MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
SUMY STATE UNIVERSITY
Educational and Research Institute of Business, Economics and Management
Department of International Economic Relations

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QUALIFICATION PAPER

on the topic "THE ROLE OF INTERNATIONAL EXCHANGES IN THE WORLD ECONOMIC SYSTEM"

Specialty 292 "International Economic Relations"

Student IV Course ____________ Anna Pavlova

group IE-72a.en

It is submitted for the Bachelor's degree requirements fulfillment.

Qualifying Bachelor's paper contains the results of own research. The use of the ideas, results, and texts of other authors has a link to the corresponding source

____________ Anna Pavlova

Research advisor Doctor of Economics, Professor ___________ Fedir Zhuravka

Sumy, 2021

ABSTRACT

on bachelor's degree qualification paper on the topic

« THE ROLE OF INTERNATIONAL EXCHANGES IN THE WORLD ECONOMIC SYSTEM»

student Anna Pavlova

The main content of the bachelor's degree qualification paper is presented on 43 pages, including references consisted of 40 used sources, which is placed on 4 pages. The paper contains 3 figures.

Keywords: WORLD EXCHANGE MARKET, EXCHANGE MARKET OF UKRAINE, WORLD ECONOMIC SYSTEM, TRADING, INDEX, WORLD EXCHANGE CENTERS.

The object of study of this work is international exchange, as one of the main components of the world economic system.

The subject of the study is theoretical bases, practical principles and development potential of world exchanges in the context of coronavirus and determine their importance as part of the world market.

The study aims at analysing the world stock market, identifing of global development trends, and their impact on the functioning of the world economic system.

The stated goal defines the following tasks:

- to study the evolution of international exchanges and operations conducted on them;
- to identify the largest international centers of exchange activity;
- to analyze the regulation of exchange activity in Ukraine;
- to outline the problems and prospects for the development of international exchanges.

Methods of synthetic analysis, descriptive method, graphic and economic-statistical methods were used in the qualification paper.

The work has a traditional structure and includes an introduction, main part consisting of 3 chapters, a conclusion, and a list of references.

The third chapter has a practical character and based on separate data the analysis of a modern condition. The theoretical and methodological basis of the study were international legislation and relevant regulations.

Sources of information were basic educational literature, fundamental theoretical works, the results of practical research by domestic and foreign authors, articles, reviews in specialized, and other relevant sources of information.

According to the results of the study, the following conclusions are formulated:

1. The current stage in the development of economic relations has shown that exchanges and their trading mechanism have firmly established themselves as one of the most important mechanisms for performing trading operations.

2. The trading mechanism of the exchange is built in such a way that for the very fact of concluding a transaction, the presence of goods close to the buyer and seller is not necessary.

3. The functions the exchanges perform are very important: stabilization of money circulation, formation of a world market, registration of exchange prices with their subsequent generalization and publication, organization of the raw material market, and the development of commodity standards.

The results obtained can be used in the process of developing a strategy for the development of international and domestic exchanges.

Results of approbation of the basic provisions of the qualification Bachelor work was considered at the 2nd International scientific-practical conference "INTERNATIONAL ECONOMIC RELATIONS AND SUSTAINABLE DEVELOPMENT".

The year of qualifying paper fulfillment is 2021.

The year of paper defense is 2021.

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«__» ________ 20__.

TASKS FOR BACHELOR'S DEGREE QUALIFICATION PAPER

(specialty 292 " International Economic Relations ")
student IV course, group IE-72a.en
Anna Pavlova

1. The theme of the paper is «The role of international exchanges in the world economic system» approved by the order of the university from
« __ » __________ 20 __ №___
2. The term of completed paper submission by the student is «__» _______ 2021
3. The purpose of the qualification paper is to analyze the world stock market, identify of global development trends, and their impact on the functioning of the world economic system.
4. The object of the research is international exchange, as one of the main components of the world economic system.
5. The subject of research is theoretical bases, practical principles and development potential of world exchanges in the context of coronavirus and determine their importance as part of the world market
6. The qualification paper is carried out on materials as: educational literature, fundamental theoretical works, the results of practical research by domestic and foreign authors, research articles, and reviews in specialized and periodicals. topics, reference books, other relevant sources of information.
7. Approximate qualifying bachelor's paper plan, terms for submitting chapters to the research advisor, and the content of tasks for the accomplished purpose is as follows:

<u>Chapter 1 «Fundamentals of exchange development as an international market and the history of exchange operations» - 16 April 2021.</u>

Chapter 1 deals with the history of the exchange as one of the driving forces that gave impetus to the emergence and development of a free international market, an analysis of the main reasons for the allocation of several types of exchanges, and their differences and how they are interrelated.

Chapter 2 «Analysis of the development of ukrainian and international centers of exchange activity, their significance and functioning» - 7 May 2021.
Chapter 2 deals with identifying the main trends in the development of international exchanges and trends in the emergence of the largest international exchange centers in the world, identifying differences in the regulation of exchange activities in the world and Ukraine.

Chapter 3 «Problems and prospects of development of international exchanges» - 14 May 2021.
Chapter 3 deals with detailed analysis of the role of international exchanges in the world economic system at the present stage, analysis of stock indices to forecast the market situation based on results from previous years, identifying opportunities for the development of exchange activities.

8. Supervision on work:

Chapter	Full name and position of the advisor	Date, signature	
		task issued by	task accepted by
1	Prof. Fedir O. Zhuravka		
2	Prof. Fedir O. Zhuravka		
3	Prof. Fedir O. Zhuravka		

9. Date of issue of the task: «__»__________ 20__.

Research Advisor: _____________ Fedir Zhuravka

The task has been received: _____________ Anna Pavlova

CONTENT

INTRODUCTION

The problem of this study is relevant in modern conditions. This is evidenced by the frequent study of the issues raised. The current state of science is characterized by the transition to a global consideration of the problems of this topic.

The relevance of this work is due, on the one hand, to the great interest in the topic "The role of international exchanges in the world economic system" in modern science, on the other hand, its insufficient development. Consideration of issues related to this topic is of both theoretical and practical importance.

The role of stock trading in the world economy and national economies of individual countries should not be underestimated. Some Western economists do not see the emergence of the modern stock market as a market for goods, but as a financial institution that facilitates trade and makes it cheaper, equal in importance to the industrial revolution of the late 18th century, and sees it as an organizing and planning force capable of dynamism.

The markets of international exchanges were studied in their works by such scientists and economists as A. Muzychenko, A. Pavlenchyk, and A. Podsokha.

The theoretical significance of the study of the problem is that the issues selected for consideration are at the junction of several scientific disciplines.

The object of study of this work is international exchange, as one of the main components of the world economic system.

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1 FUNDAMENTALS OF EXCHANGE DEVELOPMENT AS AN INTERNATIONAL MARKET AND THE HISTORY OF EXCHANGE OPERATIONS

1.1 International exchanges, their essence, and functions

Before computers became an integral part of our lives, the stock market was considered a place or a certain building, it was there that intermediaries and traders usually met to enter into transactions with goods or securities. Today, the stock exchange is an organized market that ensures the functioning of wholesale and international trade in goods, currency, gold, securities, and derivatives.

The exchange, as an organized market is characterized by:

a) the rules of the trade procedure;

b) openness of trade agreements;

c) the presence of a certain place forbidding and assembly of goods;

d) communication system [1].

The history of exchanges began with the bill fairs in Venice, Champagne, and Florence in the XIV-XV centuries. The origin of the term "exchange" is connected with the city of Bruges in Belgium [2]. It was there at the beginning of the XV century. the square next to the famous brokerage office, the counter had three leather wallets on the coat of arms, became a meeting place for traders to conclude deals. Over time, this meeting was called "wallet", which means exchange.

Already in 1531, the first building for the stock exchange was erected. It became the first international exchange to which traders from around the world began to come, at the entrance to it was an inscription in Latin "For traders of all nations and languages."

The first stock exchange to be the first to enter into securities transactions was the Amsterdam Stock Exchange, founded in 1602 [3]. There, for the first time, trade-in samples were introduced, which would later change the requirements for the quality of goods to continue trading without providing the product itself on the exchange.

The first to emerge was commodity exchanges, where transactions were concluded with real goods. Around the middle of the XIX century. they had the following general characteristics:

a) trade was carried out based on quality characteristics, without providing goods;

b) standardization of consignments of goods for trade;

c) exchanges acted as both wholesale intermediaries and speculative bodies;

d) sellers and buyers were combined by certain rules of the exchange [4].

Commodity exchanges became a prototype and the creation of other types of exchanges specializing in the relevant types of trade.

Depending on the participants of exchange trading in the process of exchange evolution, open, partially open, and closed exchanges were distinguished. Open exchanges provided for participation in the trading of sellers and buyers of goods. The participation of intermediaries is typical for partially open, some of their trade on behalf of the client, and some - on their own. Closed exchanges allowed only specialized bidders.

Exchanges began to differ in the level of state control over the processes, they are divided into public-law (state), private-law (private), and mixed (public-private). The public is based on following the law on exchanges, are controlled by the state, and are open, closed, or partially open. The first such exchanges were established in Germany, Belgium, Russia, Holland, and France. Private exchanges were controlled by the state only to a small extent, they were created in America and England, they belonged to the closed type. The Vienna Stock Exchange refers to public-private exchanges, assuming equity participation of the state and a private investor.

By the second half of the XX century the number of exchange goods decreased to about 50, which compared with the end of the XIX century. more than 4 times less. Beginning in the 1970s, fundamentally new types began to be added to exchange-traded goods, and they became known as "financial instruments." These include currency, mortgage contracts, securities, bonds, stocks, price indices, and others. With the advent of futures and options on financial instruments during this period, it became possible to insure against adverse price changes [5].

Trading on modern exchanges is carried out in three ways:

a) open outcry (voice method);

b) by phone;

c) in electronic form, using special programs.

Depending on the goods (goods, currency, or financial instruments) on the exchange, there are national, regional, and international exchanges. National - limited by the borders of a particular country. Regional - organize trade in several countries, within a particular region. International - work with world markets for goods, currencies, and financial instruments. With specialization, they are also divided into universal and specialized (broad and narrow profile).

1.2 The main features of the commodity, stock and currency exchanges

The exchange is a regular organization where transactions are concluded for the purchase and sale of certain types of goods. There are three main types of exchanges in the world: commodity, stock, and currency.

The commodity exchange is a corporate, non-profit association, it provides certain conditions for the agreement of purchase and sale of goods through public bidding per the rules that ensure equality for all members of the process [6].

The goods do not participate in the process of buying and selling, exchanges carry out transactions based on contracts for their supply. Commodity exchanges reveal basic prices, they are formed depending on the ratio between supply and demand. All commodity exchanges are independent enterprises that do not depend on each other, the goods on them are specific, ie each exchange trades a certain type of goods, but if the goods are the same, the size of contracts for the same product and its characteristics are different [7].

Each commodity exchange has the main areas of activity - wholesale trade and price quotations. Exchange activity is close to the banking and monetary system of the world and is subject to state regulation. In the absence of direct policy intervention in business, exchanges play the role of indirect and at the same time quite significant impact on business.

Although the number of goods on the exchanges is quite small, they are strategic in nature, which is why the prices that in terms of free pricing reflect market movements are indicators of the state of the economy. Thanks to the well-established information connection between the largest commodity exchanges, we get price equalization and the formation of a single world market.

Trading on the stock exchange is carried out in the stock exchange hall, it is built on the principle of the double auction - an increase in prices for buyers and a decrease in sellers [7]. Exchange trading looks like a set of simultaneous auctions in one place, for the separation of each product the hall is divided into sections below floor level, "pit" [8]. Prices are set by shouts, in the situation when the same price is shouted at the same time, the product goes to the one who made it louder. Brokers have their sign language, through which they exchange with each other how many typical contracts they are willing to sell or buy.

The exchanges identify main actors - brokers. The broker provides trade in the exchange hall, the broker is an intermediary that determines the supply and demand, monitors the coordination of the terms of the transaction, its execution, and registration, at the expense of the client. It is the broker who allows to trade.

The main functions of the broker include:

a) execution of the agreement;

b) control over the fulfillment of obligations (of both parties);

c) taking measures to fulfill the requirements of one of the parties in case of refusal of the other party to fulfill previous obligations;

d) examination of consignments of goods.

Brokers are intermediaries on the exchange and outside it on behalf of the client of the exchange or its member, at their expense. The task of the broker is to help with the inclusion of goods in the general market turnover. They are well versed in market conditions, opportunities for purchasing and selling goods, and specialize in a certain range of goods [9].

Today, the commodity exchange market price is becoming increasingly important. Thus, the Chicago Board of Trade periodically meets brokers to determine food prices, which operate throughout the country. Stock quotes look like fixing the actual contract prices and entering a standard price (for a certain period). As a result of the auction, the Quotation Commission enters a "typical price", it is the most probable price. preferred implementation.

In capitalist countries, the stock exchange takes the form of a private joint-stock company or a public-law institution, although it is based on a statute that regulates the management and functions of its bodies, admission rules, and its composition. The members of the exchange are brokers or brokerage companies, and it is headed by an exchange committee or board of directors.

The exchange is a market for the sale of securities by corporations and their purchase by individuals. A feature of the stock exchange as a securities market is the sale and purchase of mostly shares of old issues, ie it is the transfer of shares from one owner to another. Such operations do not lead to the formation of new capital, but they create liquidity, which allows you to increase the amount of cash [10].

By buying a share, the investor buys not only a share of ownership but also responsibility and financial risk. If the company makes a profit, the buyer of the share will receive additional income. A shareholder may lose his contribution in the event of bankruptcy. The main reason for buying shares of a corporation is their value, which can grow faster than bank deposits or government securities [11].

Currency exchange is a market where transactions of purchase and sale of foreign currencies, ingots, and precious metals are carried out. Currency exchanges first emerged as part of the stock exchange, and over time, almost all foreign exchange and gold transactions took place in banks.

At the moment, trading sessions are taking place every day except Saturday, Sunday, and weekends/holidays. Trading is carried out by the dealer of the organization - a member of the exchange. The transaction is carried out at the expense and on behalf of the customer, not the dealer. At the beginning of the session, dealers submit applications indicating the amount of purchase or sale of foreign currency at the rate fixed at the last exchange trading. Subsequently, bids are submitted to the exchange broker, who conducts the auction and determines the current foreign exchange rate.

The amount of purchase or sale is indicated in US dollars and starts with 10 thousand. If transactions are conducted with other foreign currencies, the minimum amount is set by the Exchange Council. At the end of the exchange trading, the broker issues certificates and operating letters to the participants, and the results of the trading are recorded in them.

Procedures for buying and selling foreign currencies also take place on the interbank foreign exchange market, where its participants are banks and financial institutions that have a license to do so.

The mechanism of "overflow" of funds helps to equalize the exchange rate difference between segments. This process is provided due to the difference in quotation up to one hundred points, it facilitates the purchase of foreign currency on the stock exchange and its sale on the interbank market and vice versa.

1.3 Types of exchange transactions

Exchange agreements are concerted actions of bidders aimed at changing or terminating the rights and obligations of both parties to a particular commodity. The legal, financial, organizational, and ethical aspects of these agreements are currently being identified.

The objects of such agreements may be:

a) securities;

b) contracts;

c) currencies;

d) stock assets;

e) goods [12].

The term "spot" has been known since transactions took place "on the spot". These are the fastest currency transactions in the foreign exchange market. This market provides immediate payment to buyers and sellers according to the current exchange rate [13]. Operations usually take one to two days. This allows traders to discover the volatility of the foreign exchange market, which can increase or decrease the price, between the trade and the trade.

Recently, there has been an increase in spot transactions in the foreign exchange market. These operations are carried out mainly in the form of purchase and sale of foreign currency notes, cash payment of a traveler's check, and transfers through banking systems. The latter category accounts for almost 90 percent of all spot transactions carried out exclusively for banks.

The Bank for International Settlements estimates that the daily volume of spot transactions is about 50 percent of all transactions in foreign exchange markets [14]. London is the center of the foreign exchange market. It generates the largest amount and differs from traded currencies.

The main spot market participants include commercial and central banks, dealers, brokers, arbitrageurs, and speculators.

Commercial banks are major players in the market. Commercial and investment banks are major market players; they trade not only on their behalf but also for their clients. The bulk of trading is traded in currencies that the bank indulges to benefit from exchange movements. An interbank transaction is carried out when the volume of the transaction is huge. For brokerage transactions with small amounts of foreign currency, you can contact a broker.

Central banks, such as the RBI in India, intervene in the market to reduce currency fluctuations in the national currency (eg, INR, in India) and to provide an exchange rate compatible with the requirements of the national economy. For example, if a rupee shows signs of depreciation, the RBI may issue a certain amount of foreign currency. This increase in the supply of foreign currency will stop the depreciation of the rupee. You can do a reverse operation to stop the rupee from being overvalued [15].

Dealers are involved in buying cheaper and selling more expensive ones. The activities of these dealers are focused on wholesale trade, and most of their operations are interbank in nature. Sometimes dealers may have to deal with corporations and central banks. They have low transaction costs as well as a very small spread. Wholesale transactions account for 90 % of the total value of foreign exchange transactions.

Under a forward contract, two parties (two companies, separate or state hubs) agree to trade on a certain future day at the specified price and quantity.

Forward contracting is very valuable for hedging and speculation. The classic scenario of applying for a hedge under a forward contract is the scenario of a wheat farmer for the future; selling your crop at a known fixed price to eliminate price risk. There are speculators who, based on their knowledge or information, predict price increases. Then they enter the forward market for a long time, not the cash market. Thus, he waits for the price to rise and sells at a higher price, thus making a profit.

Forward markets have several disadvantages:

a) lack of centralization of trade;

b) illiquidity (since only 2 parties participate);

c) counterparty risk (default).

In the first two issues, the main problem is that there is a lot of flexibility and generality. At present, the contractual terms of the agreement correspond to the convenience of the two persons participating in the agreement, but the contracts may not be negotiated if more participants are involved. Counterparty risk is always involved in the forward market; when one of the two parties to the transaction decides to declare bankruptcy, the other suffers.

Another common problem in the forward market is that the longer the period during which a forward contract is open, the greater the potential price movement and, consequently, the greater the risk of the counterparty.

Even in the case of trading in the forward markets, trading has standardized contracts and therefore avoids the problem of illiquidity, but counterparty risk always remains [16].

Futures markets help solve many problems that arise in promising markets. They work along a similar line as the forward markets in terms of basic philosophy. However, contracts are standardized and trading is centralized (on a stock exchange like NSE, BSE, KOSPI). Counterparty risk is not related, as exchanges have a clearing corporation that becomes a counterparty on both sides of each transaction and guarantees trading. The market of the "future" is highly liquid in comparison with the forward markets as unlimited persons can conclude the same trade [17].

An option is a contract that gives the option buyer the right, but not the obligation, to buy or sell the underlying instrument at a future fixed date (and time) and a fixed price. The call option gives the right to buy, and the put option gives the right to sell. Because currencies are traded in pairs, one currency is bought and the other is sold.

Currency options are part of currency derivatives, which emerged as an important and interesting new asset class for investors. The currency option provides an opportunity to take an exchange rate and perform both investment and hedging purposes [18].

2 ANALYSIS OF THE DEVELOPMENT OF UKRAINIAN AND INTERNATIONAL CENTERS OF EXCHANGE ACTIVITY, THEIR SIGNIFICANCE AND FUNCTIONING

2.1 Trends in the development of world exchanges

The term "exchange" associates with currency exchange. Therefore, it is clear that the most developed and those that affect the world economy are precisely the exchange institutions of a financial nature (stock and currency exchanges, crypto exchanges). The total capitalization of all public companies based on the results of 2017 (fig. 2.1) amounted to \$ 79,2 trillion (data from World Bank). As of 2018, this figure decreased to \$ 68,65 trillion.

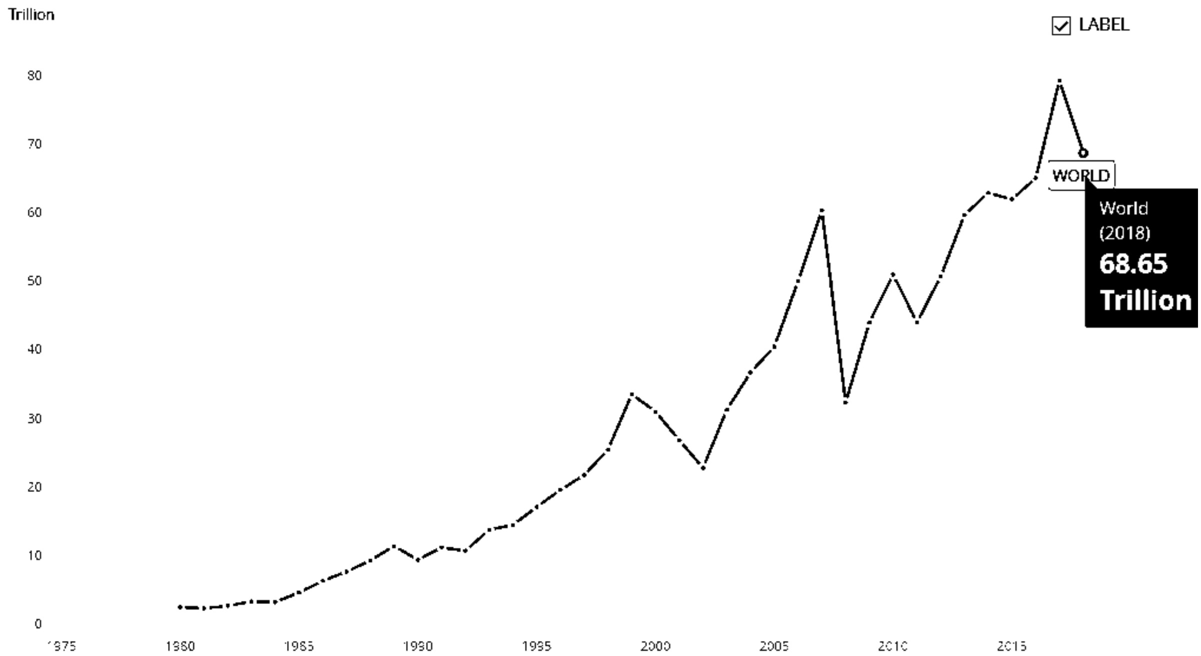

Figure 2.1. The total capitalization of exchange trading based on the results of 2018 (source: World Bank [19])

Nearly all of the major stocks and bonds that determine the global economy are traded on the 10 largest exchanges in the world (fig. 2.2).

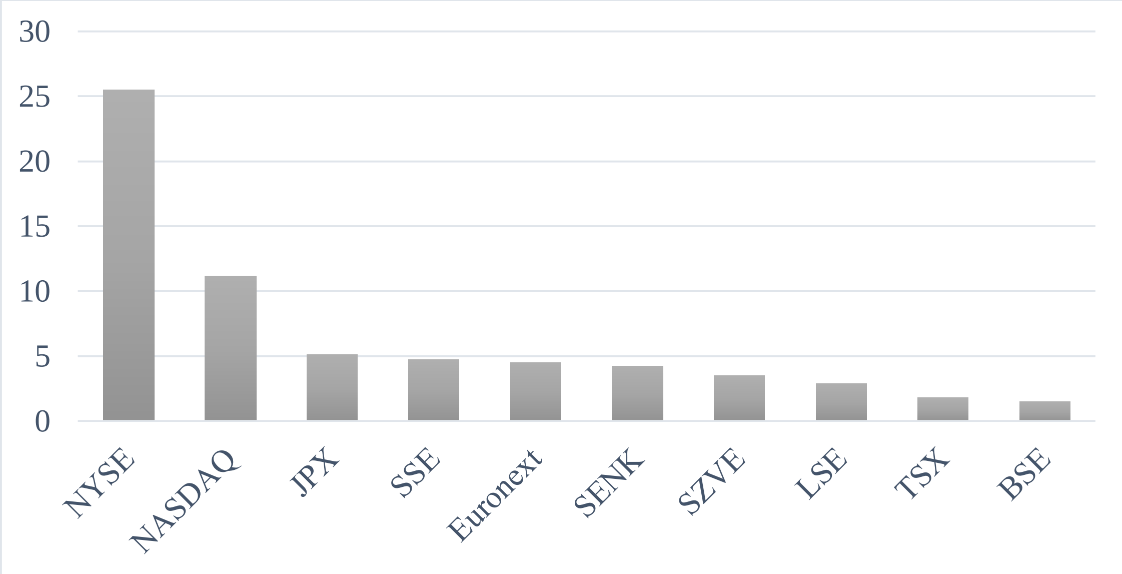

Figure 2.2. Ten leading exchanges in terms of market capitalization in 2020 (source: Vesti.ru [20])

However, the turnover of commodity and commodity exchanges is also quite large, and therefore they also play a large role and influence the development of the economy. Considering the economic role of commodity exchanges, it is worth noting that exchange trading always takes place in compliance with the principles of openness and publicity and with strict adherence to the rules of exchange trading. This circumstance facilitates the functioning of the market mechanism, reduces transaction costs.

Term exchange transactions also have a positive effect on the economy. Forward and futures transactions entered into commodity exchanges help to reduce the commercial risk that occurs in all trading operations. By applying combinations with exchange and OTC transactions, sellers and buyers insure themselves against inevitable fluctuations in the price of the contracted commodity utilizing hedging. It is also worth noting that futures trading predominates on modern exchanges since futures is a forward standardized in terms of timing and quantity. To determine the trend and trends in the development of exchange trading in the world and Ukraine, it is necessary to analyze the patterns of evolutionary development of exchanges (fig. 2.3).

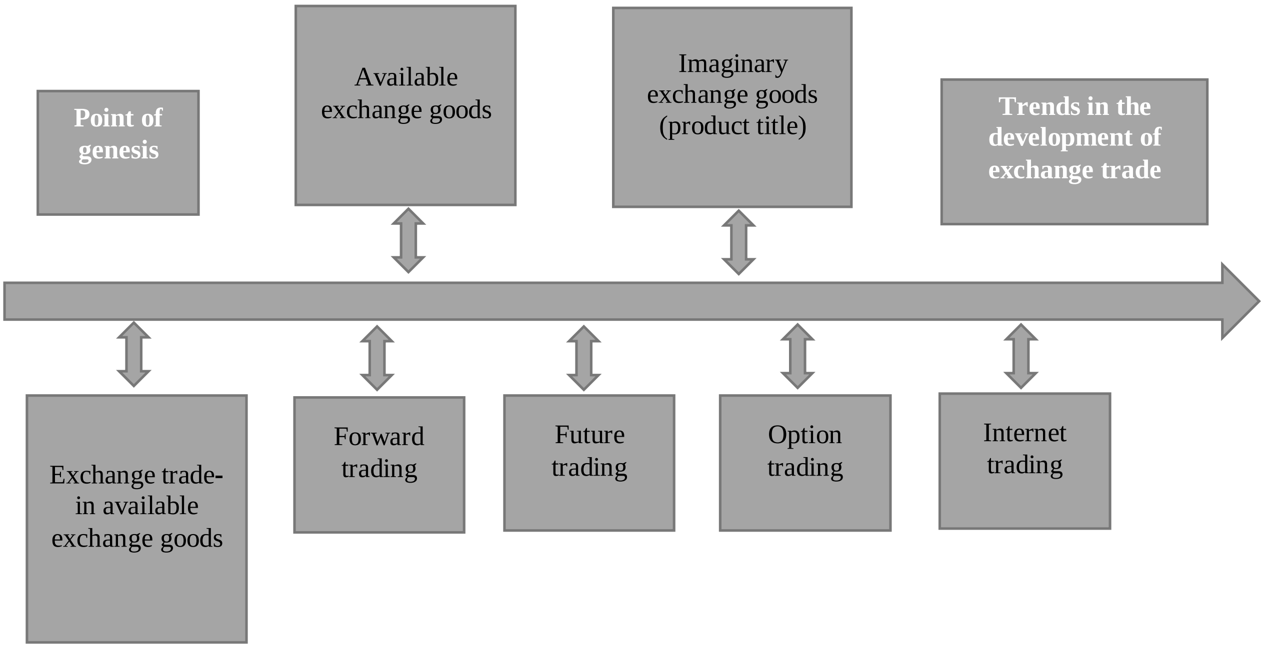

Figure 2.3. World trend in the development of exchange trading

The central vector in the figure determines the development and evolution trends of exchange trading forms. Analyzing the evolutionary development of the forms of exchange trading, we see that, despite the functioning of the more highly developed today forward and futures forms of trading, simple forms of exchange trading for the sale of available goods also do not lose their significance. One of the modern trends in the development of commodity exchanges is the change in their role and the transition to financial institutions. The economic prerequisites for the transformation of commodity exchanges into financial institutions are:

- the ability to conclude bilateral agreements between the seller and the buyer without the participation of exchanges using modern Internet technologies;

- increase in the number of futures exchanges due to the need for insurance (hedging) against changes in prices for contracted goods;
- expansion of the range of operations by commodity exchanges for their clients by using, in addition to traditional, also commodity and financial instruments.

Thus, the objective trend in the development of commodity exchanges and their infrastructure will be the constant complication and expansion of exchange operations, which will be based on term transactions. These primary option transactions in their various forms and transactions with stock indices. Therefore, along with the complication of exchange operations, the boundaries between purely commodity exchanges and financial exchange institutions are becoming increasingly blurred, the exchange commodity itself is being modified as a subject of exchange trading.

The development of exchange commodity forms in the indicated direction significantly changes the role of the exchange in the system of economic relations. The exchange increasingly loses its connection with the real sector of the economy and becomes a gambling establishment, since the functioning of the exchange is reduced to a game of "guessing the numerical value of the stock index". True, unlike casinos, exchange players need not just luck, but the ability to predict events, correctly consider political, economic, weather, and other factors.

An important trend in the development of exchange trading is its globalization and the intensification of competition on this basis. Today, the highest turnover rates are shown not by small regional exchanges, but by giants that were formed by combining (merging or acquiring) several small exchange trading institutions. The logical continuation of globalization monopolization was the international expansion of exchange institutions, the basis of which is the liberalization of regional economic systems.

And, finally, a pronounced trend that significantly changes the "face" of exchange trading is the improvement of its technique. These changes are caused by the use of computers and modern information technologies in exchange and over-the-counter trading. The use of e-commerce in the field of financial services, Internet trading, Internet depository, Internet retail market, Internet brokerage services, etc., all these latest technologies allow real-time (online) transactions in the stock and commodity markets. Electronic communication networks allow working in the market without intermediaries, which significantly reduces the time and costs of investors and increases the liquidity of the markets.

2.2 The largest international centers of exchange activity

International exchange trading is characterized by a high concentration of sales in the regions where the exchanges are located. Most of the international exchange turnover is concentrated in the leading trade and financial centers of the world - the USA, Great Britain, and Japan, which account for up to 98% of the value of exchange transactions with goods, of which the USA - 84%, Great Britain - 8%, Japan - 6% [21].

The leading role of commodity exchanges located in the United States in the world and national economy was established until the middle of the 20th century, where up to 90% of international transactions with raw materials took place. Currently, there are 15 commodity exchanges in the United States, 40 of the most famous in world trade, four of them are the World Trade Center. They are all located in New York. Coffee, Sugar and Cocoa Exchange Inc. on operations with Arabica coffee beans, cocoa beans, raw and refined sugar; The New York Mercantile Exchange (Commodity Exchange, Inc.) as the largest trading center for gold and silver, copper and aluminum; The New York Cotton

Exchange trading in cotton, orange juice concentrate and liquid propane; New York Mercantile Exchange, which deals with the metals of the platinoids of the group (platinum and palladium), oil and its refined products - gasoline, diesel fuel, and potatoes.

The world's largest commodity exchanges are also located in Chicago (Chicago Board of Trade and Chicago Mercantile Exchange). The subject of circulation in the Chicago Chamber of Commerce is agricultural raw materials (corn, wheat, oats, soybeans, meal, and oil), in addition, gold and silver, oil products, etc. Here, up to 50% of US futures transactions take place. About 30% of the volume of the same transactions are concluded on the Chicago Mercantile Exchange, where livestock products (cattle, live pigs) are traded, in addition, operations with gold and lumber. The share of transactions with real goods is about 10% of its turnover [22].

Among the leading MTBs located in the UK, such as London Commodity Exchange, which is one of the largest commodity exchanges in the world and trades agricultural products, including those with specific consumer properties, are of interest in terms of the volume of transactions and representativeness of prices, which led to the allocation of eight separate markets within the exchange (Terminal Market). In general, the exchange trades in coffee, cocoa, sugar, rubber, potatoes, oilseeds and vegetable oils (soybean, coconut, rapeseed, sunflower, flaxseed, peanut), soy and fish flour, spices, copra, jute, sisal, bacon; London Metal Exchange is the world's largest trading center for non-ferrous metals (copper, aluminum, tin, zinc, lead, nickel, silver, etc.)

London Futures and Options Exchange trades cocoa beans, Robusta coffee, raw sugar, rubber, fuel oil, oil, vegetable oil, wool, skins, and leather - over 75% of exchange trading; London's International Petroleum Exchange, which trades diesel, fuel oil, light oil futures and options, and North Sea Brent.

One of the most famous MTBs for futures transactions is the French International Futures Exchange (Marchea a Megte International de France), better known in the world trade in iodine by the name MATIF, which ranks fourth in exchange turnover. No less famous is the Paris Bourse de Commerce, the subject of circulation of which is coffee, cocoa, sugar. In Japan, the most Tokyo industrial commodity exchange is located - Commodity Exchange to Industry, where operations with precious metals (gold, silver, platinum), cotton, woolen yarn, and rubber are concentrated.

Although the most important centers of international exchange trading are developed countries, individual MTBs are concentrated in developing countries. For example, in Singapore, fuel and gold contracts and rubber futures are traded (Rubber Association of the Singapore Mercantile Exchange). Through the Kuala-Lumpur Commodity Exchange in Malaysia, agricultural products grown in Southeast Asia (palm oil, olein, rubber) and tin are traded. In Brazil, where three MTBs are located (Brazilian Futures Exchange, Commodity and Futures Exchanges in Sao Paulo), trading contracts for coffee, cotton, and beef with quotations in dollars as well as local currency are located. In the Philippines (Manila International Futures Exchange) - sugar, soybeans, coffee, and copra, several regional MTBs are located in Hong Kong - Hong Kong Futures Exchange, Ireland - European Mercantile Exchange, Canada - Montreal Exchange, etc.

International regional exchanges are focused on operations with a narrower circle of participants in selected global regional markets. These include the Baltic Futures Exchange, where There are transactions with cereals (wheat and barley) within the EEC, Sydney Futures Exchange Ltd, and some others.

Exporters and importers from among the leading MTBs are interested in terms of volume of transactions and representativeness of prices: New York Mercantile Exchange of Energy and London International Petroleum Exchange, where futures and options contracts for light oil and North Sea oil are traded; London Metal Exchange - trading center for copper, aluminum, lead, zinc, nickel, and tin; New York Mercantile Exchange - an exchange for the trading of non-ferrous and precious metals; New York Stock Exchange for Coffee, Cocoa, and

Sugar, as well as Japanese stock exchanges for rubber, sugar, silk and cotton yarn, gold and platinum [23].

2.3 Regulation of exchange activities in Ukraine

The development of a market economy system in Ukraine is impossible without such exchange institutions as commodity exchanges. To date, almost 500 universal, stock, commodity, and agroindustry exchanges are registered in Ukraine, which is significantly more than in the United States and other countries with developed market economies. However, the prevalence in no way contributed to the increase in the efficiency of their activities. The exchange trading market in Ukraine reflects the peculiarities of the Ukrainian economy and is specific in terms of the forms of creation, quantity, territorial distribution, the nature of functioning, and the structure of goods sold. The study of the problems of exchange trading reaches significant relevance in the context of the financial crisis [24].

The level of development of exchange trading is an important indicator of the competitiveness of the country's economy. It is the exchange, under their inherent regularity of operations, that are the permanent places for trading, based on the principles of equality of participants and publicity. With the stabilization of the economy and the accumulation of experience, exchanges can and should become full-fledged indicators of market prices, since it is the exchange that occupies a leading position for goods and raw materials based on the ratio of actual supply and demand. Thanks to the exchanges, the processes of self-liquidation of the shadow market are beginning to take place through the transparency of commodity flows. The following main trends are characteristic of the current stage of development of world exchange trading:

a) an increase in the volume of exchange activities, characterized by an increase in the number of contracts concluded;

b) a constant reduction in the range of products sold and the number of transactions with real goods;

c) increasing the level of concentration of exchange trading in individual countries;

d) preferential placement of commodity exchanges in places of concentration of consumption of goods - the main operations associated with the purchase and sale of futures and options contracts;

e) alignment of the level of exchange prices for goods on various exchanges - this is since the bulk of transactions are carried out not with real goods, but with futures and options contracts;

f) the growth of the technical equipment of exchanges and the improvement of the technique of exchange operations.

Commodity Exchange is an organization uniting legal entities and individuals engaged in industrial and commercial activities and is aimed at providing services in concluding exchange transactions, identifying commodity prices, supply and demand for goods, studying, streamlining, and facilitating commodity circulation and related trade operations.

Commodity exchange is a group, regularly operating market where goods are traded according to samples or standards, which contain a list of necessary characteristics (quality, grade, etc.).

The formation of exchange trading in the world took place on the initiative of merchants, first - brokers, then - exchanges, and its further development and improvement was due to the needs of the country's economy and was carried out simultaneously with its growth.

In Ukraine, the revival of commodity exchanges took place with the participation of Peter I, artificially during the period of a sharp economic recession, in the absence of a single legal field, gave rise to many negative manifestations in their activities. In Ukraine, the peculiarities of the development of the composition of sold goods are associated with the lack of a unified classification of goods with an advantage in the structure of exchange turnover of non-exchange goods [25].

Unfortunately, the latest calculations of the number of exchanges are available as of 01.01.2015, 555 exchanges are registered in Ukraine, of which 391 are a commodity, 104 universal, 24 agroindustry, and 36 others. Structurally, the largest number falls on commodity and commodity exchanges, accounting for 70% of the total; universal exchanges occupy 19%, agroindustry - 4%, others - 6% [26].

According to the State Statistics Service of Ukraine, in 2014, 472 people worked on the exchanges. The authorized capital of the exchanges amounted to 181,800,000. UAH. Compared to 2013 the number of trades held on stock exchanges doubled and amounted to 17.1 thousand trades. For sale was offered goods and services for 26.6 trillion hryvnias, which is 20.7% less than in 2013, and 60.7 thousand transactions were concluded in the amount of 25.7 trillion hryvnias. (In 2013 - 52.2 thousand transactions in the amount of UAH 28.8 trillion). The average volume of one trade on the Ukrainian stock exchanges amounted to UAH 1.5 million against UAH 3.4 million in 2013 The largest volume of transactions (51.1% of the total value of concluded transactions) was concluded on agroindustry exchanges, 26.8% on universal, and 22% on commodity and commodity exchanges.

Exchange activity was carried out in all regions of Ukraine. The largest share of exchange transactions (90.8%) fell on exchanges operating in four regions of Ukraine: Kyiv (52.6%), Poltava (25.1%), Rivne (6.6%), and Dnepropetrovsk (6 5%) areas.

In recent years, there has been a situation with the prevalence of the over-the-counter market in Ukraine. According to the criteria of the volume of production, Ukraine has a certain exchange potential in the markets of grain, sugar, oilseeds, but the raw material requires specific mechanisms for the formation of forecast market prices. Among the main factors influencing the process of formation of the exchange commodity market in Ukraine, one can note the level of development of production and consumption of goods in Ukraine; volumes of export and import of goods; the degree of integration of exchange structures into a single network; the level of awareness of business entities about the possibilities of instruments on the exchange market.

That is, the intensive quantitative growth of the exchange network does not affect the qualitative level of development of exchange activities, it remains low.

In recent years, business entities have acquired the right to independently choose a commodity product and directions for its use. The procurement sector is characterized by the use of tenders, respectively, the state monopoly and total control over procurement are gradually disappearing. Privatized enterprises or those that have become the property of individual owners or individual collectives have become quite common in domestic business practice. The sphere of exchange and trade of agricultural products is rapidly beginning to use traders, trading houses, and service enterprises, which greatly facilitates and simplifies the exchange trading process. Also noteworthy is the fact that with the introduction and development of computer technologies, the place of trade becomes an ordinary workplace, it allows you to simultaneously sell significant amounts of assets, the influence of the size of the batch of trade on the trading speed completely disappears, and the need to use intermediaries disappears, significantly accelerates the trading process itself.

The current stage of development of exchange activities in Ukraine is still characterized by low efficiency. This is due to many factors depending on political and economic instability, military operations in the East of the country, public uncertainty, and the like. In particular, among the objective factors, the following can be distinguished:

a) lack of thoroughness of the legislation regulating exchange activities. The absence of legally established rules of conduct on the exchange market and the adoption of numerous regulatory legal acts, one of which contributed to the development of exchange trading, while others, on the contrary, introduced restrictions that threatened the existence of exchange activities, indicates the lack of consistent and effective state regulation of exchange activities in Ukraine;

b) the narrow legal field of activity of commodity exchanges, is overcome with the help of various normative acts, most of which should be considered as a form of administrative influence that artificially creates conditions for the activity of commodity exchanges. These administrative measures at various times provided for the creation of an agricultural exchange market;

c) creation of an exchange market for products received as payment of arrears on payment of fees for compulsory state pension insurance, payment of tax arrears, and supply of material and technical resources to enterprises of the agroindustry complex, which are received at the expense of the budget;

d) organization of trade in pledged property and restriction of exchange activities in the real estate market by excluding real estate from exchange commodities [27].

Subjective factors can be considered:

a) lack of necessary knowledge and insufficient awareness of commodity producers on the technology and advantages of exchange activities;

b) unwillingness of manufacturers and intermediaries to conduct fair transparent trade.

3 PROBLEMS AND PROSPECTS OF DEVELOPMENT OF INTERNATIONAL EXCHANGES

3.1 The main ways of influence of world exchanges on the economy of the world

A modern exchange is a complex, technically equipped, information-rich mechanism, provided by the appropriate specialists and professionals.

Exchanges as economic institutions play an important role in shaping market conditions and the ratio of millet to supply. Since the main task of a commodity or stock exchange, it can be considered the identification of prices for transactions concluded within it, it is natural that the exchanges participate in the formation of certain economic indices. Such indices reflect the current state of a market or its segment. For example, a stock index is an indicator that reflects the state and dynamics of the securities market [28].

At the same time, the pricing activity of exchanges largely reflects many important economic processes. One of the factors that stock exchange pricing considers is scientific and technological progress. Thereby many substitutes for certain exchange commodities of artificial or synthetic origin have appeared. The competitive struggle between these goods contributes to the stabilization of prices, which means a decrease in exchange turnover. This is seen in the example of the wool market, where the volume of transactions in recent decades has decreased many times, and on many leading exchanges, trade-in wool has ceased altogether.

The exchange concentrates supply and demand for the purchase and sale of securities, determines the relationship between current demand and current supply. As a result, the price is revealed as an expression of the equilibrium of time and relative, but sufficient for the implementation of a particular transaction.

That is why exchange rates are used as a guide when concluding transactions in both exchange and over-the-counter transactions [29].

In terms of determining and fixing prices on the exchange, a quotation is of particular importance - the price of real contracts that are concluded for the sale of relevant goods on these exchanges. The price levels of auctions and exchange quotes are published in special bulletins issued by the exchange and auction committees.

The stock index is an indicator of the dynamics of the price levels of shares traded on the stock exchange, as of a certain point in time, a kind of consolidated rating of securities. It determines the demand for securities in numerical terms.

The wide range of functions that indices perform and are of great economic importance, in general, can be summarized in three main points:

a) diagnostic;

b) indicative;

c) speculative.

The diagnostic function is understood as the ability of the index system to characterize the state and dynamics of development of both the national economy as a whole and its components. For example, a comparative analysis of the movement of national and sectoral indices can show which sector of the economy tends to rapid, dynamic growth, and which one is on the verge of stagnation or crisis.

Stock indices can also be used to calculate future economic changes. The forecasting ability for stock indices is controversial. Many researchers refute predictions based on statistics, since, in their opinion, one unexpected event can cancel out all the results already achieved. Nevertheless, it must be remembered that unexpected events occurred earlier and, in a sense, have already been taken into account in the forecast. Therefore, stock indices are currently actively used for forecasting purposes. For example, in forecasting changes in the price values of currencies, there is an analysis of the Dow Jones stock indicators [30].

Thus, exchanges play a truly important role in a market and mixed economic system. First, they concentrate supply and demand ensuring the flow of important economic processes, both nationally and internationally. Secondly, exchanges form various indicators reflecting the state and dynamics of the markets. These indicators or indices serve four economic functions:

a) diagnostic;

b) indicative;

c) speculative;

d) predictive.

In addition, exchanges are a kind of catalyst for the development of trade and industry, the center around which the market infrastructure is being formed. Moreover, it should be noted that the exchange not only performed and is playing the role of an institution that is of secondary importance and serves the interests of industry and the sphere of exchange but also has an independent significance, the main effect of which is to stimulate demand, through which it receives a powerful stimulus for the development of industry, the agricultural market, construction, trade, communications, credit, and financial markets [31].

3.2 Problems and prospects for the development of world exchanges in 2021

There have been many crashes in the history of the stock market, but some of the most significant were crashes in 1929, 1987, 2000, and 2008 [32]. Since 2019, the situation with Covid-19 has shown us that everything can collapse one day and no one can stop the virus.

A stock market crash occurs when a market index falls sharply in a day or several days of trading. For example, the Dow Jones, S&P 500, and Nasdaq.

While there is no specific figure for defining a stock market crash, it is usually a sharp double-digit percentage drop in the index. Since 1950, the S&P 500 has dropped by at least 20% 9 times. A market crash occurs on average every 8 years.

At the beginning of 2021, the stock market has grown strongly. This is one of the longest-running bull markets since the 2008 crash [33].

The harbingers of a stock market crash include:

a) the continuous growth of prices in the market;

b) excessive optimism in the minds of the majority of participants;

c) high P/E of the market relative to historical data;

d) a manic interest in investments of the masses of people who are inspired by the idea of easy money.

To get closer to understanding whether the market is overvalued in 2021 or not, it is enough to look at the Schiller P/E ratio. It differs from the standard P/E ratio in that it is based on the average inflation-adjusted earnings over the previous 10 years, rather than just one year's earnings.

Looking back 150 years, Schiller's average P/E for the S&P 500 is 16.78. As of May 18, Schiller's P/E for the S&P 500 was close to 37.2, more than double the long-term average. To put this figure in some context, there were only five periods in history when Schiller's P/E ratio exceeded 30 and remained at that level during the bull market. Two of these events - the Great Depression [34] and the dot.com bubble - led to some of the biggest pullbacks ever seen in the stock market [35].

The "Buffett Indicator," as it is called in Wall Street circles, which takes the Wilshire 5000 Index and divides it by the annual US GDP, is now at an all-time high. Counting, Buffett's rate is around 223% [36].

The figure is well above the 159.2% seen just before the dot.com bubble. From this, we can conclude that according to the Buffett indicator, the stock market is significantly overvalued. Buffett himself says that the ratio has certain limitations, however, it is probably the best indicator for determining the value of the market at any given time.

In 2020, historic fiscal stimulus measures along with trillions of Fed funding have had a lot to do with the market's quick return. The result was one of the steepest rallies in S&P 500 history.

The quantitative easing program of the US Federal Reserve inevitably affects the stock market, although it is difficult to know exactly how and to what extent. The data suggests that there is a link between quantitative easing policies and a burgeoning stock market. Some of the greatest stock market successes in US history have occurred during the implementation of quantitative easing policies.

After all, the goal of the quantitative easing policy is to support or even kick-start a country's economic activity. In practice, quantitative easing policy entails the purchase of huge volumes of government bonds or other investments from banks to inject more money into the system. This money is then narrowed down by banks to enterprises, which spend it on expanding their activities and increasing sales.

While everyone was at home because of Covid-19, investors rushed to buy up shares of immune technology companies in exchange for a haven. This haste has sparked a historic boom that has nearly doubled the entire tech sector in just five months. In other words, technology has become a giant, defining America's most popular stock benchmark. In case tech companies take a breather, they have the strength to pull the entire market down [37].

With the naked eye, you can see a clear trend in terms of a surge in IPOs. Jumps in prices during the issue of shares on the stock exchange are striking, firstly, by their size, and secondly, such dynamics are obtained by unprofitable companies.

In 2020 alone, Tesla's share price jumped sevenfold, pushing the P/E to 1000 [38]. The automaker is worth more than the next seven most expensive old carmakers combined, even though it makes a small fraction of their profits. A sharp jump in stocks sent Elon Musk, not to Mars, but the first line of the richest people on the planet, although, at the beginning of the year, he was far from it [39].

Now the billionaire has more influence than the presidents of countries because he only needs to write one post on Twitter about the shares of a company, mention an application or a cryptocurrency to increase the price of this object several times. Musk is capable of managing retail investors, which means he has a strong influence on the stock market. Bitcoin recovered from a coma and also began to conquer new heights, soaring from 10 thousand to 50 thousand dollars at the same time significantly reduced its positions in May to the level of 36 thousand dollars [40].

CONCLUSION

Modern exchanges are universal commercial structures that help entrepreneurs navigate the turbulent and volatile ocean of business.

Around the exchange, the appropriate infrastructure is being created: fairs, auctions, auctions, exhibitions and sales, all sorts of firms that provide legal, trade, consulting, and other services.

Exchange trading is one of the elements of an organized market and participates in the formation of commodity resources of trade enterprises. Therefore, knowledge of its organization and technology is necessary for the preparation of specialists for the sphere of commodity circulation.

The modern stage in the development of economic relations has shown that exchanges and the exchange trading mechanism have firmly established themselves as one of the most important mechanisms for performing trading operations. Any exchange is only a logical development and ordering of another auxiliary trading structure - the market. The main problem that stood in the way of increasing the turnover of the markets was successfully overcome on the stock exchange. The problem was the availability of the product being sold. The trading mechanism of the exchange is built in such a way that for the very fact of concluding a transaction, the presence of goods close to the buyer and seller is not necessary. The abstractionism of the exchange's trading relations has developed to such an extent that in practice (and on some exchanges, this is often the only thing that happens) it happens that the seller does not have the goods for which the transaction is concluded, or this product does not exist at all in nature. This key idea of the absence of a tradable commodity allowed to increase the turnover of the exchanges to an astonishing size, comparable to the gross domestic products of the developed capitalist countries.

After analyzing the literature, it was concluded that the role of international exchanges in the world economy, as well as in the national economies of individual countries of the world, is enormous. The functions they perform are very important in the economy: stabilization of money circulation and facilitation of credit, the formation of a world market, collection and registration of exchange prices with their subsequent generalization and publication, organization of the raw material market using the exchange mechanism, and the development of commodity standards.

The consequences of the Coronavirus can also be seen on the stock exchanges, we can see the growth of indices, as in the time of big crashes.

If the collapse is significant, it will affect people's financial prospects. If they lose money on stocks, they will be more hesitant to spend money; this can help reduce consumer spending.

Often, stock price movements reflect what is happening in the economy. For example, fear of a recession and a global slowdown could lead to a drop in stock prices. The stock market itself can affect consumer confidence. Bad headlines about falling stock prices are another factor that keeps people from spending.

Falling stock prices can limit the ability of firms to raise finance in the stock market. Firms that expand and want to borrow often do so by issuing more shares - this provides an inexpensive way to borrow more money. However, with the fall in stock prices, this becomes much more difficult.

The fall in the stock market makes other investments more attractive. People can move from stocks to government bonds or gold. These investments offer the best returns in times of uncertainty.

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APPENDICES

SUMMARY

Pavlova A.P. The role of international exchanges in the world economic system. - Bachelor's qualification paper. Sumy State University, Sumy, 2021.

The final paper is devoted to studying the functioning of international exchanges in the context of the world economic system. The analysis of a condition and dynamics of development of the international commodity, financial, and currency exchanges is carried out, problems and prospects of their functioning are revealed. The possibility of a stock market crash in 2021 was analyzed and the impact of the coronavirus on index growth was considered.

Keywords: world exchange market, exchange market of Ukraine, world economic system, trading, index, world exchange centers.

Анотація

Павлова А.П. Роль міжнародних бірж у світовій економічній системі. – Кваліфікаційна бакалаврська робота. Сумський державний університет, Суми, 2021.

Кваліфікаційна бакалаврська робота присвячена дослідженню функціонування міжнародних бірж у контексті світової економічної системи. Проведено аналіз стану та динаміки розвитку міжнародних товарних, фінансових та валютних бірж, виявлено проблеми і перспективи їх функціонування. Проаналізовано можливість краху фондової біржі у 2021 році та розглянуло вплив коронавірусу на ріст індексів.

Ключові слова: світовий біржовий ринок, біржовий ринок україни, світова економічна система, торгівля, індекс, світові біржові центри.