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In order to maintain adequate external liquidity buffers and to anticipate a gradual reduction in the amount of access to the Flexible Credit Line (FCL) provided by the International Monetary Fund (IMF) to Colombia, and considering that uncertainty in the external environment persists, the Board of Directors decided in its session today to start a program to accumulate gradually foreign reserves for up to USD 1.5 billion.

The instrument to be used to acquire foreign reserves will be put options worth up to USD 200 million in a monthly basis. These can only be exercised when the representative market exchange rate-TRM (COP per USD) is below its twenty business days moving average, thus avoiding purchases during periods of depreciation pressures on the exchange rate. This mechanism has been used in the past by Banco de la República for similar purposes.

The auctions of the options will be held each month, and their amount will be announced monthly. Participants will pay a premium set through the single-price auction mechanism. The options' strike price will be the TRM of the day they are exercised.

The program does not pursue any exchange rate objective or seek to alter the level or volatility of the exchange rate. Additionally, it does not interfere with the monetary policy stance. Banco de la República will use the necessary instruments to ensure that the short-term interest rate of the economy is consistent with the monetary policy interest rate set by the Board of Directors.

The Board decided today that the announcement date for the first auction will be December 28th, 2023. This auction will take place on January 2nd, 2024, worth USD 200 million. These options may be exercised between January 3rd and 31st, 2024.

The regulatory rules and characteristics of these options can be found on Circular DOAM 143. If you have questions, please direct them to opciones-acumulacion@banrep.gov.co.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/news/jdbr-decided-program-accumulate-foreign-reserves