of Colombia) is constituted as a legal person of public law, with constitutional status and administrative, equity, and technical autonomy, subject to its own legal framework as established in Articles 371 to 373 of the Political Constitution, Law 31 of 1992, and its Bylaws – Decree 2520 of 1993, which is responsible for performing the functions of Central Banking. Such a legal framework establishes the functions of Banco de la República as the Bank of Issue, indicating that it performs in an exclusive and non-delegable manner the state attribute of issuing the legal tender composed of banknotes and metallic coins. Therefore, printing, importation, minting, exchange, and destruction of the species composing the legal tender are proper and exclusive functions of Banco de la República, which the Bank performs in accordance with the General Regulations issued by the Board of Directors of *Banco de la República*1.
- In performing the aforementioned functions, Banco de la República is responsible for ensuring the provision of banknotes and coins in different denominations, and does so by distributing payments to different credit institutions, commercial establishments, and the general public, as well as by handling different requests for the exchange of banknotes and coins through its treasury windows for citizens in the cities where it provides treasury services.
- In addition, to facilitate the circulation of monetary species in the quantity, quality, and timeliness required by the economy, Banco de la República implemented as of the year 2000 alternative cash distribution channels now known as Complementary Cash Centers, which have evolved over time, incorporating new services and expanding their scope to other cities. The Complementary Cash Centers (CCEs in Spanish) are Banco de la República's cash funds operated under the responsibility of cash management companies in different cities of Colombia to meet the cash needs of economic agents in all banknotes and coins denominations through foreign exchange transactions. With the CCEs, the cash needs of financial institutions, department stores, toll operators, public transport companies, and the general public are met at no cost[2].
- Through the aforementioned mechanisms, Banco de la República performs its treasury services to ensure the provision of banknotes and coins in all denominations. The terms and conditions under which Banco de la República provides such treasury services are covered in the External Regulation for Operation and Services (Circular Externa Operativa y de Servicios) DTE-406 SUBJECT 074: TREASURY SERVICES (SERVICIOS DE TESORERÍA), which can be consulted at:: https://www.banrep.gov.co/es/circular-externa-operativa-y-servicios-dte-406-asunto-74-servicios-tesoreria
- In turn, the credit institutions authorized to receive deposits in local currency are required to have the banknotes and coins they need to carry out their operations adequately[3]. Thus, commercial establishments and the general public can stock up on banknotes and coins in all denominations from such institutions, subject to the different contracts entered into with them.
- Through the letter GE-0114 dated February 01, Banco de la República informed the Office of the Financial Superintendent of Colombia, Asobancaria, commercial banks, credit institutions, Banco de la República's account holder institutions, and securities transportation companies the following[4]:

> *"(…) as of 04 March 2022, the Bank's branches in Ibagué, Leticia, Montería, Pasto, Quibdó, and Riohacha will be transformed into Cultural Agencies. Consequently, as of this date Banco de la República will no longer provide treasury services directly to commercial banks and the general public in those cities. Instead, cash needs will be met through Complementary Cash Centers and commercial banks within a scheme that has been operating for several years in other cities in Colombia where Banco de la*

República does not hold treasury operations. Given that no securities transportation companies operate in Leticia, Banco de la República will implement a remittances scheme coordinated with financial institutions.
Currently, the Complementary Cash Centers in Ibagué (2), Montería (2), Pasto (1), Quibdó (1), and Riohacha (1) provide the service of supplying low denomination banknotes and coins. However, such services will be broadened to include the supply of high denomination and treasury windows for citizens."
[Translated from its original in Spanish]

- Accordingly, we hereby clarify that all commercial banks must receive coins on account of the intermediation functions that have been authorized to them and, specifically, in the development of demand or term deposit contracts[5].
- In any case, as was previously informed, Banco de la República will implement a scheme in the coming months that will contribute to facilitate access to low-denomination banknotes and coins to citizens in all the cities where Banco de la República transformed its branches into Cultural Agencies. We therefore suggest consulting our website soon (https://www.banrep.gov.co/en).

[1] Articles 6 and the following of Law 31 of 1992, and Article 7 and following of the Bylaws of Banco de la República issued by Decree 2520 of 1993.

[2] *Banco de la República* has signed contracts with securities transportation companies to provide the treasury window service to citizens in some cities as part of the operation of Complementary Cash Centers.

[3] Article 11 of Law 31 of 1992 and Article 11 of the Bylaws.

[4] If you wish to consult the Notice GE-0114 dated 01 February 2022, please follow this link: https://www.banrep.gov.co/sites/default/files/reglamentacion/archivos/%28CC%29%200114-22-GE.pdf (Only in Spanish).

[5] Basic Legal Circular of the Office of the Financial Superintendent of Colombia (External Circular 29 of 2014). Part II "INTERMEDIARY MARKET" (MERCADO INTERMEDIARIO), Title I "GENERAL INSTRUCTIONS REGARDING TRANSACTIONS OF CREDIT INSTITUTIONS AND OTHERS" (INSTRUCCIONES GENERALES RELATIVAS A LAS OPERACIONES DE LOS ESTABLECIMIENTOS DE CRÉDITO Y OTROS), Chapter III: "SPECIAL PROVISIONS APPLICABLE TO BORROWING TRANSACTIONS" (DISPOSICIONES ESPECIALES APLICABLES A LAS OPERACIONES PASIVAS) , paragraph: "1.3. Reception of legal tender. In accordance with Articles 8 and 11 of Law 31 of 1992 which establish legal tender as the only means of payment with unlimited liberatory power. Supervised institutions are required to receive and return the change of coins as well as to receive old, deteriorated, or low-denomination banknotes in the intermediation functions that have been authorized to them and, specifically, in the development of demand and term deposit contracts. (…) In this sense, credit institutions must have the proper mechanisms to permanently verify that the institution returns the exchange in the transactions it carries out and that it receives legal tender in banknotes and coins of any denomination, ensuring its full use by clients and users. Doing otherwise disregards the rules established and is openly detrimental to the interests of the clients and users of the system." [Translated from its original in Spanish.]

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/news/transformation-branches-cultural-agencies