

---

[Download](#)

Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

#### AUTHOR OR EDITOR

Vargas-Herrera, Hernando

Pamela Cardozo

Mauricio Villamizar-Villegas

#### AUTHORS AND/OR EDITORS

[Vargas-Herrera, Hernando](#)

---

---

The series Borradores de Economía (Working Papers on Economics) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc).

Publication Date:

Wednesday, 31 July 2019

## **ABSTRACT**

Two FX policy issues are discussed based on the recent Colombian experience. First, the increased participation of foreign investors in local bond markets since 2014 induced a reassessment of international reserve adequacy. We present the resulting LCR-type methodology to evaluate adequacy, together with a brief description of the international reserve management strategy in Colombia. Second, we shed some light on the debate regarding the effectiveness of sterilized FX intervention, showing that exchange rate effects depend on the “flimsiness” of exchange rate expectations or their fundamental determinants. To support this, we provide both empirical and theoretical evidence.