

[Download](#)  
[Other Working Papers](#)

Keep in mind

La serie Borradores de Economía es una publicación de la Subgerencia de Estudios Económicos del Banco de la República. Los trabajos son de carácter provisional, las opiniones y posibles errores son responsabilidad exclusiva del autor y sus contenidos no comprometen al Banco de la República ni a su Junta Directiva.

AUTHOR OR EDITOR

Hernando Vargas-Herrera  
Pamela Cardozo  
Mauricio Villamizar-Villegas

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 the 31th of July, 2019

The opinions contained in this document are the sole responsibility of the authors and do not commit Banco de la República or its Board of Directors

## 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.