

Relationship between the liquidity of the financial system and the money market in Bolivia*

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ABSTRACT

Monetary policy in Bolivia is characterized by having an unconventional structure with quantitative targets, among them, the operational target of liquidity of the financial system which is highly concentrated and oscillates according to various seasonal and economic policy factors each year. The Central Bank of Bolivia's (CBB) objective is to maintain stable liquidity and at "adequate" levels so as not to generate macroeconomic imbalances and financial stress. In this sense, in order to delve deeper into the transmission of monetary policy, it is proposed to establish a relationship between liquidity and the money market and to analyze the transmission channels given the heterogeneity of the financial system. The aforementioned will allow policy makers to know in advance the consequences of current liquidity levels and any action taken.

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