

EXTERNAL RESOLUTION 5 OF 2022 (unofficial translation)¹

(March 31)

Compendium of Provisions on Operations to regulate the Liquidity of the Economy and facilitate the normal Operation of the Payments System².

THE BOARD OF DIRECTORS OF BANCO DE LA REPÚBLICA (THE CENTRAL BANK OF COLOMBIA),

Exercising its constitutional and legal powers,

Especially those set forth in Articles 371 and 372 of the Constitution and in Article 16, paragraph 1, subparagraph b) and Article 53 of Law 31 of 1992,

HEREBY RESOLVES:

CHAPTER I – GENERAL PROVISIONS

Article 1. Authorized Operations. This resolution rules the operations implemented by *Banco de la República* (hereinafter the Bank, the Central Bank) to regulate the liquidity of the economy and facilitate the normal operation of the payment system.

The operations to regulate the liquidity of the economy include permanent and temporary Open Market Operations (OMOs). These operations shall be performed through outright purchases, sales, and repurchase agreements of public debt instruments, securities issued by *Banco de la República*, credit securities rated by securities rating agencies, or securities-backed loans. Additionally, *Banco de la República* may enter into non-deliverable futures contracts on the aforementioned instruments and may receive interest-bearing term deposits.

Liquidity operations to facilitate the normal functioning of the payments system shall be carried out through intraday repo operations of public debt instruments or securities issued by *Banco de la República* and their conversion into overnight and overnight repo transactions.

¹ The translations made by Banco de la República with respect to the contents of its websites are for information purposes. Therefore, when there is an inconsistency between the Spanish language version and the English language version, the native version shall prevail, that is to say, in the language in which it was initially written. In particular, with respect to legislation that has been translated into English (unofficial translation) by Banco de la República for information purposes, it is the responsibility of the user or visitor to verify the official version in the Spanish language. More information at [Legal Notice | Banco de la República \(banrep.gov.co\)](#) of our web site.

² Native version of this compendium: [Expansión y contracción monetaria | Banco de la República \(banrep.gov.co\)](#)

Paragraph. For the purpose of this resolution, public debt instruments are defined as those issued by a national, departmental, or municipal public entity.

Article 2. General Regulations. *Banco de la República*, through general rules, shall determine the securities with which the operations referred to in this resolution shall be performed, as well as the characteristics, financial conditions, and operational processes thereof in accordance with the guidelines established by the Board of Directors (BDBR).

Paragraph 1. Pursuant to this Article, *Banco de la República* may impose restrictions related to the amount of temporary monetary expansion and liquidity operations to facilitate the normal functioning of the payments system to which the OMOs Eligible Agents have access.

Paragraph 2. The operations to regulate the liquidity of the economy and facilitate the normal functioning of the payment system may be developed via auctions or other mechanisms laid down by *Banco de la República* through general rules.

Paragraph 3. *Banco de la República* may reject offers that are contrary to sound securities market practices as well as those that do not correspond to the market, without prejudice to the sanctions that other authorities may impose.

Banco de la República, having received approval from the Monetary and Exchange Intervention Committee (*Comité de Intervención Monetaria y Cambiaria*), may temporarily reject the offers for monetary expansion operations requested by institutions that could have massively purchased currencies from *Banco de la República* on the offer date or in previous days.

Article 3. Operations Regime. The OMOs and the liquidity operations implemented to facilitate the normal functioning of the payment system are governed by the rules hereof established, the general rules enacted by *Banco de la República*, and private law provisions in accordance with Article 52 of Law 31 of 1992.

In the operations carried out by OMOs Eligible Agents, the liability for the compliance with the obligations and the exercise of rights corresponds to the Agent.

CHAPTER II – OPEN MARKET OPERATIONS – OMOs

Article 4. Contractionary Open Market Operations. To regulate liquidity in the economy, *Banco de la República* may definitively transfer public debt instruments or securities issued by the Bank to OMOs Eligible Agents on sale transactions. Furthermore, *Banco de la República* may carry out temporary contractionary operations with OMOs Eligible Agents through interest-bearing term deposits.

Article 5. Expansionary Monetary Operations. On a permanent or temporary basis, *Banco de la República* may acquire public debt instruments, securities issued by *Banco de la República*, or credit securities rated by securities rating agencies from OMOs Eligible Agents through purchase or repo transactions to regulate the liquidity of the economy. In addition, *Banco de la República*

may carry out temporary expansionary operations with securities-backed loans with OMOs Eligible Agents.

Paragraph 1. For repo operations, *Banco de la República* may require OMOs Eligible Agents to provide collaterals to mitigate the credit risk on these operations. Such collaterals shall have the prerogatives established in Article 11 of Law 964 of 2005.

The collaterals may only be pledged with eligible securities for temporary expansionary monetary operations and/or in cash in Colombian legal tender and under the terms established by *Banco de la República* through regulations.

Paragraph 2. *Banco de la República* may establish through regulations the events, terms, and conditions for the anticipated and voluntary early redemption of repo operations of monetary expansion. The sanctions for delays or defaults upon the expiration date set in Table 1 and 3 of Article 13 of this resolution shall apply for these events.

CHAPTER III – LIQUIDITY TRANSACTIONS FOR THE NORMAL OPERATION OF THE PAYMENT SYSTEM

Article 6. Intraday Repo Operations -IR-. In the repo intraday operations, the securities shall be repurchased on the same day of the transaction.

When the repurchase of the securities is not performed on the same day, it shall be automatically converted to an overnight repo as per the conditions established by *Banco de la República*. The conversion to overnight shall result in a higher cost that shall be stated by *Banco de la República*, subject to the guidelines set forth by the Board of Directors.

Article 7. Overnight Repo Transactions for Check Clearing-. The Overnight repo transactions for check clearing may be only carried out for the following purposes:

- To cover possible money shortages in the deposit account registered after the first clearing and settlement session of checks and other physical payment instruments (on a collection).
- To increase the deposit account's balance after closing the first clearing and settlement session of checks and other physical payment instruments to avoid possible shortages upon completing the second clearing session.
- To cover shortages registered in the deposit account upon closing the second clearing and settlement session of checks and other physical payment instruments, when those have arisen from a process to exclude an institution from the exchange of checks.

CHAPTER IV – OMOs ELIGIBLE AGENTS

Article 8. OMOs Eligible Agents. The operations carried out by *Banco de la República* to regulate the liquidity of the economy or to facilitate the normal functioning of the payment system shall be performed with entities authorized to act as OMOs Eligible Agents under this resolution.

The Central Bank shall establish the requirements to be complied by the entities authorized to act as OMOs Eligible Agents through regulations.

Paragraph 1. The entities interested in participating as OMOs Eligible Agents shall provide the information required by *Banco de la República* through regulations and prove sufficient technical and administrative capacity to carry out the operations.

Paragraph 2. For the periodical assessment, the OMOs Eligible Agents shall prove that they comply with the financial indicators determined by *Banco de la República* through regulations. To this end, The Bank may request certifications signed by statutory auditors.

Paragraph 3. When *Banco de la República* carries out operations in blind or semi-blind negotiation systems, entities other than the OMOs Eligible Agents may act as counterparties.

Article 9. OMOs Eligible Agents acting in Expansionary Open Market Operations. The following institutions may act as OMOs Eligible Agents in expansionary open market operations, both temporary and permanent:

a. Temporary expansionary operations:

Banking institutions, financial corporations, financial leasing companies, financial cooperatives, brokerage firms, trust companies, investment management companies (IMCs), pension and severance funds managing companies, insurance companies, securitization companies, the *Financiera de Desarrollo Nacional S.A.* (FDN in Spanish, National Development Finance Agency), *Fondo para el Financiamiento del Sector Agropecuario* (FINAGRO in Spanish, Agricultural Sector Financing Fund), *Banco de Comercio Exterior de Colombia S.A.* (BANCOLDEX in Spanish, Bank for Foreign Trade), the *Financiera de Desarrollo Territorial S.A.* (FINDETER in Spanish, Financial Corporation for Territorial Development), and *Fondo Nacional del Ahorro* (FNA in Spanish, National Savings Fund).

b. Expansionary operations on a permanent basis:

Banking institutions, financial corporations, financial leasing companies, financial cooperatives, brokerage firms, trust companies, investment management companies (IMCs), pension and severance fund managing companies, insurance companies, equity firms, *Sociedades de intermediación cambiaria y servicios financieros especiales* (SICFES in Spanish, Foreign exchange and special financial service brokers), securitization companies, the *Fondo de Garantías de Instituciones Financieras* (FOGAFIN in Spanish, Guarantee Fund for Financial Institutions), the *Fondo para el Financiamiento del Sector Agropecuario* (FINAGRO in Spanish, Agricultural Sector Financing Fund), the *Financiera de Desarrollo*

Territorial S.A. (FINDETER in Spanish, Financial Corporation for Territorial Development), the *Financiera de Desarrollo Nacional S.A.* (FDN in Spanish, National Development Finance Agency), the *Fondo Nacional del Ahorro* (FNA in Spanish, National Savings Fund), the *Instituto Colombiano de Crédito Educativo y Estudios Técnicos en el Exterior* (ICETEX, Colombian Institute for Student Loans and Technical Studies Abroad), and the *Banco de Comercio Exterior de Colombia S.A.* (BANCOLDEX in Spanish, Bank for Foreign Trade).

Paragraph. The brokerage firms, trust companies, investment management companies (IMCs), and the pension and severance fund managing companies may carry out temporary and permanent expansionary operations on their own, on behalf of third parties, or of the funds they manage under the terms established by *Banco de la República* through general rules.

Article 10. OMOs Placement Eligible acting in Contractionary Open Market Operations. The following entities may act as OMOs Eligible Agents in Contractionary Open Market Operations, both temporary and permanent:

- a. Temporary contractionary open market operations through interest-bearing term deposits: Banking institutions, financial corporations, financial leasing companies, financial cooperatives, brokerage firms, trust companies, investment management companies (IMCs), pension and severance fund managing companies, insurance companies, equity firms, *Sociedades de intermediación cambiaria y servicios financieros especiales* (SICFES in Spanish, Foreign exchange and special financial service brokers), securitization companies, the *Fondo de Garantías de Instituciones Financieras* (FOGAFIN in Spanish, Guarantee Fund for Financial Institutions), the *Fondo para el Financiamiento del Sector Agropecuario* (FINAGRO in Spanish, Agricultural Sector Financing Fund), the *Financiera de Desarrollo Territorial S.A.* (FINDETER in Spanish, Financial Corporation for Territorial Development), the *Financiera de Desarrollo Nacional S.A.* (FDN in Spanish, National Development Finance Agency), the *Fondo Nacional del Ahorro* (FNA in Spanish, National Savings Fund), the *Instituto Colombiano de Crédito Educativo y Estudios Técnicos en el Exterior* (ICETEX, Colombian Institute for Student Loans and Technical Studies Abroad), the *Banco de Comercio Exterior de Colombia S.A.* (BANCOLDEX in Spanish, Bank for Foreign Trade), central counterparty risk chambers, and the *Sociedades Especializadas en Depósitos y Pagos Electrónicos* (SEDPES in Spanish, Companies Specialized in Electronic Deposits and Payments).
- b. Permanent contractionary open market operations: Banking institutions, financial corporations, financial leasing companies, financial cooperatives, brokerage firms, trust companies, investment management companies (IMCs), pension and severance fund managing companies, insurance companies, equity firms, the *Sociedades de intermediación cambiaria y servicios financieros especiales* (SICFES in Spanish, Foreign exchange and special financial service brokers), securitization companies, the *Fondo de Garantías de Instituciones Financieras* (FOGAFIN in Spanish, Guarantee Fund for Financial Institutions), the *Fondo para el Financiamiento del Sector Agropecuario* (FINAGRO in Spanish, Agricultural Sector Financing Fund), the *Financiera de Desarrollo Territorial S.A.* (FINDETER in Spanish, Financial Corporation for Territorial Development), the *Financiera de Desarrollo*

Nacional S.A. (FDN in Spanish, National Development Finance Agency), the *Fondo Nacional del Ahorro* (FNA in Spanish, National Savings Fund), the *Instituto Colombiano de Crédito Educativo y Estudios Técnicos en el Exterior* (ICETEX, Colombian Institute for Student Loans and Technical Studies Abroad), the *Banco de Comercio Exterior de Colombia S.A.* (BANCOLDEX in Spanish, Bank for Foreign Trade), central counterparty risk chambers, and the *Sociedades Especializadas en Depósitos y Pagos Electrónicos* (SEDPEs in Spanish, Companies Specialized in Electronic Deposits and Payments).

Paragraph 1. The brokerage firms, trust companies, Investment Management Companies (IMCs), and pension and severance fund managing companies may carry out temporary and permanent contractionary open market operations on their own, on behalf of third parties, or of the funds they manage under the terms established by *Banco de la República* through general rules.

Paragraph 2. The entities mentioned in subparagraph b. of this Article, other than the the *Instituto Colombiano de Crédito Educativo y Estudios Técnicos en el Exterior* (ICETEX, Colombian Institute for Student Loans and Technical Studies Abroad) may carry out permanent transactions through non-deliverable futures contracts under the terms established by *Banco de la República* through general rules.

Article 11. OMOs Eligible Agents acting in liquidity operations to facilitate the normal functioning of the payment system. The following entities may act as OMOs Eligible Agents to carry out intraday repo transactions (IR) and overnight repo transactions for check clearing:

- a. Intraday Repo Transactions (IR): Banking institutions, financial corporations, financial leasing companies, financial cooperatives, brokerage firms, trust companies, investment management companies (IMCs), pension and severance fund managing companies, insurance companies, equity firms, the *Sociedades de intermediación cambiaria y servicios financieros especiales* (SICFES in Spanish, Foreign exchange and special financial service brokers), securitization companies, the *Fondo de Garantías de Instituciones Financieras - FOGAFIN* (Financial Institutions Guarantee Fund), the *Fondo para el Financiamiento del Sector Agropecuario* (FINAGRO in Spanish, Agricultural Sector Financing Fund), the *Financiera de Desarrollo Territorial S.A.* (FINDETER in Spanish, Financial Corporation for Territorial Development), the *Financiera de Desarrollo Nacional S.A.* (FDN in Spanish, National Development Finance Agency), the *Fondo Nacional del Ahorro* (FNA in Spanish, National Savings Fund), the *Banco de Comercio Exterior de Colombia S.A.* (BANCOLDEX in Spanish, Bank for Foreign Trade), central counterparty risk chambers, and the *Sociedades Especializadas en Depósitos y Pagos Electrónicos* (SEDPEs in Spanish, Companies Specialized in Electronic Deposits and Payments).
- b. Overnight repo transactions for check clearing: Banking institutions, investment banks, finance companies, and financial cooperatives participating in the *Banco de la República's* interbank clearing service of checks and other payment instruments.

Paragraph. The brokerage firms, trust companies, investment management companies (IMC), and pension and severance fund managing companies may carry out intraday repo transactions

(IR) on their own, on behalf of third parties or of the funds they manage under the terms established by *Banco de la República* through general rules.

Article 12. Loss of the capacity and suspension of the OMOs Eligible Agents. The OMOs Eligible Agents who fail to comply with the requirements established by *Banco de la República* in this resolution may be suspended or lost the power to carry out OMOs and liquidity operations for the normal functioning of the payment system under the specific terms and conditions for each transaction established by the Central Bank until the agents prove fulfillment of such requirements.

When the OMOs Placement Agents fail to comply with the payment of fines referred to in Article 13 of this resolution, or the payment of fines set in the External Resolution 1 of 2018 issued by the Board of Directors of *Banco de la República*, they shall lose their capacity and shall be suspended from carrying out foreign exchange intervention operations, under the provisions of External Resolution 1 of 2018 and other regulations that modify, add, or complement it.

Paragraph 1. The entities that lost the capacity to act as OMOs Eligible Agent or are suspended to act in such a way shall continue to comply with the existing operations in effect prior to such a measure.

Paragraph 2. The termination of power to act as OMOs Eligible Agent shall apply from the following working day of no payment of the fine. However, the institution may recover their capacity when the owed amount is paid with the default interest since the day in which the obligation was due, after submitting a new application, and *Banco de la República* authorizes its admission.

CHAPTER V – BREACH OF OPERATIONS

Article 13. Breach of operations. The breach of the obligations related to the transactions carried out by *Banco de la República* with the OMOs Eligible Agents stated in this resolution shall be subject to sanctions, under the following rules:

- a. Breach of the offer. Breach of the offer means the non-delivery of sufficient securities or funds by the OMOs Eligible Agents in accordance with the approved offer so that *Banco de la República* can disburse the corresponding funds or deliver securities.
- b. Delay or default upon repo transaction's maturity. Delay means the payment or transfer made by the OMOs Eligible Agents after the closing time of the SEBRA platform or the system replacing it, but before closing the second clearing and settlement session of checks and other physical payment instruments of the same maturity day of the transaction. Default means the lack of payment or transfer at the closing of the second clearing and settlement session of checks and other payment instruments of the same maturity day of the transaction by the OMOs Eligible Agents.
- c. Breach of spot or futures transactions. Breach of spot or futures transactions means the non-delivery of sufficient securities or funds before the closing of the SEBRA platform or the system replacing it, under the terms of the offer accepted so that *Banco de la República* can disburse the corresponding funds or deliver securities.

The sanctions applicable for the breach of operations to regulate the liquidity of the economy and facilitate the normal functioning of the payment system are the following:

Temporary and Permanent Expansionary and Contractionary Operations

Table 1. Temporary Open Market Operations through Interest-bearing term deposits

bps: Basis points

1/ Accumulated in the last twelve months.

2/ If there are multiple defaults (on offerings or transactions) on the same day, the financial penalty shall be calculated on an offerings' first-come, first-served basis.

| Case | Event | Number of times ^{1,2} | Financial Penalty | | |
|---------------------------------------------------|---------|--------------------------------|-------------------|---------|------|
| | | | Interest rate | Margin | Days |
| Breach of the offer | | 1 | of the operation | - | 5 |
| | | 2 | | 100 bps | 10 |
| | | 3 or more | | 100 bps | 15 |
| Delay or default upon repo transaction's maturity | Delay | 1 | of the operation | 100 bps | 3 |
| | | 2 | | 100 bps | 5 |
| | | 3 or more | | 100 bps | 10 |
| | Default | 1 | of the operation | 100 bps | 5 |
| | | 2 | | 100 bps | 10 |
| | | 3 or more | | 100 bps | 15 |

Table 2. Permanent Open Market Operations^{1/}

bps: Basis points

1/ These sanctions shall not be applicable for permanent operations through non-deliverable futures contracts.

2/ Accumulated in the last twelve months.

3/ If there are multiple defaults (on offerings or transactions) on the same day, the financial penalty shall be calculated on an offerings' first come, first served basis.

| Case | Number of times ^{2/3/} | Financial Penalty | | |
|-----------------------------|---------------------------------|-------------------------------|---------|------|
| | | Interest rate | Margin | Days |
| Breach of spot transactions | 1 | Temporary expansionary window | - | 5 |
| | 2 | | 100 bps | 10 |
| | 3 or more | | 100 bps | 15 |

Temporary Expansionary Transactions with securities from portfolio operations

When OMOs Eligible Agents fail to comply with temporary expansionary transactions with credit-backed loans expressed in legal tender (l/t) or foreign currency (f/x), they shall be subject to the sanctions described in Table 3 in the following cases:

- a. Breach of the operation: the OMOs Eligible Agent who does not comply with the

amount offered shall be subject to a financial penalty under the provisions of Table 3. The applicable financial penalty shall be proportional to the default, that is, the difference between the approved amount and the securities effectively delivered by the OMOs Eligible Agent.

- b. Default upon maturity, in the early settlement or the voluntary early termination of the transaction: the OMOs Eligible Agent who does not pay the obligation upon maturity shall be subject to a financial penalty in accordance with the provisions of Table 3. The applicable financial penalty shall be proportional to the default, that is, the difference between the total amount of the obligation (amount plus interest) and the funds delivered by the OMOs Eligible Agent.

Table 3 Temporary Expansionary Transactions with securities from portfolio operations

bps: Basis points

| Case | Financial penalty | | |
|------------------------------------------------------------------------------------------------------|-------------------|---------|------|
| | Interest rate | Margin | Days |
| Breach of the transaction | of the operation | - | 5 |
| Default upon maturity, in the early settlement or the voluntary early termination of the transaction | of the operation | 100 bps | 15 |

Permanent operations through non-deliverable forward contracts

For permanent operations through non-deliverable futures contracts, whose conditions shall be developed by *Banco de la República* through general rules, the following penalties shall apply:

If the OMOs Eligible Agent defaults on the working day following the day of fulfillment, *Banco de la República* shall withdraw from the OMOs Agent's account the amount due plus the default interest applicable.

$$\text{Default interest} = \left((1 + 1.5 * IBC)^{(n/365)} - 1 \right) * Amount$$

IBC: Current default Interest Rate published by the Financial Superintendency of Colombia

n: number of days since the operation was due.

In any case, *Banco de la República* may try to collect daily the amount owed plus the default interest, notwithstanding the legal actions that may take *Banco de la República* to enforce its collection.

Breach of permanent transactions in non-deliverable futures contracts shall imply that the OMOs Eligible Agent may not participate in the transactions mentioned in this resolution or in the

foreign exchange intervention under the provisions of External Resolution 1 of 2018 of *Banco de la República*'s Board of Directors and other laws modifying, adding, or complementing it.

When the OMOs Eligible Agent pays the equivalent value to the default of the operation and the default interest, the agent may participate again in operations with *Banco de la República* under the terms established by the Bank on general rules and in permanent operations on non-deliverable futures contracts when the suspension period outlined in Table 4 has expired:

Table 4. Permanent transactions through non-deliverable futures contracts

* After the last breach.

| Number of breaches in the last year | Suspension period in non-deliverable futures contracts |
|-------------------------------------|--------------------------------------------------------|
| 1 | 1 month |
| 2 | 6 months |
| 3 | 1 year |

Liquidity transactions for the normal functioning of the payment system:

Table 5. Penalties for delay or default on Intraday Repo -IR- Transactions and their conversion to overnight, and Overnight Clearing Repo -OCR- Transactions

bps: Basis points

1/ Accumulated in the last twelve months.

2/ If there are multiple defaults (on offerings or transactions) on the same day, the financial penalty shall be calculated on an offerings' first-come, first-served basis.

| Case | Event | Number of times ^{1/2} | Penalty | | |
|---------------------------------------------------|---------|--------------------------------|------------------|---------|------|
| | | | Interest rate | Margin | Days |
| Delay or default upon repo transaction's maturity | Delay | 1 | of the operation | 100 bps | 3 |
| | | 2 | | 100 bps | 5 |
| | | 3 or more | | 100 bps | 10 |
| | Default | 1 | of the operation | 100 bps | 5 |
| | | 2 | | 100 bps | 10 |
| | | 3 or more | | 100 bps | 15 |

Establishment of Guarantees

Pursuant to the provisions of paragraph 1 of Article 5 of this resolution, the OMOs Eligible Agents shall provide the guarantees required by the *Depósito Central de Valores* (DCV in Spanish, Central Securities Depository) under the terms established by *Banco de la República* through general

rules. Delays or defaults on the establishment of guarantees shall be subject to financial penalties, according to the rules set in Table 6 and the ones indicated below:

Table 6 Functionality for managing DCV's guarantees in OMOs

bps: Basis points

1/ Accumulated in the last twelve months.

2/ If there are multiple defaults (on offerings or transactions) on the same day, the financial penalty shall be calculated on an offerings' first-come, first-served basis.

| Case | Number of times ^{1/2} | Financial Penalty | | |
|-----------------------------------------------------|--------------------------------|-------------------|---------|------|
| | | Interest rate | Margin | Days |
| Delay or default on the establishment of guarantees | 1 | of the operation | - | 3 |
| | 2 | | 100 bps | 5 |
| | 3 or more | | 100 bps | 10 |

- a. A delay in the grant of guarantees means the provisions of guarantees by the OMOs Eligible Agents after the closing time of the *Servicios Electrónicos del Banco de la República* (SEBRA in Spanish) platform, or the system replacing it, of the day in which they were required, and before 10:00 a.m. of the following working day in which they were required.
- b. The breach on the provision of guarantees means the no-granting of guarantees by the OMOs Eligible Agents before 10:00 a.m. of the following working day in which they were required.
- c. When there is a breach on the granting of guarantees, the early settlement of the operation shall be declared. In this case, only the financial penalty for breach on the granting of guarantees shall apply, and no penalty fee for delay. The early settlement of the operations shall be carried out starting with the smallest amount and shall continue in ascending order until there is a sufficient level of guarantees to support the remaining open operations. If there are operations for the same amount, the one with the shortest maturity term shall be taken first.
- d. When the early settlement of the operation is breached, that is, when the OMOs Eligible Agents do not pay the settlement amount before the closing of the SEBRA platform, or the one replacing it, on the day on which the early settlement of the operation is declared, a penalty fee shall apply. It shall be equal to the one set in Table 1 hereof for default upon repo transaction's maturity.

In this case, the penalty fee for default on the provision of guarantees shall not apply.

Paragraph 1. Fines shall apply notwithstanding that *Banco de la República* may use the funds or securities that have been granted in the operation, per Article 14 of Law 964 of 2005.

Paragraph 2. For operations carried out by Banco de la República on the *Sistema Electrónico de Negociación* (SEN in Spanish, Electronic Trading System) the sanctions established in the regulations of this system shall apply.

Paragraph 3. For complying with the obligations of the operations hereof, principal payment, interest, penalties, granting of guarantees, voluntary termination, and early settlement, *Banco de la República* may withdraw funds from the deposit account and securities held by the OMOs Eligible Agents at *Banco de la República*. These withdrawals may be for the total or partial amount owed, considering the funds and securities available. To this end, *Banco de la República* may check the balance of the deposit account and securities held by the institution at *Banco de la República*.

The provisions of this paragraph shall also apply to institutions that having open transactions with *Banco de la República*, have lost their capacity as OMOs Eligible Agents or have been suspended.

Banco de la República may also sell or collect the securities if they are due.

Banco de la República shall establish, through general rules, the applicable procedure for complying with the provisions of this paragraph.

Paragraph 4. The financial penalties shall be calculated by taking the interest rate of the operation (effective and in force terms on the original date of offerings' submission) plus the respective margin, times the number of days. The penalty fee shall be calculated by applying the following mathematical formula:

$$SP = NV * [(1 + TI + MG)^{(ND/365)} - 1]$$

Where,

SP = Financial penalty.

VN = Nominal value of the defaulted transaction.

TI = Interest rate according to Table 1, 2, 3, 5, and 6, as applicable.

MG = Additional margin according to Table 1, 2, 3, 5, and 6, as applicable.

ND = Number of days according to Table 1, 2, 3, 5, and 6, as applicable.

The financial penalties shall apply notwithstanding that *Banco de la República* may dispose of the funds or securities that have been delivered to it in the development of the operation, per Article 14 of Law 964 of 2005.

Paragraph 5. The applicable financial penalty shall be proportional to the default, that is, the difference between the accepted offer and the securities or funds effectively delivered by the OMOs Eligible Agents.

Paragraph 6. The penalties fees set forth in this Article shall be paid before the closing of the SEBRA platform, or the one replacing it, on the day on which the delay or default is declared. In the case of fines applicable to temporary expansionary operations with credit-backed loans, the payment shall be made before the closing of the SEBRA platform, or the one replacing it, on the following working day of the breach or default.

CHAPTER VI - TRANSACTIONS WITH THE *DIRECCIÓN GENERAL DE CRÉDITO PÚBLICO Y TESORO NACIONAL* (GENERAL DIRECTORATE FOR PUBLIC CREDIT AND NATIONAL TREASURE)

Article 14. Transactions with the *Dirección General de Crédito Público y Tesoro Nacional* (General Directorate for Public Credit and National Treasury). The General Directorate for Public Credit and National Treasury may constitute interest-bearing term deposits in *Banco de la República* under the guidelines established by *Banco de la República's* Board of Directors.

CHAPTER VII – SECURITIES OF *BANCO DE LA REPÚBLICA*

Article 15. Securities of *Banco de la República*. *Banco de la República* may issue and place credit securities, subject to the provisions hereof and guidelines set forth by the Board of Directors.

Under Article 53 of Law 31 of 1992 in accordance with Article 66 of Law 964 of 2005, the securities issued by *Banco de la República* are registered in the National Registry of Securities and Issuers and is authorized the public offering.

Article 16. Features of the Securities. The securities issued by *Banco de la República* shall have the following features:

DENOMINATION: Colombian legal tender.

TERM: As determined by *Banco de la República*.

INTEREST: Fixed or variable interest rate.

ISSUANCE: Dematerialized in the DCV of *Banco de la República*.

Through general rules, *Banco de la República* shall indicate the securities' financial characteristics, as well as the conditions for their issuance, placement, primary and secondary liquidity.

Article 17. Validity. This resolution is effective as of 31 March 2022, and repeals External Resolution 2 of 2015 and any other resolutions that may amend it.

Signed in Bogotá, D. C., on the thirty-first (31st) day of March of the year two thousand and twenty-two (2022).

JOSÉ MANUEL RESTREPO ABONDANO / President of the Board of Directors

ALBERTO BOADA ORTÍZ / Secretary of the Board of Directors