



Lender of Last Resort

Thursday, November 18, 2021 - 12:00

The Political Constitution of Colombia of 1991 (*Constitución Política de Colombia de 1991* in Spanish) assigns to *Banco de la República* (the Central Bank of Colombia) the function of lender of last resort - (PUI in Spanish)" subject to the following restrictions (articles 371 and 373):

1. *Banco de la República* may only be PUI of credit establishments.
2. *Banco de la República* may not provide credit lines or guarantees to credit institutions except for temporary liquidity support (ATL in Spanish). This means that the last resort resources must not supply ordinary financing needs.

Through the ATL, *Banco de la República*, as a lender of last resort, individually grants access to liquid resources to credit institutions that, being solvent, present or foresee temporary liquidity difficulties. In this way, it seeks to mitigate the risk that liquidity problems specific to a financial institution may lead to a generalized loss of public confidence or may be transmitted to the overall financial system through contagion channels. Through the ATL facilities, Banco de la República contributes to the preservation of financial stability.

The Board of Directors of *Banco de la República* (through the Financial Stability Department) designs and establishes the guidelines related to eligible securities and the general and specific requirements that entities must comply with to participate in the ATL, considering the risk variables and legal aspects involved in each operation.