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A. Artemenko,

PhD student, Sumy State University

THE MAIN SET OF FOREIGN EXCHANGE REGULATION THEORY

The paper is devoted to the study of the evolution of foreign exchange regulation formation according to political and economic changes in the world. The common and different features of "foreign exchange regulation" and "foreign exchange control" have been indicated. The main stages of foreign exchange regulation process have been identified and characterized.

The question of regulating the foreign exchange market as a necessary platform for producing cross-border movement of currency values is topical in today's global world.

Firstly, in any activity that involves cash flow there is a risk of "money laundering" done by various participants of the market such as TNCs, banks, dealers, brokers, insurance and investment companies, governments, pension and hedge funds. Besides, foreign exchange market is a highly liquid sector in the world economy and it is continuing to grow. At least, there is a need for its regulation and control in order to protect and support national and international efforts in the fight against the financial crime.

Many foreign and domestic scientists such as M.Bageri, Tu Kong, L.Gural, M.Epiren, J.Kirchner, S.Ya.Borinets, O.V.Emelin, V.A.Yushchenko and others made a significant contribution to the development of foreign exchange regulation theory.

However, there is still no commonly accepted concept that fully describes the essence and mechanism of foreign exchange regulation due to the presence of various scientific schools, approaches to the classification of foreign exchange operations, availability of different currency legislation in many countries that may contradict each other.

The evolution of foreign exchange regulation formation includes five stages:

1. Foreign-exchange market formation (V–XIX centuries). The appearance of the first metal money and the beginning of carrying out foreign exchange operations by Italian coin dispensers.

2. The period of a gold standard (XIX–20-30s of the XX century). Countries started to determine the value of their currencies as a certain amount of gold.

3. The establishment of a multilateral system of payments (1944-1970s). The value of each currency had begun to measure as a fixed amount of gold and exchange rates were maintained as pegged exchange rates within horizontal bands [1].

4. Foreign exchange market liberalization (1970–1980s). The price of currency began to depend on how much it was needed for purchasing of goods, investing and providing interstate transactions.

5. Technological revolution in foreign exchange market (1980s–present). All transactions are conducted by using different electronic technologies, national financial markets develop actively, and banks are allowed to carry out currency transactions with non-residents [2].

Considering the essence of foreign exchange regulation, it was discovered that there is a problem with its interpretation. For example, foreign scientists tend to identify "foreign exchange regulation" as "foreign exchange control" and give them the same toolkit [3]. On the contrary, in the Ukrainian legislation, they are outlined as absolutely two different things with distinct content, objects, entities, and methods of implementation.

As a result, it should be noted that the preliminary term of foreign exchange regulation is more common and means a process of taking the measures by central government or special country`s authority concerning the buying and selling of currency, the exchange rate maintenance, regulation of foreign exchange market through special laws, rules and decrees to control, coordinate and restrict currency operations (Tu Hong) [3]. Therefore, it has become obvious that foreign exchange control is one of the stages of foreign exchange regulation process (figure 1).

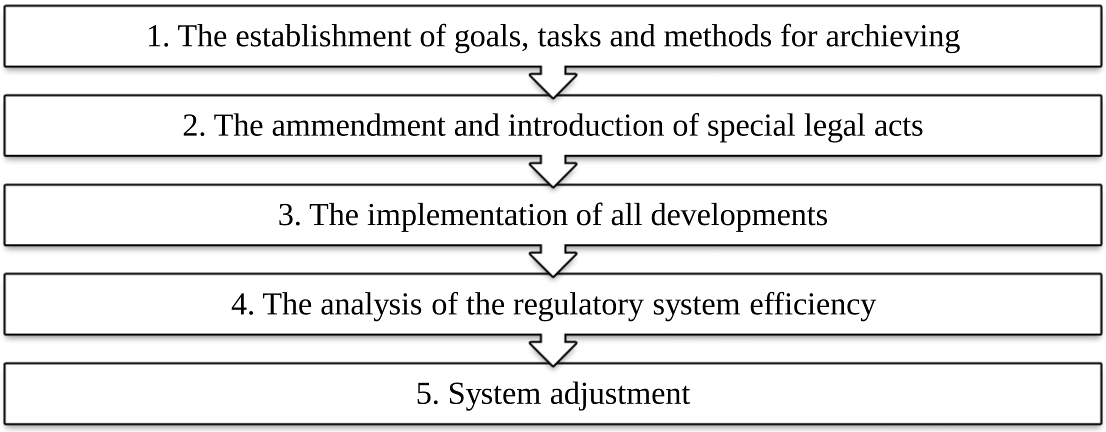

Figure 1 – Stages of foreign exchange regulation process [4]

At the first stage, goals, tasks and methods for their achievement are established in the context of country`s monetary policy (1). Next, a number of special legal acts for foreign exchange market regulation should be amended and introduced (2). Then the implementation of all developments takes place (3). Subsequently, banks, tax, and customs authorities must control how the foreign exchange regulation system works for the purpose of detection of all illegal transactions carried out by both residents and non-residents (4). If there are some problems, some adjustments must be made (5) [4].

So we can sum up that foreign exchange regulation is a set of special institutes, authorities, individuals involved in currency relations. On top of that, it should provide a sustainable development of the national foreign exchange market based on the IMF`s principles of legitimacy, impartiality, transparency, optimal state regulation, equality, complexity, stability and efficiency [1].

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English Language Advisor: A. M. Diadechko – PhD in Philology, Associate Professor of foreign languages department, Sumy State University

Svitlana Podolkova,
PhD of Philology, assistant professor,
Foreign Language Department, Sumy State University

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