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A central bank is the institution that issues and administrates legal currency and exercises the function of banker of banks. Furthermore, it controls the country's monetary system (currency), credit system (interest rates) and foreign exchange system (foreign exchange rates). Its principal functions include:

i. To act as State bank;

ii. To control the issue of legal tender;

iii. To receive allocations of credit and provide loans to commercial banks and the Government;

iv. To manage and direct the country's monetary (inflation controls) and financial policy; and,

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v. To carry out currency transfers with other countries of the world, amongst other functions.

In 1922, the Colombian Congress passed Law 30 thereby authorising the Government to promote and create a bank with the functions of currency issue, draft, deposit and discount - with the immediate goal of rectifying the precarious monetary and credit situation that the country had suffered since its inception as a Republic.

Due to the need for access to external credit it was necessary to commission a delegation of foreign experts to provide the country with advice as regards the organisation of its monetary and banking structure.