# External factors and monetary policy

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Financial intermediation has made a substantial recovery since the 2001–02 economic and financial crisis, when the domestic financial system suffered a huge implosion. Trends have been favourable for most monetary variables, as well as for deposits, loans to the private sector, and interest rates. In spite of this growth, the ratios of loans to the private sector/GDP (around 12%), private M2/GDP and private M3/GDP (12.9% and 18.5% respectively) are still at very low levels compared to our own experience or those of other emerging economies. In addition, many areas of the Argentine economy are still highly dollarised.

Those factors imply particular challenges for the design and implementation of domestic monetary policy. For instance, the economy's dollarisation means that the nominal exchange rate is of key importance if Argentina is to avoid the boom and bust cycles and periodic crises that have characterised the last 60 years. At the same time, given the low degree of financial deepening – around 12% of GDP – the effectiveness of the interest rate in correcting monetary imbalances is reduced and the function of transmission channels correspondingly weakened.

In this environment, the importance of foreign banks – which suffered during the 2001–02 financial crises from their high balance sheet exposure to the exchange rate – have been growing since 2003 but without regaining the relative importance in the domestic financial system that they had during the 1990s. It is important to note that, both in the local financial crisis of 2001–02 and in the international one of 2008, foreign financial institutions followed conservative financial policies in the domestic market.

## 1. International banks, financial markets and monetary policy

During the 1990s, foreign banks significantly expanded their market share in Argentina. Foreign capital flowed into the financial sector, particularly from Spanish, French and Canadian institutions. Between December 1995 and December 2001, foreign banks increased their share of both deposits and loans to the private sector. Their share of total deposits grew from 19% to 52% (Table 1), and that of private sector deposits from 22% to 56% (Table 2). At the same time, their share of total private loans to the private sector increased from 18% to almost 51%, with their share of the US dollar-denominated segment rising from 22% to 55%.

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Table 1

**Deposits and Loans by Group of Banks**

In millions of pesos

| | Dec 95 | Dec 97 | Dec 01 | Dec 02 | Dec 03 | Dec 05 | Dec 07 | Oct 10 |
|---|---|---|---|---|---|---|---|---|
| TOTAL DEPOSITS | | | | | | | | |
| Total | | | | | | | | |
| Public banks | 17'637 | 23'958 | 21'454 | 30'477 | 41'794 | 60'536 | 88'065 | 167'462 |
| National private banks | 18'465 | 19'030 | 10'065 | 13'430 | 20'645 | 37'199 | 57'900 | 101'964 |
| Foreign private banks | 8'721 | 27'360 | 34'713 | 30'897 | 31'980 | 38'469 | 58'819 | 86'007 |
| NBFE | 324 | 347 | 226 | 196 | 216 | 289 | 767 | 1'030 |
| **Financial system** | **45'147** | **70'695** | **66'458** | **75'001** | **94'635** | **136'492** | **205'550** | **356'463** |
| Foreign currency | | | | | | | | |
| Public banks | 8'435 | 11'751 | 14'205 | 1'480 | 2'587 | 4'545 | 7'714 | 26'069 |
| National private banks | 10'762 | 10'414 | 6'716 | 856 | 1'833 | 3'957 | 7'136 | 14'808 |
| Foreign private banks | 5'675 | 15'737 | 26'383 | 777 | 1'935 | 4'471 | 8'842 | 21'562 |
| NBFE | 236 | 228 | 181 | 13 | 14 | 19 | 22.44 | 0 |
| **Financial system** | **25'109** | **38'131** | **47'486** | **3'126** | **6'370** | **12'993** | **23'715** | **62'439** |
| PRIVATE SECTOR DEPOSITS In national and foreign currency | | | | | | | | |
| Public banks | 13'088 | 16'359 | 17'790 | 21'289 | 27'653 | 32'665 | 46'621 | 79'069 |
| National private banks | 18'189 | 17'677 | 9'172 | 10'689 | 17'025 | 30'143 | 49'767 | 80'144 |
| Foreign private banks | 8'691 | 26'877 | 34'083 | 27'545 | 30'072 | 37'716 | 57'904 | 79'769 |
| NBFE | 324 | 345 | 225 | 175 | 201 | 285 | 757 | 1'015 |
| **Financial system** | **40'292** | **61'257** | **61'270** | **59'698** | **74'951** | **100'809** | **155'048** | **239'996** |
| Foreign currency | | | | | | | | |
| Public banks | 7'404 | 9'682 | 12'748 | 1'052 | 1'984 | 3'012 | 5'955 | 12'366 |
| National private banks | 10'750 | 10'280 | 6'519 | 745 | 1'743 | 3'878 | 6'850 | 14'305 |
| Foreign private banks | 5'671 | 15'718 | 26'070 | 763 | 1'889 | 4'448 | 8'799 | 18'334 |
| NBFE | 236 | 228 | 181 | 13 | 14 | 19 | 22.452 | 68 |
| **Financial system** | **24'061** | **35'908** | **45'517** | **2'573** | **5'629** | **11'357** | **21'628** | **45'073** |
| LOANS TO THE PRIVATE SECTOR In national and foreign currency | | | | | | | | |
| Public banks | 20'797 | 20'008 | 13'655 | 11'753 | 10'053 | 15'529 | 27'549 | 51'312 |
| National private banks | 20'952 | 15'101 | 10'135 | 8'510 | 9'779 | 18'703 | 39'879 | 66'770 |
| Foreign private banks | 9'428 | 26'880 | 26'464 | 17'537 | 13'037 | 20'328 | 38'708 | 59'955 |
| NBFE | 701 | 1'065 | 1'785 | 671 | 529 | 1'326 | 4'219 | 5'790 |
| **Financial system** | **51'878** | **63'055** | **52'039** | **38'470** | **33'398** | **55'885** | **110'355** | **183'828** |
| Foreign currency | | | | | | | | |
| Public banks | 9'227 | 11'080 | 9'841 | 901 | 757 | 2'498 | 4'941 | 7'000 |
| National private banks | 14'569 | 9'070 | 6'130 | 920 | 775 | 2'194 | 5'956 | 9'583 |
| Foreign private banks | 6'873 | 18'146 | 21'039 | 3'949 | 2'833 | 3'542 | 7'284 | 10'949 |
| NBFE | 517 | 727 | 1'212 | 12 | 20 | 16 | 32 | 102 |
| **Financial system** | **31'187** | **39'023** | **38'222** | **5'782** | **4'385** | **8'249** | **18'212** | **27'633** |

Source: BCRA

Table 2

**Deposits and Loans by Group of Banks**

As % of total deposits and loans

| | Dec 95 | Dec 97 | Dec 01 | Dec 02 | Dec 03 | Dec 05 | Dec 07 | Oct 10 |
|---|---|---|---|---|---|---|---|---|
| TOTAL DEPOSITS | | | | | | | | |
| Total | | | | | | | | |
| Public banks | 39% | 34% | 32% | 41% | 44% | 44% | 43% | 47% |
| National private banks | 41% | 27% | 15% | 18% | 22% | 27% | 28% | 29% |
| Foreign private banks | 19% | 39% | 52% | 41% | 34% | 28% | 29% | 24% |
| NBFE | 1% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| **Financial system** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |
| Foreign currency | | | | | | | | |
| Public banks | 34% | 31% | 30% | 47% | 41% | 35% | 33% | 42% |
| National private banks | 43% | 27% | 14% | 27% | 29% | 30% | 30% | 24% |
| Foreign private banks | 23% | 41% | 56% | 25% | 30% | 34% | 37% | 35% |
| NBFE | 1% | 1% | 0% | 0% | 0% | 0% | 0% | 0% |
| **Financial system** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |
| PRIVATE SECTOR DEPOSITS In national and foreign currency | | | | | | | | |
| Public banks | 32% | 27% | 29% | 36% | 37% | 32% | 30% | 33% |
| National private banks | 45% | 29% | 15% | 18% | 23% | 30% | 32% | 33% |
| Foreign private banks | 22% | 44% | 56% | 46% | 40% | 37% | 37% | 33% |
| NBFE | 1% | 1% | 0% | 0% | 0% | 0% | 0% | 0% |
| **Financial system** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |
| Foreign currency | | | | | | | | |
| Public banks | 31% | 27% | 28% | 41% | 35% | 27% | 28% | 27% |
| National private banks | 45% | 29% | 14% | 29% | 31% | 34% | 32% | 32% |
| Foreign private banks | 24% | 44% | 57% | 30% | 34% | 39% | 41% | 41% |
| NBFE | 1% | 1% | 0% | 0% | 0% | 0% | 0% | 0% |
| **Financial system** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |
| LOANS TO THE PRIVATE SECTOR In national and foreign currency | | | | | | | | |
| Public banks | 40% | 32% | 26% | 31% | 30% | 28% | 25% | 28% |
| National private banks | 40% | 24% | 19% | 22% | 29% | 33% | 36% | 36% |
| Foreign private banks | 18% | 43% | 51% | 46% | 39% | 36% | 35% | 33% |
| NBFE | 1% | 2% | 3% | 2% | 2% | 2% | 4% | 3% |
| **Financial system** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |
| Foreign currency | | | | | | | | |
| Public banks | 30% | 28% | 26% | 16% | 17% | 30% | 27% | 25% |
| National private banks | 47% | 23% | 16% | 16% | 18% | 27% | 33% | 35% |
| Foreign private banks | 22% | 47% | 55% | 68% | 65% | 43% | 40% | 40% |
| NBFE | 2% | 2% | 3% | 0% | 0% | 0% | 0% | 0% |
| **Financial system** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |

Source: BCRA

However, the role of foreign banks in the domestic market has receded since the end of 2001, when the convertibility of the Argentine peso lapsed. The impact of the ending of peso/US dollar parity on foreign banks is clearly reflected in Tables 1 and 2. While some of the international banks that entered the Argentine market in the 1990s withdrew in the aftermath of the crisis, those that stayed adopted very conservative domestic lending and funding strategies. They scaled back their market share in loans and, even more so, in deposits. The public's perception was that local banks, either private or public, were more secure in terms of the possibility of "recovering" its savings. This view was reinforced when, as mentioned above, some international banks abruptly decided to cease their operations in Argentina, raising doubts as to the intentions of all foreign institutions.

As the economy recovered through 2003–10, with average annual GDP growth of around 8%, conditions for the financial sector improved continuously. Foreign banks now hold about one quarter of total deposits or just over one third if only private sector total deposits are considered. For dollar-denominated deposits, these ratios increase to 35% and 41% respectively. Moreover, two foreign banks from other emerging markets have decided to enter Argentina's financial market during the past few years. It is also worth noting that, following the 2007–08 crisis (and contrary to the trend in previous crises), US dollar-denominated deposits posted a slight increase in Argentina, helping foreign banks to increase their share of deposits. For this reason, international banks increased their share of US dollar-denominated deposits from 15% in December 2007 to 23% in October 2010 (Table 3).

Table 3

**Share of Deposits and Loans in Foreign Currency – By Group of Banks**

As % of total deposits and loans

| | **Dec 95** | **Dec 97** | **Dec 01** | **Dec 02** | **Dec 03** | **Dec 05** | **Dec 07** | **Oct 10** |
|---|---|---|---|---|---|---|---|---|
| TOTAL DEPOSITS | | | | | | | | |
| Public banks | 47.8 | 49.0 | 66.2 | 4.9 | 6.2 | 7.5 | 8.8 | 15.6 |
| National private banks | 58.3 | 54.7 | 66.7 | 6.4 | 8.9 | 10.6 | 12.3 | 14.5 |
| Foreign private banks | 65.1 | 57.5 | 76.0 | 2.5 | 6.1 | 11.6 | 15.0 | 25.1 |
| NBFE | 72.9 | 65.8 | 80.1 | 6.5 | 6.3 | 6.7 | 2.9 | 0.0 |
| **Financial system** | **55.6** | **53.9** | **71.5** | **4.2** | **6.7** | **9.5** | **11.5** | **17.5** |
| PRIVATE SECTOR DEPOSITS | | | | | | | | |
| Public banks | 56.6 | 59.2 | 71.7 | 4.9 | 7.2 | 9.2 | 12.8 | 15.6 |
| National private banks | 59.1 | 58.2 | 71.1 | 7.0 | 10.2 | 12.9 | 13.8 | 17.8 |
| Foreign private banks | 65.3 | 58.5 | 76.5 | 2.8 | 6.3 | 11.8 | 15.2 | 23.0 |
| NBFE | 73.0 | 66.2 | 80.2 | 7.3 | 6.8 | 6.7 | 3.0 | 6.7 |
| **Financial system** | **59.7** | **58.6** | **74.3** | **4.3** | **7.5** | **11.3** | **13.9** | **18.8** |
| LOANS TO THE PRIVATE SECTOR | | | | | | | | |
| Public banks | 44.4 | 55.4 | 72.1 | 7.7 | 7.5 | 16.1 | 17.9 | 13.6 |
| National private banks | 69.5 | 60.1 | 60.5 | 10.8 | 7.9 | 11.7 | 14.9 | 14.4 |
| Foreign private banks | 72.9 | 67.5 | 79.5 | 22.5 | 21.7 | 17.4 | 18.8 | 18.3 |
| NBFE | 73.8 | 68.2 | 67.9 | 1.8 | 3.8 | 1.2 | 0.8 | 1.8 |
| **Financial system** | **60.1** | **61.9** | **73.4** | **15.0** | **13.1** | **14.8** | **16.5** | **15.0** |

Source: BCRA

In their lending to the private sector, foreign institutions have behaved more cautiously than local banks. They account for about one third of total lending to the private sector, and 40% of dollar-denominated loans. The latter statistic reflects the traditional strength of foreign banks in trade finance.

Foreign banks accounted for USD 7.4 billion of bank capital raised in Argentina between 2003 and 2007, more than half of the total capital raised in this period (see Table 4 and Graph 1). It is worth noting that, having survived the 2001–02 crisis, some banks, including foreign institutions, were able to raise funds in the international capital markets in 2006–07.

Table 4

**Capitalization of the Financial System**

In millions of pesos

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010* | Accumulated 2002-2010 | Share (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Public banks | 42 | 33 | 2'050 | 100 | 792 | 8 | 38 | 77 | 17 | 3'158 | 17.4 |
| National private banks | 441 | 166 | 351 | 579 | 1'339 | 830 | 67 | 146 | 33 | 3'952 | 21.8 |
| Foreign private banks | 2'090 | 2'784 | 2'017 | 1'469 | 192 | 974 | 129 | 9 | 0 | 9'665 | 53.3 |
| NBFE | 390 | 7 | 12 | 70 | 113 | 83 | 647 | 11 | 30 | 1'362 | 7.5 |
| **Financial system** | **2'963** | **2'990** | **4'431** | **2'218** | **2'437** | **1'895** | **881** | **242** | **80** | **18'136** | **100.0** |

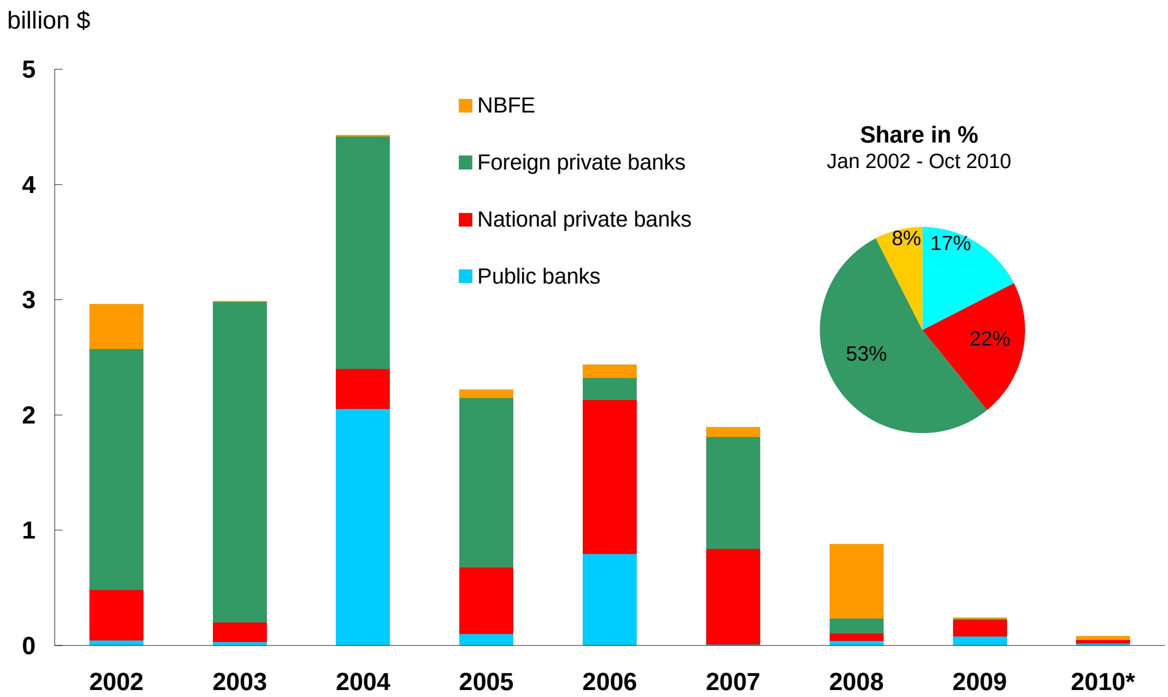
* to October

Source: BCRA

Graph 1

**Capitalization by Group of Banks**

2002–2010




* to October

Source: BCRA

About 80% of banks' funding (liabilities + net worth) comes from deposits. This reflects a framework of adequate liquidity and low leverage ratios, a significant characteristic of the domestic financial system. If we consider only private deposits, the ratio is 53%, rising to 70% in the case of foreign private banks. Although these figures can be seen as a deficiency in terms of funding duration, they also have a positive aspect if we consider the low degree of concentration in deposits. Additionally, the predominance of local deposits in banks' funding helped to moderate the effects of the crisis on banks, as compared with the outcome in economies with a higher degree of market funding.

In view of proposed changes in international regulations and standards and their implications for international banks, it is worth outlining the main characteristics of today's financial system in Argentina. The complex financial instruments and off-balance sheet exposures that caused problems in advanced economies, including mortgage-backed securities, collateralised debt obligations and credit default swaps, were virtually not in use in Argentina. Capital adequacy as a percentage of risk-weighted-assets is well above the 8% Basel minimum. In fact, over the 2003–10 period, the ratio of capital/risk-weighted assets for different groups of banks has remained well above the 8% line (Table 5 and Graph 2), with foreign institutions posting slightly higher ratios than those of domestic private sector banks (eg 22.7% in 2009 and 20.85% in 2010). Additionally, from 2010 all banks in Argentina have been required to maintain a capital conservation buffer (a limit to earnings distributions) equal to 30% of their total capital requirement. Meanwhile, local regulations ensure that banks hold an appropriate level of liquidity in the form of high-quality assets such as cash and deposits at the Central Bank. For all these reasons, it is not expected that tighter international liquidity or capital requirements will greatly affect the operations of either foreign or domestic banks.

Table 5

**Capital Compliance According to Regulation**

As % of risk-weighted assets

| | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010*** |
|---|---|---|---|---|---|---|---|---|
| Public banks | 13.9 | 10.8 | 11.5 | 12.8 | 12.0 | 12.9 | 11.5 | 11.8 |
| Private banks | 14.0 | 15.1 | 17.8 | 18.6 | 19.2 | 18.3 | 22.5 | 20.8 |
| NBFE | 73.7 | 46.6 | 47.0 | 39.6 | 31.1 | 38.1 | 42.4 | 50.8 |
| **Financial system** | **15.1** | **14.0** | **15.9** | **16.9** | **16.9** | **16.9** | **18.8** | **18.0** |

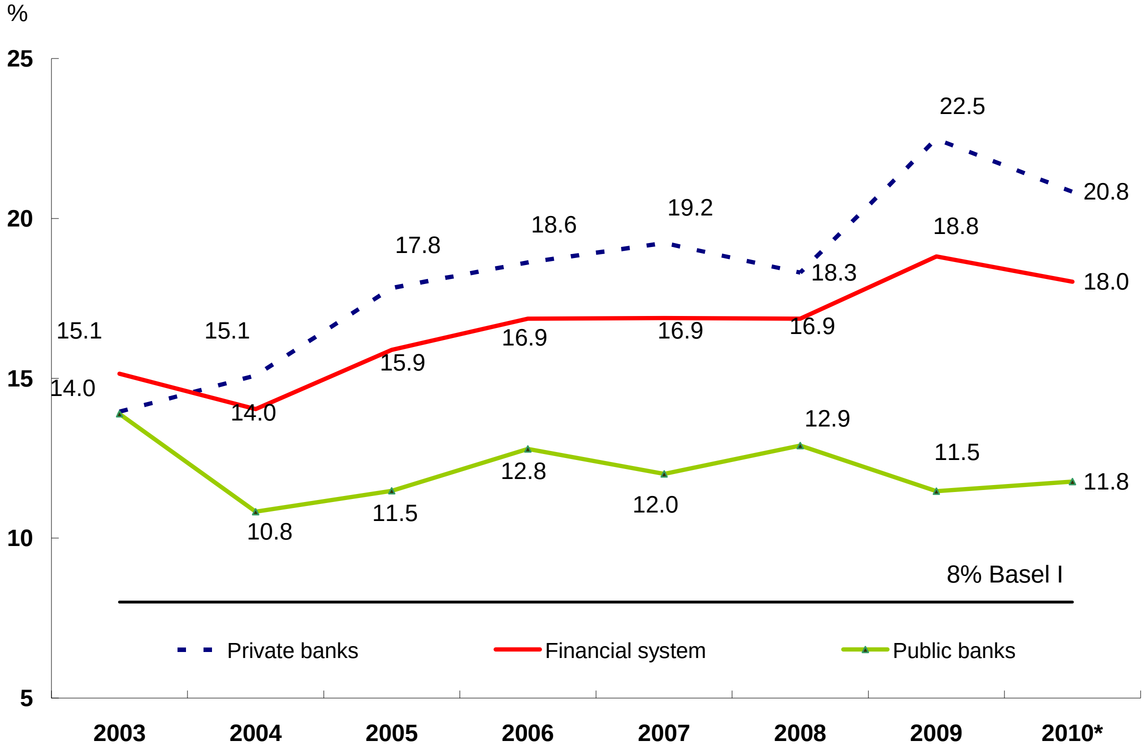
* to October

Source: BCRA

Graph 2

**Capital Compliance As % of Risk-weighted Assets**

By Group of Banks




* to October

Source: BCRA

## 2. Exchange rates

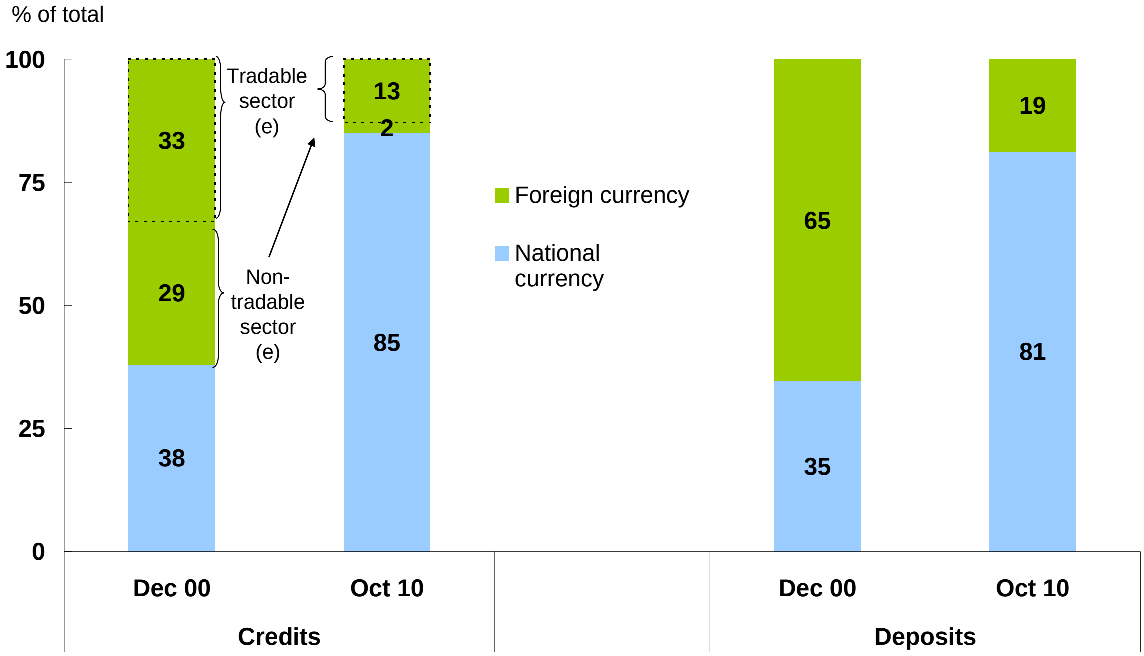
As previously mentioned, in spite of the improvements accomplished in recent years, the Argentine economy still has a significant degree of dollarisation. Many economic and financial transactions such as the purchase and sale of real estate are customarily settled in US dollars (sometimes in specie) and savings decisions are also made in foreign currency.

In these circumstances, currency mismatch combined with exchange rate volatility is a significant threat to financial stability, spreading volatility through the economy and leading to both economic and employment losses. Graph 3 shows the currency mismatch that existed in the Argentina financial system at the end of peso/dollar convertibility. Although foreign exchange assets and liabilities appear to be hedged, almost half of total foreign currency loans were granted to “non-tradable firms” (ie firms that did not generate revenues in foreign currencies); these borrowers were unable to repay their loans when the peso was devalued by more than 200% at the beginning of 2002. The present situation is different in that banks are permitted to make foreign currency loans only to firms (mainly exporters) that have foreign currency income, thus limiting the currency mismatch. In addition, limits on banks’ net open negative currency positions have been introduced with a view to preventing exchange rate movements from having a negative effect on bank solvency.

Graph 3

**Financial Intermediation with the Private Sector by Currency**

Financial system




(e) estimate

Note: Non-tradable sector financing estimate considers loans in foreign currency to households, construction sector, gas, water, electricity and other services.

Source: BCRA

Such problems could be exacerbated by persistent large short-term inflows or outflows of capital. Against that background, an increasing number of emerging countries – including Argentina – started to apply different kind of regulation controls to short-term capital inflows with the aim of dampening exchange rate volatility.

For all these reasons, it is important for policymakers to set a predictable and smooth path for the nominal exchange rate. Argentina's monetary policy is therefore designed to keep nominal exchange rate changes under control in order to reduce short-term volatility, and to serve as a key economic signal for consumers, investors and exporters. Argentina's foreign exchange market is also exposed to a huge seasonality that arises from the fluctuating proceeds of agricultural commodity exports. This increases the importance of limiting the rise of benchmark interest rates to avoid magnifying incentives for short-term financial inflows.

After peso/dollar convertibility lapsed, a single free foreign exchange market (Mercado Único y Libre de Cambios or MULC) was instituted with the aim of regulating the foreign exchange market. Through the MULC, the central bank intervenes in the foreign exchange market by buying foreign currency to prevent nominal exchange rate volatility and to accumulate precautionary currency reserves. It is worth noting that the central bank has accounted on average for only about 7% of MULC's total trading volume over the past five years, with a maximum of 9% in 2009 and minima of 6% in 2007 and 2010.

By these interventions, the central bank creates an expansion of the monetary base when it buys dollars, which left to itself would cause the domestic interest rate to fall. However, the central bank offsets the expansion through sterilisation operations that absorb the increase in liquidity generated by MULC interventions, thus keeping interest rates broadly unchanged.

Table 6

**Foreign Currency Mismatch (Assets – Liabilities) / Net worth**

(%)

| | |
|---|---|
| Average 2000 | 78.2 |
| Average 2001 | 66.4 |
| Dec.01 | 91.4 |
| Average 2002 | 36.8 |
| Average 2003 | 57.2 |
| Average 2004 | 67.7 |
| Average 2005 | 48.1 |
| Average 2006 | 36.0 |
| Average 2007 | 27.2 |
| Average 2008 | 25.0 |
| Average 2009 | 33.2 |
| Average 2010 | 30.9 |

Source: BCRA

## 3. Foreign exchange market intervention, regulation, balance sheets and alternative policy instruments

During the last nine years, Argentina has run a continuous current account surplus, based on a solid trade surplus and increasing capital inflows – the latter attracted by the attractive yields on Argentine securities vis-à-vis international benchmarks as domestic macroeconomic fundamentals improved vigorously including the process of normalization of the public debt that began in 2005.

Under these conditions, the central bank buys the capital inflows and the trade surplus in the MULC, expanding the monetary aggregates. At the same time, the bank has continued to execute a policy of partially sterilised intervention by absorbing much of the liquidity generated by the purchase of foreign exchange coming from the external sector. This is achieved mainly by the issuance of central bank bills (LEBACs) and notes (NOBACs).

At different times, the sterilisation policy has been carried out through a variety of mechanisms including: (i) the anticipated cancellation of rediscounts granted during the 2001–02 crisis (this was one of the main monetary contraction factors in 2005 and one of the most significant contraction factors in 2006), (ii) the issuance of non-monetary short- and medium-term debt (LEBACs and NOBACs), (iii) net issuance of reverse repos; (iv) the (occasional) sale of sovereign bonds held in the central bank's portfolio and (v) changes in the minimum reserve requirements.

Table 7 shows the trend of LEBACs and NOBACs outstanding in the 2002–10 period. It should be noted that, even though the total outstanding value of central bank securities appears to have reached a maximum in nominal terms, the amount is still below its historical peak if measured in relation to the monetary base, international reserves and M3, which includes cash held by the public and total deposits in pesos and in foreign currency.

Table 7

**Stock of LEBAC and NOBAC**

(end of December, in million of $)

| | LEBAC | NOBAC | TOTAL |
|---|---|---|---|
| 2002 | 3'671 | – | 3'671 |
| 2003 | 10'088 | 178 | 10'266 |
| 2004 | 13'499 | 1'335 | 14'834 |
| 2005 | 19'685 | 6'777 | 26'462 |
| 2006 | 13'179 | 27'676 | 40'856 |
| 2007 | 20'634 | 30'863 | 51'497 |
| 2008 | 9'418 | 27'908 | 37'326 |
| 2009 | 34'646 | 12'181 | 46'828 |
| 2010 | 47'905 | 26'446 | 74'352 |

Source: BCRA

As most of these assets were taken up by domestic banks, the central bank was able to provide liquidity to the system during the crisis by repurchasing some of these instruments. And, as mentioned above, the sterilisation policy has also helped to manage the trend of benchmark interest rates to reduce incentives for short-term financial inflows.

From September 2002, Argentina started to adopt a more active regulatory stance on financial flows. The policies and measures aimed at controlling short-term financial flows (both inflows and outflows) are tools of countercyclical policy that cushion the effects of sudden shifts of financial flows over the economic cycle and help to bring down volatility in domestic financial markets.

That said, the regulations are primarily aimed at discouraging short-term financial inflows. They initially prescribed that inflows should stay within the domestic system for a minimum of 90 days, a term that was later extended to 180 and finally to 365 days. Capital inflows that finance real investments are exempted from this requirement.

In 2005, when short-term financial inflows began to accelerate, the government implemented a statutory interest-free one-year deposit of 30% of any amount entering the MULC, a requirement that is still in place for this type of short-term financial inflow.

Investment by non-residents in LEBACs and NOBACs grew from $2.6 billion in December 2006 to $7.36 billion just one year later. For this reason, in 2007, it was decided to prohibit non-residents from investing in these instruments, with the aim of increasing the effectiveness of the central bank's transactions on the foreign exchange open market. As from October 2007, only domestic bills and notes have been issued. These instruments can only be traded locally and holders must be residents.

In 2008, as some foreign exchange regulations were being circumvented through local securities transactions in the stock market, new administrative measures were established in coordination with the National Securities Commission. These regulations provide that traded securities must be held in the seller's accounts for a minimum of three days before they can be sold on. In addition, rules were set for local banks and brokers on wire transfers to foreign counterparts.