Contingent External Liquidity Lines

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Banco de la República (the Central Bank of Colombia) has access to the Federal Reserve Repurchase Agreement (Repo) Facility (FIMA), which is an instrument that facilitates access to immediate liquidity if required under extreme circumstances. In these transactions, FIMA account holders (central banks and other international monetary authorities with accounts at the Federal Reserve Bank of New York) exchange their U.S. treasury bonds held at the Fed for U.S. dollars, with a commitment to repurchase the securities the following days, along with interest. The main benefit for *Banco de la República* to access the FIMA facility is to have liquidity in U.S. dollars without having to definitively sell the assets of the foreign reserves portfolio, which mitigates liquidity and market risk. Banco de la República would only use this facility in the event that, having decided to sell dollars in the spot market, the Treasury securities market shows very low liquidity at that time.

Additionally, since June 2023, *Banco de la República* was granted access to liquidity facilities from the Bank for International Settlements (BIS), which complement the availability of external liquidity from foreign reserves. Under these facilities, central banks' investments with the BIS serve as collateral for the supply of liquidity by the BIS. In this regard, *Banco de la República* could have contingent and immediate liquidity without having to sell assets from the foreign reserves' portfolios invested in BIS instruments, which could be useful especially in extreme circumstances of low liquidity in global fixed income markets or episodes of high-risk aversion. Initially, the BIS provided Banco de la República with two uncommitted liquidity facilities1 for a total amount of USD 1,000 million, which were renewed in June 2024 and June 2025, in the latter case for a total USD 2,000 million. These liquidity facilities would only be used exceptionally in extreme market situations. In this sense, Banco de la República considers these facilities as precautionary lines that complement the availability of external liquidity from foreign reserves.

1 The BIS reserves the right to approve or reject requests for access to the lines and to disburse the facilities. The BIS will consider each central bank's request for access to the lines and, if requested, for the disbursement of the facilities.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/monetary-exchange-policies/contingent-external-liquidity-lines