

MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE

SUMY STATE UNIVERSITY

Educational and Scientific Institute of Business, Economics and Management  
"BiEM"

Department of International Economic Relations

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## **QUALIFICATION PAPER**

on the topic " DEVELOPMENT OF THE CURRENCY MARKET OF UKRAINE  
OF THE SYSTEM OF INTERNATIONAL ECONOMIC RELATIONS"

Specialty 292 "International Economic Relations"

Student 4 Course \_\_\_\_\_ Moshkovska Alina

group ME-71an

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

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Sumy, 2021

## ABSTRACT

on bachelor's degree qualification paper on the topic

« DEVELOPMENT OF THE CURRENCY MARKET OF UKRAINE OF THE  
SYSTEM OF INTERNATIONAL ECONOMIC RELATIONS»

student Moshkovska Alina Sergeevna

The main content of the bachelor's degree qualification paper is presented on 43 pages, including references consisted of 26 used sources. The paper contains 3 tables, 5 figures.

Keywords: EXCHANGE, CURRENCY, CURRENCY MARKET, INTERNATIONAL ECONOMIC RELATIONS, FOREIGN MARKET, SUPPLY, PAYMENT, PURPOSE, GLOBALIZATION, WORLD ECONOMY, TRADE, ECONOMIC TRANSFORMATIONS, RESULTS OF GLOBALIZATION.

Relevance of the research.

The foreign exchange market is one of the main one's parts of the international monetary system. Ukraine's integration into the world community has led to an improvement in the mechanism of the foreign exchange market of Ukraine. The development of the foreign exchange market and its effective regulation is one of the prerequisites for the formation of an open economy because the foreign exchange market is a link that provides the relationship between the national and financial system.

Monetary policy is gaining more and more influence in the practical implementation of state influence on the economy in order to achieve economic growth. Every day in the economic policy of the state the foreign exchange market and the mechanism of its regulation takes an ever higher place because with its help the state can restrain or stimulate economic development, influence the state

of certain sectors, industries, and enterprises, and the state's place in the world market.

At the present stage for Ukraine, the effective functioning of the foreign exchange market becomes important and relevant because it depends not only on the development of market relations, expansion of foreign economic relations, but also general economic development, inflation, the balance of payments, debt, competitiveness and more.

Thus, as a result of globalization, the global financial crisis, the state of the Ukrainian economy, and the conflict in the East, the problems of the mechanism of the national currency market and the prospects for its development become particularly relevant.

Review of the literature on the research topic.

Many works of domestic and foreign scientists are devoted to the study of the essence of the foreign exchange market, the peculiarities of its formation and development. In particular: Т.Р. Вахненко, О.В. V. Zhupanina, R.S Lysenko, I.I. Dyakonova, F.O. Zhuravka, B.B. Kovalenko, I.G Lukyanenko, S.O. Maslova, VI Mishchenko, S.V. Fomishina, K.Z Vozny, O. Bereslavsky and others. Significant contribution foreign economists, including L. Baltsevych, J.M. Keynes, L.N. Beauty, I.Ya. Noskova, M. Pedro, M. Friedman, R. McKinnon, F.S. Mishkin, G. Hoggart, V.V. Shmelev, and a number of others.

Despite such a large number of works, not enough attention has been paid to the assessment of the actions of the monetary authorities in Ukraine. Therefore, the issues of further development of the foreign exchange market in Ukraine and the influence of the central bank on it require further research and development.

The purpose and objectives of the study.

The purpose of the work is to study the state of the national currency market, the peculiarities of its functioning, and development problems.

To achieve this goal provides for the formulation, formulation, and solution of the following scientific and practical tasks:

- to generalize theoretical and methodological approaches and to reveal the economic essence of the category "foreign exchange market" in terms of its functional purpose, institutional structure, and organizational and technical support;

- identify the objectives of monetary policy, the main components, and tools of implementation;

- assess the threats and prospects for the development of the foreign exchange market;

- to characterize the current state and identify prospects development of the national currency market.

Object and subject of research.

The object of study is currency - Ukrainian market.

The subject of research.

The subject of the study is complex relations arising in the field of foreign exchange transactions.

The year of qualifying paper fulfillment is 2021

The year of paper defense is 2021

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«\_\_» \_\_\_\_\_ 2021

TASKS FOR BACHELOR'S DEGREE QUALIFICATION PAPER

(specialty 292 " International Economic Relations ")

student 4 course, group ME-71an

Moshkovska Alina Sergeevna

1. The theme of the paper is « Development of the currency market of Ukraine of the system of international economic relations » approved by the order of the university from «19 » April 2021 №0193-VI.
2. The term of completed paper submission by the student is«19» 06.2021
3. The purpose of the work is to study the state of the national currency market, the peculiarities of its functioning, and development problems.

4. The object of study is currency - Ukrainian market.
5. The subject of the study is complex relations arising in the field of foreign exchange transactions.
6. The qualification paper is carried out on materials statistical databases, analytical materials and official reports of the National Bank of Ukraine, data of open reporting of ministries and departments of Ukraine; scientific developments of domestic and foreign scientists; periodicals; materials of international conferences; resources of the global Internet.
7. Approximate qualifying bachelor's paper plan, terms for submitting chapters to the research advisor and the content of tasks for the accomplished purpose are as follows:

Chapter 1 THEORETICAL PRINCIPLES OF FUNCTIONING OF THE CURRENCY,  
to 29.04.2021

Chapter 1 deals with the foreign exchange market, complex economic concepts, and economic relations between countries related to the sale and exchange of foreign currencies and the use of payment documents in foreign currencies.

Chapter 2 THE CURRENT STATE AND TRENDS IN THE FOREIGN EXCHANGE  
MARKET OF UKRAINE, to 19.05.2021

Chapter 2 deals with an official exchange rate of the national currency to foreign currencies, the organization of trading in the foreign exchange market, and the use of foreign exchange interventions to stabilize the exchange rate.

Chapter 3 INSTRUMENTS OF MONETARY AND FINANCIAL POLICY IN  
UKRAINE: THREATS AND PROSPECTS, to 09.06.2021

Chapter 3 deals with how the NBU uses monetary policy, monetary mechanisms, and tools to assess current activities, monitor, adjust and forecast targets for key macroeconomic components in Ukraine.

#### 8. Supervision on work:

Chapter	Full name and position of the advisor	Date, signature	
		task issued by	task accepted by
1	Taraniuk L. N. Senior Lecturer	1 April	29 April
2	Taraniuk L. N. Senior Lecturer	1 May	19 May
3	Taraniuk L. N. Senior Lecturer	25 May	9 June

#### 9. Date of issue of the task: 05.03.2021

Research Advisor: \_\_\_\_\_ Taraniuk Leonid

The tasks has been received: \_\_\_\_\_ Moshkovska Alina

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## INTRODUCTION

Formulation of the problem. Ukraine's foreign exchange market plays an important role in economic relations. Any foreign investment, regardless of which markets it is associated with, whether it is the securities market, real estate or bank deposits, must go through the foreign exchange market. Here is the coordination of the interests of both buyers and sellers of foreign currency.

The foreign exchange market, as one of the main elements of the global monetary and financial system, in recent decades has been characterized by increasing processes of globalization, diversification and transformation.

Ukraine's integration into the world community necessitates the improvement of its foreign exchange market. Thus, as a result of the active influence of external and internal factors on the economy of Ukraine and in the global financial crisis, the problems of the domestic foreign exchange market become especially relevant.

Analysis of recent research and publications. A number of works by such scientists as: Savluk MI, Bilotserkivets VV, Filipenko AS, Mozgovyi OM, Bereslavska OI and others are devoted to the issue of the foreign exchange market of Ukraine. However, despite their significant scientific achievements, the problem of the foreign exchange market in Ukraine remains an open and debatable issue.

Setting objectives. The purpose of the thesis is to analyze the current state of the foreign exchange market of Ukraine, identify the main problems and prospects for its development.

Presentation of the main research material. The formation of the world economic system, internationalization and globalization of economic relations have led to the development of international monetary relations, which indicated signs of chaos that determine the aspirations of individual economic actors, taking into account the diversity of their interests and motivations. In this sense, it is the

foreign exchange market that acts as an objective organizer of foreign exchange relations, which segments and organizes the aspirations of various economic agents. Recent divisions in the world demonstrate the importance of the foreign exchange market in the economy. The development of the crisis has shown, while the currency and financial statements are being closely reviewed sphere and which may be, under certain circumstances, the scale of their impact on the main areas of economic activity and financial security in general.

Ukraine's foreign exchange market, like the foreign exchange markets of most countries, largely reflects the state of the country's economy. Its short (by world standards) history is represented by several periods when different approaches to its regulation were used. The formation of the foreign exchange market in Ukraine is directly related to the processes of building the Ukrainian state and reforming its economy.

Today, the Ukrainian economy is a typical example of progressive unofficial dollarization. To analyze the dollarization of the economy, such indicators are used as: dollarization of the money supply, dollarization of deposits, dollarization of loans. According to it, the level of dollarization of the economy is determined on the basis of the ratio of foreign currency deposits to the money supply. The country's economy is considered high-risk if the value of this indicator exceeds 30%. The level of dollarization of Ukraine's economy, calculated according to the IMF methodology, is high, which threatens to reduce the liquidity of the national currency.

Dollarization has a negative impact not only on the state of the foreign exchange market, but also on the economy of Ukraine as a whole. These are the impossibility of repaying foreign currency loans by individuals and legal entities, the threat to the stability of Ukrainian banks, the increase in public debt, the outflow of liquidity from the country, the inability of the NBU to keep the hryvnia.

The high level of dollarization of Ukraine's economy leads to the emergence of currency risks in the event of sharp fluctuations in the hryvnia exchange rate, which we observe at the present stage of development of the domestic foreign exchange market. In order to stabilize the foreign exchange market of Ukraine, the National Bank must solve the problems of adopting new foreign exchange legislation. Currently in Ukraine there is no single normative document that would combine all aspects of currency regulation and control. In the existing normative literature there is no clear division of functions of currency regulation and currency control between government agencies, no mechanisms are set for establishing the exchange rate regime, which, in turn, makes it difficult to forecast the foreign exchange market.

## **1. THEORETICAL PRINCIPLES OF FUNCTIONING OF THE CURRENCY MARKET OF UKRAINE**

The foreign exchange market is a complex economic concept. It first appeared in the economic literature in the XVI century, and in the Ukrainian Soviet Encyclopedia of 1978 has the following interpretation: "The foreign exchange market is a special area of economic relations associated with transactions with foreign currency and payment documents in foreign currency" [ 5, p.38].

There are many definitions of this concept, for example Kovalenko D.I. considered "The foreign exchange market as an economic category is a system of stable economic and organizational relations associated with transactions of purchase and sale of foreign currencies and payment documents in foreign currencies [1, p.30] »

V.V. Tserkva believes that "the foreign exchange market is a component of the sphere of exchange of national and international economy, in which trade in national and supranational currencies and currency values that serve international payment transactions" [7, p. 243].

According to M.I. Savluka "The foreign exchange market in its economic content - the money market sector, which balances supply and demand for such a specific product as currency"

N.O. Platonova is convinced that "the foreign exchange market in a broad sense is a sphere of economic relations, which is manifested in the implementation of transactions for the purchase and sale of foreign currency, as well as operations for investing foreign exchange capital."

S.I. Borynets claimed that "the foreign exchange market - is mainly the interbank market, because it is in the process of interbank transactions that are the bulk of transactions for the sale of foreign currency."

The banking and financial dictionary describes the foreign exchange market as "the sphere of economic relations between countries related to the sale and exchange of foreign currencies and the use of payment documents in foreign currencies."

Y. V. Seneiko believed that "the foreign exchange market is a special market in which there are participants who sell, buy and exchange such a specific commodity as currency, where the role of price is the exchange rate."

O.I Lavrushin claimed that "the foreign exchange market - the relationship not only between banks but also between their customers. The main characteristic feature of the foreign exchange market is that here the currencies oppose each other only in the form of entries in correspondent accounts "[9, p.455].

Thus, from the above we can conclude that the foreign exchange market is a complex economic category that has many different interpretations and has a significant impact on the development of the state.

The market carries out a wide range of operations on tourism, capital migration, foreign trade settlements, etc., which determine the use of foreign currency by market participants [1, p.30].

The foreign exchange market has all the features of a normal market: communications, supply and demand, facilities and entities, infrastructure [3, p.85].

It carries out the purchase and sale of foreign currency for the domestic currency of the country and the object of purchase and sale is the foreign currency of other countries, collective currencies, national and foreign currency values, etc. [2, p.213].

The subjects of the foreign exchange market are individuals and legal entities, residents and non-residents, intermediaries, including brokerage companies, banks, currency exchanges, large corporations, currency brokerage firms and other financial institutions that ensure the interaction of all market participants. The main purpose of their activities is to make a profit. [3, p.85].

## **1.1 THE MAIN FUNCTIONS OF THE FOREIGN EXCHANGE MARKET**

- ensuring the implementation of the monetary policy of the state;
- creating conditions for timely international payments for all calculations;

- promoting the development of foreign trade;
- determination and formation of supply and demand for foreign currencies;
- exchange rate regulation;
- diversification of foreign exchange reserves [5, P.39]

There are four groups of entities in the foreign exchange market:

- government agencies, the main place among which are the central banks and treasuries of individual countries;
- individuals and legal entities involved in various spheres of foreign economic activity;
- commercial banking institutions that provide foreign exchange services;
- currency exchanges and currency departments of commodity and stock exchanges [1, P.30]

All participants are strongly connected by telephone, telex and computer. This allows you to transfer funds to anywhere in the world in a matter of minutes, make payments from importer to exporter, and more. By location, foreign exchange markets are tied to large banking and currency exchange centers, because in some countries, along with interbank trade, there are special currency exchanges, and the rate set for them is called the official exchange rate. The exchange rate is the market price.

The structure of the foreign exchange market can be divided into international, regional and national (local) foreign exchange markets. They differ in the scale and nature of foreign exchange transactions, the amount of currency sold and bought, the level of legal regulation and so on.

The structure of national and international currency markets is given in table 1 [1, C.166]

National currency markets are available in most countries. Their economic space is the territory of a country and they are governed by its national currency legislation.

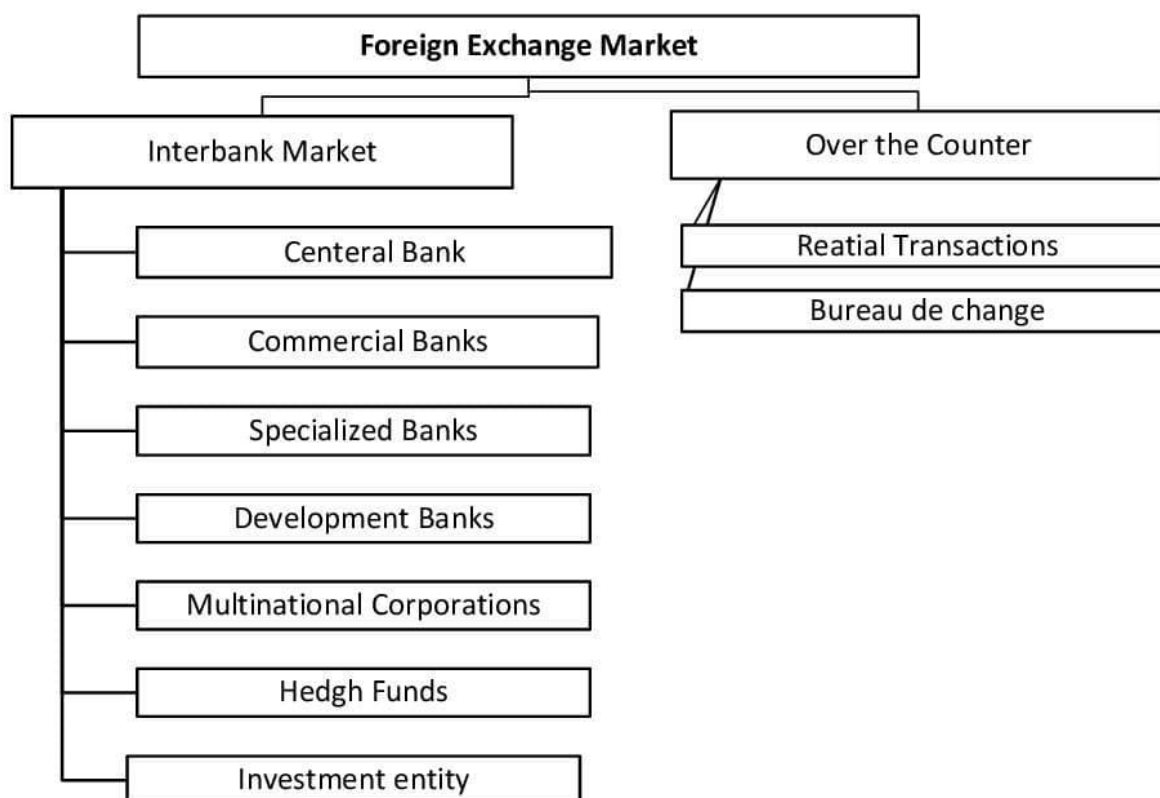


Table 1.1.1 - The structure of the foreign exchange market.

The international foreign exchange market consists of closely connected regional markets with high-speed communications.

At the moment there are these regional markets:

- European - with the center in London, Zurich, Frankfurt;
- Asian - with major centers in Tokyo, Hong Kong, Singapore;
- American - with major centers in New York, Chicago, Los-Angelesi.

The functions of the foreign exchange market are realized through the implementation of the subjects foreign exchange market. They mean any payments related to the movement of currency values between the subjects of the foreign exchange market.

## 1.2 TRANSACTIONS IN THE FOREIGN EXCHANGE MARKET

### 1. Conversion:

- cash;
- forwards;
- futures;
- optional.

### 2. Deposit:

- to the question;
- short-term;
- urgent.

### 3. Credit:

- short-term;
- medium-term;
- long-term.

A wide range of foreign exchange transactions, high technical and organizational

ensuring their implementation creates favorable conditions for the activities of foreign exchange market participants [3, p.85].

In Ukraine, the main body responsible for the development and implementation of monetary policy and regulation of the foreign exchange market is the National Bank of Ukraine.

The foreign exchange market in Ukraine developed in three stages:

1. 1991 - October 1994 - the period of searching for the concept of economic development of the new state, when the foundation of the NBU ideology was laid, its main landmarks and priorities were defined and formed.

2. October 1994 - August 1996 after the macroeconomic stabilization program announced by the government.

3. Since September 1996, when the hryvnia was introduced as a full-fledged national currency of Ukraine.



Given the current state of the country's economy, the global financial crisis, hostilities and political conflict in Ukraine, the foreign exchange market is not experiencing the best of times. The ratio of the dollar and the hryvnia worries not only specialists but also the whole society [5, p.39].

## **2. THE CURRENT STATE AND TRENDS IN THE FOREIGN EXCHANGE MARKET OF UKRAINE**

According to the current legislation, the NBU is responsible for organizing the foreign exchange market. The primary goals are the official exchange rate of the national currency to foreign currencies, the organization of trading in the foreign exchange market and the use of foreign exchange interventions to stabilize the exchange rate, etc. [17].

The development of the foreign exchange market in 2009 was characterized by a deficit of foreign currency at the beginning of the year. Foreign exchange earnings from export operations decreased to \$ 48.6 billion. US dollars compared to 66 billion dollars. The USA in 2008. Foreign exchange earnings on foreign loans and deposits of non-residents decreased to USD 32.4 billion. US dollars, compared to 40.9 billion dollars. The USA in 2008. In 2009, there was a significant reduction in transactions on the interbank market, as the volume of purchases and sales of foreign currency decreased to 573 billion dollars. US dollars, compared to 770 billion dollars. The US in 2008, i.e. decreased by 25.7%. Foreign exchange interventions for the sale of foreign currency amounted to - 10.4 billion dollars. US dollars, compared to 3.9 billion dollars. The USA. \$ 1.4 billion was sold at targeted auctions during the year. The USA. Cash foreign currency transactions decreased by 46.2%. Demand for foreign currency exceeded its supply by \$ 8.4 billion. US dollars, compared to 6.1 billion dollars. The USA in 2008. The share of transactions on the interbank market with the euro increased by 7.7 percentage points to 21.9% and the share of transactions with the US dollar decreased by 6.6 percentage points to 71.1% and the Russian ruble. In cash foreign currency transactions, the share of transactions in US dollars increased to 71.9%, with the share of transactions in euros remaining unchanged and the share of transactions in Russian rubles declined slightly. NOK decreased by 7.7%, in turn, REOG decreased by 2.3%. International reserves at the end of 2009 amounted to 26.5 billion dollars. US and decreased over the year by 5.0 billion dollars. USD

10.4 billion due to the sale of foreign currency by the NBU on the interbank market. USA [21].

In 2010, the foreign exchange market showed significant signs of stabilization, the balance of foreign income from non-residents was positive, there was an increase in market quotations of the hryvnia. The dynamics of the market exchange rate in 2010 depended on the demand and supply of foreign currency in the domestic market. The exchange rate of the hryvnia to the US dollar was UAH 796.17. for \$ 100 US, i.e. increased against the dollar by 0.3%. Against the Chinese yuan, the official hryvnia depreciated by 3.10% in 2010, by 3.85% in 2009, and by 62.93% in 2008. Against the euro, the hryvnia strengthened by 7.7%, against the Russian ruble by 1.1%, the British pound sterling by 2.9%, the Polish zloty by 3.9%, the Hungarian forint - by 9.9%. In 2010, the increase in REER compared to 2009 was 8.7%. NOK increased by 4.9%. Foreign currency inflows from non-residents increased by 20.1% compared to the previous year. The volume of transactions on the interbank foreign exchange market compared to 2010 increased by 13.1% and amounted to USD 25,380.1 million. The USA. The volume of operations with cash foreign currency amounted to USD 5,154.5 million. US dollars, including the amount of currency that banks bought from the population of fame 1616.6 million dollars. USD, sold - 3537.9 million dollars. The USA. The balance of interventions in the purchase and sale of foreign currency for the year was positive - \$ 1.3 billion. The USA. Most transactions of purchase and sale of foreign currency were still carried out in the non-cash form. In the total volume of foreign exchange transactions, it remained almost unchanged at 19.3%. The share of transactions in the interbank foreign exchange market with US dollars decreased to 68.2%, with the euro to 15.8% and other currencies - 1.8 to 10.1%. The volume of foreign currency purchases by banks increased by 22.6% and sales by 20.1%. Demand for foreign currency exceeded supply by \$ 9.7 billion. The USA. The weighted average exchange rate of the hryvnia against the US dollar strengthened by 0.66% and amounted to UAH 799.47 at the end of the year. for

100 US dollars. In December 2010, required reserves amounted to \$ 12.4 billion. The US in contrast has 12.2 billion dollars. USA in 2009 [22].

The dynamics of the foreign exchange market in 2011 depended on the balance of total foreign currency flows in favor of Ukrainian non-residents, as well as for their

own external payments. There was a steady expansion of the interbank foreign exchange market, there was a reduction in lending risks to Ukraine, there were positive net inflows of foreign currency in favor of residents. As a result of the excess of foreign currency supply over demand, the main channel for issuing funds in circulation in 2011 was a foreign exchange, through which funds totaling \$ 72.4 billion were issued. The USA, which accounted for 57.1% of the total non-cash issue of the NBU. The balance of foreign exchange interventions was negative. The volume of cash foreign currency transactions on the interbank market amounted to USD 3,490.7 million. US dollars, including the amount of cash that banks bought from the population, amounted to 1375.2 million dollars. USD, sold - 2115.5 million dollars. The USA. \$ 86.6 billion was withdrawn through the currency channel. The USA, or 71.9% of the total withdrawn funds. REER increased by 0.3%, while NEOC increased by 1.0% and this was due to the strengthening of the US dollar against the euro. Gold and foreign exchange reserves decreased by 2.8 billion dollars. US dollars, or 8.1% - up to 31.8 billion dollars. USA [23].

The dominance of supply oversupply during 2010 gradually decreased. The total demand for non-cash foreign currency amounted to 7.9 billion US dollars. The average daily volume of foreign currency transactions increased by 59.1% due to an increase in foreign exchange demand (by 60.1%) and supply (by 58.1%). The volume of transactions with non-cash foreign currency amounted to USD 46,322.5 million. The USA. The share of transactions in the non-cash sector of the foreign exchange market with US dollars increased by 3.8 percentage points to 76.5%, from the euro - by 0.4 percentage points - to 15.0%, with Russian rubles - by 1.1 percentage points - up to 5.5%. However, the share of transactions with other

foreign currencies decreased from 8.9% to 2.9%. The volume of transactions with cash foreign currency amounted to USD 3,094.8 million. US dollars, including the amount of currency purchased by banks from the population, amounted to 1,442.2 million dollars. USD, sold - 1652.6 million dollars. The USA. The share of cash foreign currency transactions with US dollars increased by 2.3 percentage points to 79.1%, with Russian rubles - by 1.7 percentage points - to 8.2%. Instead, the share of transactions with the euro decreased by 3.7 percentage points -

up to 11.6%, with other currencies - by 0.3 percentage points - up to 1.1%. The exchange rate of the hryvnia against the US dollar strengthened by 0.46%, and on sales by 1.15%. REER decreased by 6.5%, and NEOC decreased by 0.9 percentage points due to a slight devaluation of the hryvnia against foreign currencies. The volume of international reserves amounted to 22,451.9 million dollars. USA [24].

In 2013, the net supply of non-cash foreign currency amounted to \$ 1.6 billion. The USA. The average daily volume of foreign currency transactions was 17.1%, an increase due to an increase in both foreign exchange supply (by 19.3%) and demand (by 14.9%). Most transactions took place in the non-cash form and the share of non-cash foreign exchange transactions in the total volume of transactions in the foreign exchange market increased by 1.5 percentage points to 94.4%. The volume of non-cash foreign currency transactions on the interbank market amounted to 79,862.1 million\$. Non-cash transactions with US dollars increased by 1.1 percentage points to 77.6% and in Russian rubles by 0.6 percentage points to 6.1%. However, the share of transactions with the euro decreased by 0.3 percentage points to 14.7%, and with other currencies by 1.4 percentage points to 1.5%. Net demand for cash foreign currency in 2013 amounted to 2.9 billion dollars. The volume of cash foreign currency transactions amounted to 3,515.8 million. dollars, the amount of currency purchased by banks from the population was 1,287.8 million dollars sold to the population - 2, 228 million dollars. Transactions with cash foreign currency increased from the euro - by 1.4 percentage points - to 13.0%, with the Russian ruble - by 0.4 percentage points - to

12.2%, with other currencies - by 0.1 percentage points - up to 1.2%. Instead, the share of transactions with US dollars decreased by 5.5 percentage points to 73.6%. The average daily volume of cash foreign currency transactions decreased by 11.8%, demand - by 23.9%, and supply increased by 8.4%. The hryvnia depreciated against the US dollar by 1.2% in non-cash transactions and by 2.4% against cash transactions. NOK increased by 4.0% due to the strengthening of the hryvnia against the Russian and Belarusian rubles, the Japanese yen, and so on. REER decreased relative to December 2012

by 0.4%, which helped maintain the price advantages of Ukrainian producers. International reserves amounted to USD 20,415.7 million. [25].

In 2014, the situation in the foreign exchange market changed dramatically. The foreign exchange market in 2014 functioned under the influence of the difficult political situation in the country and the unfolding of the military conflict in eastern Ukraine, which previously accounted for more than 20% of exports. In 2014, there was a net outflow of foreign currency in favor of non-residents in the amount of 125.8 billion dollars. Demand for foreign currency amounted to almost 10 billion dollars. The volume of non-cash foreign currency transactions amounted to USD 13,948.6 million. The share of non-cash transactions with foreign currency increased again by 1.4 percentage points to 95.7%. Non-cash transactions in the foreign exchange market with the US dollar increased by 3.0 percentage points to 80.6%. However, the share of transactions with the euro decreased by 1.3 percentage points to 13.4% and in Russian rubles by 1.8 percentage points to 4.3%. Cash demand for foreign currency amounted to \$ 2.4 billion. The volume of cash foreign operations amounted to USD 343.3 million, the volume of currency purchased by banks from households amounted to USD 148.1 million and sold to households - USD 195.2 million. Transactions with cash foreign currency in the foreign exchange market with the euro increased by 2.0 percentage points to 14.9%, with other currencies by 1.0 percentage points to 2.3%. On the other hand, the share of transactions with the US dollar decreased by 1.7 percentage points to 72.0%, and with the Russian ruble by 1.3 percentage points to 10.9%. During

2014, the hryvnia depreciated against the US dollar by 97.3% and against the euro by 72.2%. Gold and foreign exchange reserves amounted to USD 7,533.23 million. NOK decreased by 4.7%, in turn, REOK decreased by 4.3% [26].

During 2015, the official hryvnia exchange rate decreased from UAH 1,576.86. for 100 US dollars to UAH 2,400.07. for 100 US dollars at the end of the year, the peak value was registered on February 26, 2015 - UAH 3001.01. for 100 US dollars. The volume of interventions in the interbank market amounted to 4250.7 million dollars. The US, which is much less than in 2014. The volume of sales interventions amounted to 2046.6 million dollars. USD, from purchase - 2204.1 million dollars.

The acceleration of the devaluation forced the NBU to spend funds from reserves to meet market demand and maintain the exchange rate. The balance of interventions in the interbank foreign exchange market amounted to USD 233.1 million. The volume of cash foreign currency transactions amounted to USD 239.9 million. A significant reduction in the predominance of foreign currency sales by the population over the volume of purchases, including the volume of currency purchased by banks from households amounted to -180.3 million USD. USD, sold - 59.6 million dollars. The volume of transactions with non-cash foreign currency amounted to USD 13,907.0 million. US dollars, including sales to non-market customers of the bank, amounted to USD 4,435.0 million. USD, purchases - USD 3,657.3 million. The average daily trading volume on the interbank market amounted to 746.82 million dollars. At the end of 2015, gold and foreign exchange reserves amounted to USD 13,299.99 million. In the USA, during the year they increased by 87%. The official exchange rate of hryvnia against the US dollar decreased by 0.49% and amounted to UAH 2,400.0667. for 100 US dollars, euros - by 3.77% and amounted to 2622.3129 UAH. for 100 euros, the Russian ruble - by 8.67% and amounted to 3.2931 for 10 Russian rubles [14].

During 2016, the foreign exchange market was mostly stable, at the end of the year and the beginning of 2017 there was an increase in devaluation pressure on the hryvnia, despite favorable external factors.

This was due to a number of factors, such as the end-of-year increase in foreign loan payments, increased budget expenditures at the end of the year, VAT refunds and, of course, a psychological factor caused by temporary political tensions and Privatbank capitalization through public funds.

The NBU tried to compensate for excessive exchange rate fluctuations, namely, holding auctions for both buying and selling foreign currency, without hindering the dominant trends. In October-November, the official exchange rate of the hryvnia against the US dollar devalued by 2.2%, despite the NBA's net purchase of foreign currency. But in December, it devalued again by 2%, and the NBA's foreign currency balance was negative. However, pure cumulative

The positive balance of NBU operations with foreign currency amounted to USD 235 million. US results for the IV quarter of 2016 and 1.55 billion dollars as a whole for 2016.

Due to the devaluation of the currencies of most countries of the world against the US dollar, the NEOK hryvnia strengthened slightly (by 0.8% QoQ). This led to a corresponding increase in the REER of the hryvnia exchange rate by 5.2% QoQ. In general, the NEOC decreased by 8% at the end of the year, but the REER had almost no effect due to higher inflation in Ukraine compared to the main trading partner countries.

In the cash segment of the foreign exchange market at the end of 2016, the average daily purchases of households increased slightly, namely to \$ 4.3 million. US \$ 3.5 million US in the third quarter of 2016, while sales decreased significantly. But in general, the balance of purchase and sale of foreign currency in the IV quarter of 2016 remained positive.

The volume of transactions in the interbank foreign exchange market with non-cash currency as of December 2016 amounted to USD 3,179.0 million. USD, including the sale of foreign currency, amounted to 234.4 million dollars. USD, from purchase - 115.0 million USD. The volume of transactions with cash foreign currency for sale amounted to 96.4 million dollars. USD, from purchase - 134.3 million dollars.



During February, the foreign exchange market remained stable, but sometimes there was an increase in exchange rate volatility. Due to this, the NBU was present in the market and responded to exchange rate fluctuations [15].

The official exchange rate of hryvnia against the US dollar decreased by 0.24% in February and amounted to UAH 2,707.37 at the end of the month. for \$ 100 US dollars, to the euro - by 0.64% and at the end of the month amounted to 2864.17 and to the Russian ruble increased by 3.59% and at the end of the month amounted to 4.67 UAH. for 10 Russian rubles. That is, the dollar fell by UAH 0.0653. for USD US dollars, euro by UAH 0.1858. and the ruble rose by 0.016 UAH.

The growth of the supply of foreign currency and the decrease in the demand for it during February helped to strengthen the exchange rate of the national currency, which for the month (as of February 27, 2017) strengthened by 0.5% (0.8% of

the beginning of the year). The net balance of operations on the purchase of foreign currency by the NBU in February (as of February 27, 2017) was positive (USD 81 million).

The hryvnia exchange rate on US dollar sales decreased by 2.45% and amounted to UAH 2,738.51 at the end of the month. for \$ 100 USD, per euro - by 2.11% and at the end of the month amounted to UAH 2,915.80. for 100 euros. Thus, in sales, the dollar fell by UAH 0.6885, the euro by UAH 0.6271. In percentage terms, the dollar fell by 2.45% and the euro by 2.11%.

Thus, the hryvnia exchange rate for US dollar purchase operations decreased by UAH 0.5609 and the euro by UAH 0.5211. As a percentage, the dollar fell by 2.03% and the euro by 1.79%.

In February compared with January, the volume of transactions in the interbank foreign exchange market with non-cash foreign currency decreased by 1.21% or by USD 39.2 million.

The volume of foreign currency sales amounted to USD 2,691.8 million. USD (in January - 2724.7 million USD), purchases - 2691.8 million USD. USA (in January - 2724.7 USD).

The volume of cash foreign currency transactions increased significantly compared to January. In January, the balance (sales minus purchases, only one million US dollars) was -4.5 million dollars. while in February - -47.2 million dollars. At the same time, the sales volume in the cut amounted to 116.4 million dollars. USD, in February already 146.6 million dollars. The volume of purchases in January amounted to 120.9 million dollars. US dollars, while in February it amounted to 193.7 million dollars. That is, in percentage terms, the volume of sales of cash foreign currency increased by 25.9%, and the volume of purchases increased by 60.25%.

Table 2.1 - NBU interventions in the interbank foreign exchange market.

NBU interventions	January	February	Change to the previous month Nominal	Change to the previous month %
Sales (million USD equivalent)	235,8	52,7	-183,1	-77,65%
- million US dollars	235,8	52,7	-183,1	-77,65%
- million other currencies in dollar equivalent	0,0	0,0	0,0	0,00%
purchases (million USD equivalent)	157,8	133,6	-24,2	-15,33%
- million US dollars	157,8	133,6	-24,2	-15,33%

In February 2017, the NBU sold \$ 52.7 million. US dollars (in January 236.8 million US dollars), which is 77.65% less than in January. As for the purchase, the NBU bought \$ 133.6 million. US dollars (in January 133.6 million US dollars), which is only 15.33% less than in January.

As for international reserves, at the end of February, they amounted to 15,460.30 million dollars., while in January their amount was 15 444.98 million dollars. Including foreign currency reserves in February compared to January increased by 38.46 million dollars. USD (in January - USD 11,731.56 million, in February - USD 11,770.02 million). The reserve position in the IMF remained unchanged. SDR volumes decreased by USD 74.46 million. USD (in January 2 773.01 million USD, in February - 2 658.55 million USD). The volume of gold increased by 51.32 million dollars. US (in January - 980.38 million US dollars, in February - 1 031.10 million US dollars) [14].

Fig. 2.1 - International reserves of Ukraine as of the end of February 2017.

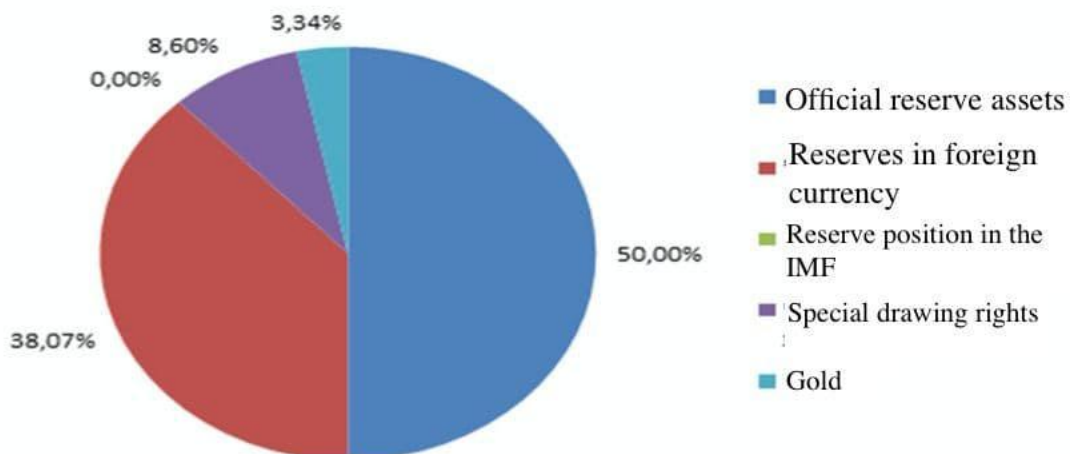
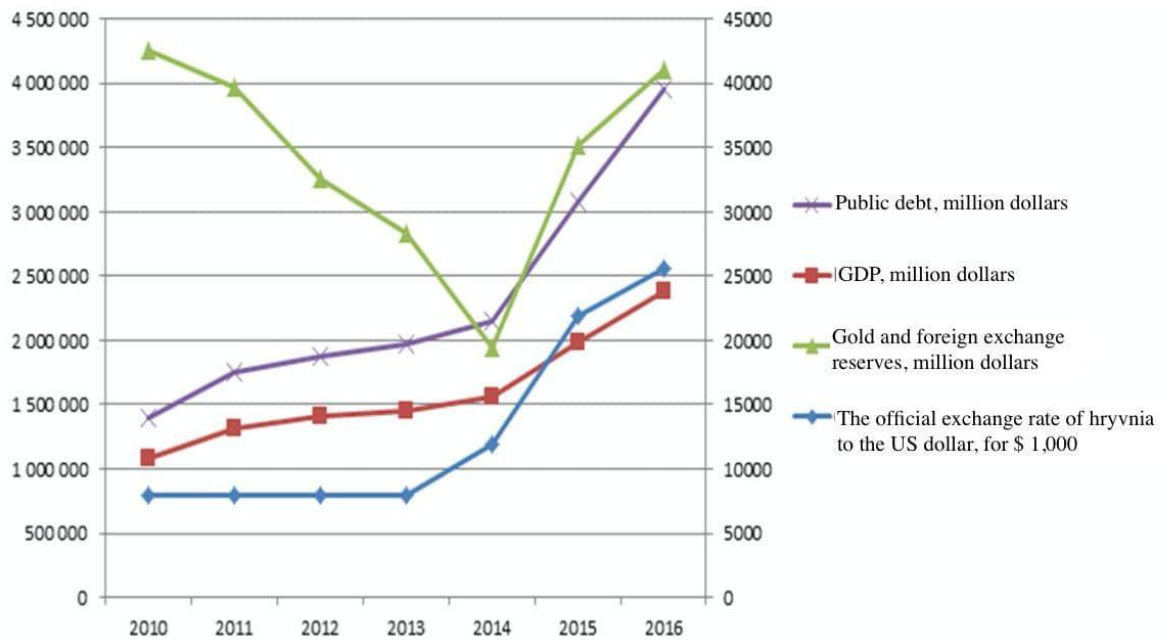


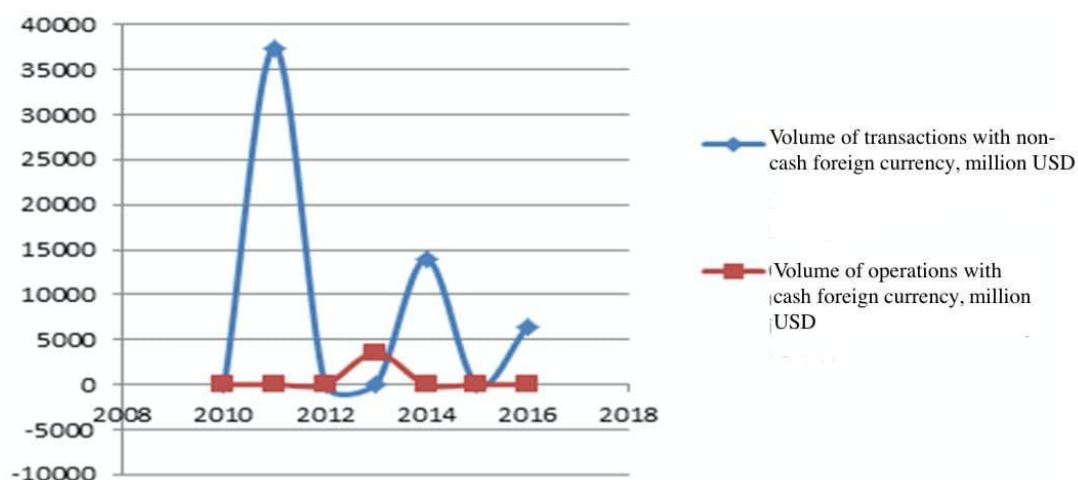
Fig. 2.2 - Dynamics of the main macroeconomic indicators of Ukraine



After analyzing the data in Figure 2, we can conclude that particularly significant changes in key macroeconomic indicators have occurred since 2014.

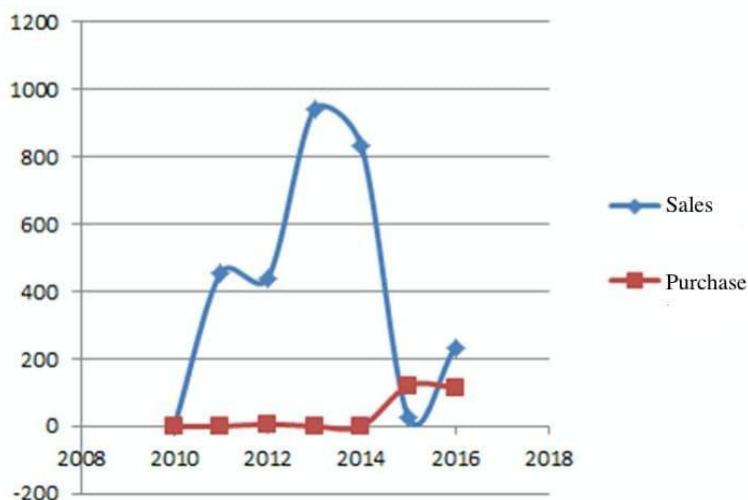
At the beginning of 2014, the national currency depreciated against the US dollar more than three times, and the gold and foreign exchange reserves decreased by almost 60% from 2010 to 2014, while from 2014 the volume of gold and foreign exchange began to increase, although in early 2017 51%. Public debt growth exceeds GDP growth. The high degree of macroeconomic stability in Ukraine from the inflows of IMF and donor countries in 2017 will lead to further contraction of the national financial and budgetary system, which will keep the economy in a depressed state. Despite all the negative factors in 2017, Ukraine will continue the trend of recovery after the turning point in 2016, which led to GDP growth of about 1.5%. It is expected that in 2017 GDP may grow by 2 percent or more, gold and foreign exchange reserves will be replenished during the year and their volume will grow, and the average annual hryvnia exchange rate will not exceed the range of 27-30 UAH. for USD.

Fig. 2.3 - Dynamics of operations on the interbank foreign exchange market of Ukraine with cash and non-cash foreign currency.



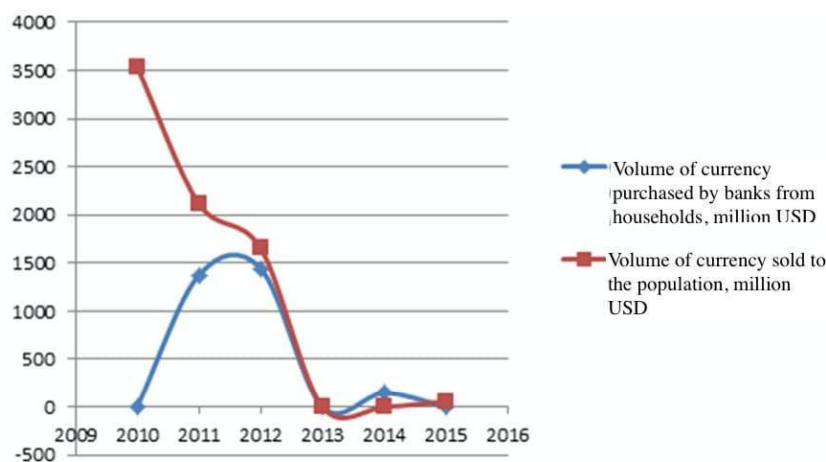
From fig. 3 we can see that the volume of non-cash transactions with foreign currency in almost all years exceeded the volume of transactions with cash foreign currency, this indicates that the main transactions in the foreign exchange market are held in non-cash form, which indicates its further development, because in almost all countries of the world non-cash payments are widely used, they are convenient and efficient and allow you to control the movement of funds. In recent years, the volume of cash foreign currency transactions has decreased significantly and, accordingly, the volume of non-cash foreign exchange transactions on the interbank market has increased. The tendency to increase the volume of non-cash transactions with foreign currency on the interbank foreign exchange market is expected, which is a positive factor in the development of the foreign exchange market of Ukraine, as it indicates that transactions on the interbank market become more transparent. from tax payments, and banks receive additional funds for these transactions. At the same time, starting from 2015, there has been a decrease in the total number of transactions in the interbank foreign exchange market and their volume is decreasing every year.

Figure 2.4 - Dynamics of foreign exchange interventions of the NBU on the purchase and sale of foreign currency.



As for interventions, the volume of foreign sales has decreased significantly since 2013, which is again due to the tense situation in 2014, as there were few gold and foreign exchange reserves, the NBU could not sell. From 2015, sales began to grow again, ie the NBU began to sell foreign currency to raise the national currency and aims at a long-term perspective on stabilizing the national currency by increasing sales of foreign currency. At the same time, in 2014, the volume of foreign currency purchases began to increase, which in turn led to the depreciation of the national currency. Therefore, in the long run the situation on the foreign exchange market will remain twofold.

Fig. 2.5 - Dynamics of cash foreign currency transactions.



Regarding the structure of operations with cash foreign currency, it can be argued that the volume of sales of foreign currency has always exceeded the volume of its purchase, which indicates the dollarization of the economy. This indicates that the hryvnia is losing its accumulation function, as the majority of the population wants to keep their savings in a stable, strong currency. This is due to high inflation and inflation expectations, government loans in foreign currency and so on. However, there is a positive trend towards the resumption of the increase in foreign currency sales from 2014 to the present day. The NBU is trying in all possible ways to stabilize the national currency and this is one of the main strategic goals for the long term.

These indicators show that Ukraine, which is in the process of forming and repelling external aggression, will not show us explosive growth in 2017, but the pace of recovery will accelerate.

A positive factor that will contribute to the de-shadowing of the foreign exchange market was the abolition in 2017 of the 2% pension fee for the purchase of cash foreign currency by the population. In addition, this measure is one of the steps towards further liberalization of the foreign exchange market and fulfillment of Ukraine's commitments under the program of cooperation with the IMF.

### **3. INSTRUMENTS OF MONETARY AND FINANCIAL POLICY IN UKRAINE: THREATS AND PROSPECTS**

According to Ukrainian legislation, the main function of the country's Central Bank is to ensure the stability of the national currency of Ukraine. The main document in the legal formation of the monetary policy of Ukraine was the Decree of the Cabinet of Ministers No. 15-93 "On the system of currency regulation and currency control", adopted in February 1993. It is still the current and central element of currency regulation in the country. The NBU uses monetary policy, monetary mechanisms and tools to assess current activities, monitor, adjust and forecast targets for key macroeconomic components.

The mechanism of regulation of the foreign exchange market is based on the use of instruments of foreign exchange intervention, foreign exchange policy (involved in the mechanism of exchange rate formation), regulation of the balance of payments. The mechanism of exchange rate formation is based on the tools of gold and foreign exchange reserves management, norms of obligatory reservation, devaluation and revaluation of currency.

Currency restrictions, mandatory sale of foreign exchange earnings, open market operations, which are the basis of the mechanisms of state currency regulation, are both tools for regulating the sustainability of the foreign exchange market and exchange rate formation. The mechanism of self-regulation of the foreign exchange market is based on the action of instruments (indicative norms of the Basel Standards, formation of monetary policy of economic entities, stress testing), which are components of mechanisms of state currency regulation and regulation of sustainable foreign exchange market development. By the nature of the mechanisms of regulation of the foreign exchange market can be divided into market and administrative. In a formalized form, they have four significant components: the mechanism for regulating the sustainability of the foreign exchange market, the mechanism of exchange rate formation, the mechanism of state currency regulation, the mechanism of self-regulation



These mechanisms include the use of economic, monetary, administrative instruments, policy-making of the state and economic entities, as well as the possibility of their interaction.

With the participation of the state, it is expedient to single out the mechanisms of state regulation and self-regulation, the combination of which ensures the effectiveness of foreign exchange market regulation [18].

The implementation of monetary policy are exchange rates, because it depends on the price of imports, expressed in national currency, the price of exports, which are converted into foreign currency. Therefore, its dynamics is related to inflation. According to the introduced inflation targeting in Ukraine, the accepted inflation rate is 5% per annum. To achieve this result, the NBU uses the monetary policy instruments available to it. Namely, the main tool is to change the discount rate, with which you can achieve a stable and predictable level of inflation [20].

Until now, Ukraine has de facto used exchange rate targeting, which consisted of an informal (but very consistent) peg of the hryvnia to the US dollar. Exchange rate targeting and inflation targeting often contradict each other, so the existence of both regimes at the same time is not possible.

Commoditization of exports is a structural factor of monetary policy, as the Ukrainian economy is characterized by a high level of "commoditization", ie dependence on exports of raw materials or industrial goods of low processing.

The resolution on the basic principles of monetary policy of Ukraine for 2016-2020 states that the exchange rate will be determined by market conditions without first establishing the desired value. But if necessary, the NBU will intervene in the foreign exchange market to replenish international reserves or to prevent excessive exchange rate fluctuations. That is, monetary policy will not be aimed at achieving a certain level of exchange rate. The National Bank will gradually reduce its

presence in the foreign exchange market and will promote its smooth functioning [19].

The policy of price stability should help reduce the long-term volatility of the exchange rate by reducing the negative pressure on the exchange rate from the rapid deterioration of the current balance of payments.

On the other hand, exchange rate policy should support the NBU's ability to achieve their priority goals.

The gradual weakening of administrative measures of a monetary nature should be consistent with the state's ability not only to eliminate long-term internal and external imbalances, but also with its ability to perform these functions without the use of MFIs [19].

At the moment, the IMF is recommending, and the NBU has aimed to move to a floating exchange rate regime with inflation targeting. However, such an economic policy is not suitable for the state, because Ukraine has an open economy in the field of international trade and a significant impact on inflation of most non-monetary factors.

At the end of 2016 and the beginning of 2017, the NBU, taking advantage of the favorable situation, gradually continued to ease restrictions on the foreign exchange market and improve its work, in particular:

- allowed authorized banks to carry out their own operations with derivative financial instruments on stock exchanges;
- gave permission to banks that are participants in international payment systems to buy or sell foreign currency on the basis of individual licenses of the NBU;
- carried out a number of operations to expand the capabilities of clients of resident banks in the field of buying foreign currency on the interbank market;
- administrative barriers to the export of services were removed;
- carried out operations to facilitate the inflow of credit resources in foreign currency, as well as to improve the mechanism to prevent their outflow outside Ukraine;
- provided banks with opportunities for short-term liquidity management;
- debureaucratized foreign exchange transactions for insurance companies;

- new foreign exchange interventions were introduced, which consist in the request for the best exchange rate;
- relaxed the requirement for banks to purchase foreign currency for customers by increasing the maximum amount of balance within which banks are allowed to buy foreign currency;
- increased the purchase of foreign currency by banks to 0.5% of the regulatory capital of the bank;
- exempted persons who receive funds from non-residents from their mandatory sale, if this currency comes as cash collateral [16].

Table 3.1 - SWOT- analysis of the foreign exchange market of Ukraine

	Positive impact	Negative influence
Internal environment	<p>Strengths:</p> <ul style="list-style-type: none"> <li>- strengthening responsibility the central bank for conducting monetary policy;</li> <li>- the ability to respond quickly by the central bank to a change in target;</li> <li>- inflation targeting provides a flexible exchange rate policy;</li> <li>- providing a clear and understandable guideline for everything society, by inflation targeting, which increases confidence in central bank policies;</li> <li>- no fluctuations of the hryvnia from changes in the state of foreign currency.</li> </ul>	<p>Weak sides:</p> <ul style="list-style-type: none"> <li>- instability of the banking system, aggravation of problems capitalization liquidity;</li> <li>- preservation of negative dynamics and weak structure of gold and foreign exchange reserves;</li> <li>- insufficient measures for the development of the financial market of Ukraine and dedollarization of economic relations;</li> <li>- insufficient level of independence and transparency of the NBU, as well as inconsistency between the Government and the NBU;</li> <li>- shortcomings of the legislation in the financial sphere.</li> <li>- underdeveloped infrastructure in the foreign exchange market.</li> </ul>
Environment	<p>Features:</p> <ul style="list-style-type: none"> <li>- support for Ukraine's reforms;</li> <li>- the ability to attract strong investment from other countries;</li> <li>- use of experience of</li> </ul>	<p>Threats:</p> <ul style="list-style-type: none"> <li>- the policy of the newly elected President of the United States;</li> <li>- shocks on world markets;</li> <li>- rising oil prices;</li> <li>- uncertainty regarding</li> </ul>

	<p>developed markets for faster introduction of the newest information and financial technologies;</p> <ul style="list-style-type: none"> <li>- significant potential for the introduction of new financial services;</li> <li>- development of new products, technologies and innovations after the inflow of foreign capital into the Ukrainian market.</li> </ul>	<p>macroeconomic policy and structural reforms;</p> <ul style="list-style-type: none"> <li>- high level of domestic and foreign debt;</li> <li>- high dependence on imported energy;</li> <li>- deterioration of the investment climate, negative due to political and military conflict;</li> <li>- insufficient investment growth;</li> <li>- the impact of economic capital.</li> </ul>
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The main factors that will restrain the development of inflation are external support for reforms, the absence of negative shocks in world markets and the cessation of hostilities in the east, and as a result - a gradual improvement in inflation and exchange rate expectations of entrepreneurs and individuals.

Positive shocks will increase the supply of foreign currency, and the NBU, in turn, will increase gold and foreign exchange reserves to a level that will ensure the state's fulfillment of its obligations and the achievement of monetary policy goals.

Negative shocks will force the NBU to localize the currency with its further leveling and use the full range of monetary policy instruments.

At the same time, the weakness of the domestic environment remains uncertainty about macroeconomic policy and structural reforms, persistence of negative dynamics and weak structure of gold and foreign exchange reserves, insufficient measures to develop Ukraine's financial market and dedollarization of economic relations, insufficient level of independence and transparency of the NBU. and the NBU needed to maintain macro-financial stability, increase the potential of the economy and continue the program with the IMF. In the event of ineffective implementation of reforms, the risk premium will increase, which will worsen inflation and exchange rate expectations and increase inflationary pressures. In addition, there is a risk of escalation of hostilities in eastern Ukraine

In the external environment, the main threats are the uncertainty associated with the policy of the newly elected US President D. Trump. After all, significant fiscal stimulus in the United States will increase global demand for raw materials, and for Ukraine it will, on the one hand, have a positive impact on export earnings and exchange rate stability, and on the other hand - it will increase the direct contribution of commodity prices and imported inflation to domestic consumer inflation.

Another risk is the introduction by OPEC countries of limits on oil production and export. After all, this will lead to an increase in fuel prices and the cost of many goods and services, respectively, and increase inflation, and there will be a corresponding impact on foreign economic balances and exchange rates. The implementation of all the above risks may lead to a deviation of actual inflation from the target trajectory and the corresponding reaction of the NBU [15].

The increase in net international reserves should be considered as a separate important task not only in 2017, but also in the future. After all, a sufficient level of international reserves will serve as a stabilizing protective mechanism of the financial system. As inflation risks decrease and in accordance with the situation on the foreign exchange market, the NBU will continue to gradually reduce administrative restrictions and liberalize foreign exchange

market. All this will be done in order to develop a liquid foreign exchange market that can neutralize both internal and external shocks and to create a favorable environment for doing business. It is the reduction of administrative restrictions that should give impetus to the deepening of the foreign exchange market and the development of instruments for hedging foreign exchange risks, these actions will reduce the NBU's participation in the market.

The NBU will also make every effort to pass through the Verkhovna Rada initiatives aimed at stimulating lending in Ukraine [19].

At the moment, Ukraine has major problems with currency turnover, which is caused by the underdeveloped infrastructure of the foreign exchange market. Taking into account the fact that part of Ukraine's balance of payments is

accounted for by foreign trade operations, an important shortcoming of this market segment is the lack of mechanisms for export credit and insurance.

In 2017, the inflow of deposits in both national and foreign currency is expected to continue. Money supply growth is projected at 11.5%. The main source of liquidity saturation of the banking system will be NBU auctions for the purchase of foreign currency to replenish international reserves. Due to a significant reduction in the discount rate during 2016 and new inflation risks, the rate of easing of the NBU's monetary policy may slow down somewhat. At the same time, the continuation of the trend of easing monetary conditions will still contribute to further lower interest rates on bank operations [15].

The main problems that emerged during the study of the exchange rate policy of the NBU and the change of the national currency, which need further solution for its long-term development are:

- the existence of a tendency to a gradual devaluation of the hryvnia against foreign currencies, which negatively affects economic development and inflation in the country in the future;
- a significant increase in demand for foreign currencies from the population, due to a decrease in confidence in the hryvnia, which led to an increase in the level of dollarization in the country;
- the need to stimulate the development of the foreign exchange market of Ukraine, ie to take certain measures and amend the current foreign exchange legislation.

The currency policy of the National Bank of Ukraine should be aimed at developing a set of measures to restore confidence in the national currency, liberalize the foreign exchange market and continue the floating exchange rate regime.

## CONCLUSIONS

Summarizing the above, we can say that the foreign exchange market is a special market in which the purchase, sale and exchange of such a specific commodity as currency, where the price is the exchange rate. The main components of the foreign exchange market are objects and subjects, supply and demand, market price, infrastructure, communications. The foreign exchange market is one of the most important segments of the financial market, and therefore the degree of its development directly affects the state and development of the economy, and vice versa. It carries out trade and non-trade operations, operations on placement and attraction of foreign funds, international settlements, etc. In the foreign exchange market, the price of a certain currency is set in relation to the national currency, which allows economic entities to enter into business relations, and speculators who "play" in the market to obtain appropriate financial results. Currency market participants may purchase and sell goods and ambassadors in the national or foreign currency of another entity with which they have entered into an agreement. The modern national currency market is in the process of formation and has not yet been fully formed, but its contours and main trends are quite clear.

The foreign exchange market of Ukraine is organized and regulated by the NBU. It carries out foreign exchange interventions to stabilize the exchange rate of the national currency, regulates the mechanism of exchange rate formation, balance of payments, manages gold and foreign exchange reserves, devaluation and revaluation of the national currency, and so on. Foreign exchange interventions are one of the reasons for rising inflation in the country, which undermines the stability of the hryvnia. At the moment, they are inefficient, given the current state of the economy and the distrust of market participants in the policy of the NBU, so in the implementation of monetary policy it is necessary to take advantage of the positive balance of payments.

The dynamics of international reserves was negative and only funding from international financial institutions made it possible to optimize their volume.

The state of the macroeconomic and political situation also affects the stability of the foreign exchange market. The hryvnia's exchange rate against foreign currency is influenced by many factors: the state of the balance of payments and trade, equal to real GDP, reducing the budget deficit, foreign exchange interventions and foreign exchange reserves, and the economic and political situation in the country and in the world.

Improving the functioning of the foreign exchange market can be achieved by:

- reducing the level of dollarization of Ukraine's economy by increasing attractiveness of the hryvnia;
- improvement of market regulation mechanisms;
- improvement of market infrastructure taking into account the international one practices and introduction of new types of international settlements;
- stimulating exports and ensuring a positive balance of payments balance sheet;
- end of the conflict in eastern Ukraine;
- development of new financial technologies;
- ensuring the stability of the regulatory framework of the NBU;
- establishing the optimal exchange rate regime, etc.



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