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

BACHELOR'S DEGREE QUALIFICATION PAPER

Specialty 292 «International Economic Relations»

on the topic « CONTEMPORARY TENDENCIES OF THE GLOBAL FOREIGN EXCHANGE MARKET DEVELOPMENT »

Student 4 Course (course number) — (signature) — Belaid Yassine (full name)

group ME-92a.an (group’s code)

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, 2023

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TASKS FOR BACHELOR'S DEGREE QUALIFICATION PAPER

(specialty 292 "International Economic Relations")
student 4 course, group ME-92a.an
(course number) (group's code)
Belaid Yassine
(student's full name)

1. The theme of the paper is "Contemporary tendencies of the global foreign exchange market development"

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2. The term of completed paper submission by the student is 01/06/2023

3. The purpose of the qualification paper is to identify the features and problems of the global FOREX market, to analyze its current state
4. The object of the research is the processes of formation, current development and functioning of the global foreign exchange market, as well as the peculiarities of its regulation
5. The subject of research is theoretical and methodological essentials and practical aspects of the functioning of the world currency market
6. The qualification paper is carried out on materials of State Statistics Service of Ukraine, IMF and World Bank data, Bloomberg, etc.
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:

Chapter 1: Theoretical fundamentals of the world foreign exchange market functioning, 05/05/2023
(title, the deadline for submission)

Chapter 1 deals with: 1) Essence, evolution and functions of foreign exchange markets; 2) Classification of foreign exchange markets; 3) Forex market participants

1. Chapter 2: Analysis of the contemporary trends of forex market development, 23/05/2023

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Chapter 2 deals with: 1) Forex market and its role in the global financial system; 2) The impact of cryptocurrencies on forex market

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Chapter	Full name and position of the advisor	Date, signature	
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1	Professor, Doctor of Economics Fedir Zhuravka	16.04.2023	16.04.2023
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ABSTRACT

on bachelor's degree qualification paper on the topic
« CONTEMPORARY TENDENCIES OF THE GLOBAL FOREIGN EXCHANGE MARKET DEVELOPMENT»
student Belaid Yassine
(full name)

The main content of the bachelor's degree qualification paper is presented on 31 pages, including references consisted of 36 used sources, which is placed on 5 pages. The paper contains 5 tables and 1 figure.

Nowadays financial and international monetary and credit relations occupy one of the most important places in the modern economy and are a complex and controversial area of the market economy.

It is well known that in industrialized countries, the importance of the foreign exchange market is currently no less important for the development of the country's economy than such areas as production or trade.

Exchange rates are constantly published, the factors of their fluctuations are analyzed, and many indicators of the foreign exchange market are available; the growing number of various forecasts of the foreign exchange market development indicates the importance and significance of its functioning both for a particular country and for the world economy as a whole.

The aim of the qualification work is to identify the features and problems of the global FOREX market, to analyze its current state.

To achieve this goal, it is necessary to solve the following tasks:

- to consider the essence, evolution and functions of foreign exchange markets;
- to study the classification of foreign exchange markets;
- to determine the peculiarities of the activities of forex market participants;
- to analyze the forex market and its role in the global financial system;
- to determine the impact of cryptocurrencies on the forex market.

The following methods were used in the research process: analysis and synthesis, methods of comparison, methods of deduction and induction, methods of forecasting and modeling, methods of abstraction and generalization.

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

The current trends of the global foreign exchange market development are as follows:

- increased internationalization associated with deepening economic ties, increasing concentration of production and financial capital, creation of joint banks, etc;
- high dynamism of exchange transactions;
- availability of unified and, in most cases, standardized methods of organizing trade and concluding foreign exchange contracts;
- an increase in the share of speculative transactions in the turnover structure and, accordingly, a decrease in the share of commercial (client) currency transactions;
- high level of technical equipment of financial and credit institutions;
- the use of special telecommunication information systems (Reuters, Bloomberg, Telerate);
- widespread use of international settlement units;
- constant increase in the dynamics of the use of cryptocurrencies;
- liberalization of national currency legislation and strengthening of domestic currency markets, etc.

Keywords: CURRENCY, EXCHANGE RATE, FOREX MARKET, CURRENT TRENDS, DEVELOPMENT.

The year of qualifying paper fulfillment is 2023.

The year of paper defense is 2023.

CONTENT

INTRODUCTION

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It is well known that in industrialized countries, the importance of the foreign exchange market is currently no less important for the development of the country's economy than such areas as production or trade.

Exchange rates are constantly published, the factors of their fluctuations are analyzed, and many indicators of the foreign exchange market are available; the growing number of various forecasts of the foreign exchange market development indicates the importance and significance of its functioning both for a particular country and for the world economy as a whole.

The aim of the qualification work is to identify the features and problems of the global FOREX market, to analyze its current state.

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- to determine the impact of cryptocurrencies on the forex market.

The object of the work is the processes of formation, current development and functioning of the global foreign exchange market, as well as the peculiarities of its regulation.

The subject of the qualification work is the theoretical and methodological basics and practical aspects of the functioning of the world currency market.

The following methods were used in the research process: analysis and synthesis, methods of comparison, methods of deduction and induction, methods of forecasting and modeling, methods of abstraction and generalization.

The qualification work consists of an introduction, two chapters, conclusions, and a list of references.

1. THEORETICAL FUNDAMENTALS OF THE WORLD FOREIGN EXCHANGE MARKET FUNCTIONING

1.1. Essence, evolution and functions of foreign exchange markets

Due to the fact that international economic relations give rise to the relevant monetary claims and obligations of the parties, a necessary pre-condition for their settlement is the use of the national currency of a country, since there is no single universal world means of payment. This necessitates the exchange of one currency for another in the form of purchase and sale of foreign currency by the payer or recipient of funds in international transactions. It is the international payment turnover related to the payment of monetary claims and obligations of legal entities and individuals of different countries that is serviced by the foreign exchange market, determining its objective necessity.

When studying the essence of the “foreign exchange market” concept it should be noted that there is no generally accepted approach to the definition of this economic category in the modern literature. Basically, two main approaches are used.

Firstly, the foreign exchange market is a sphere of economic relations related to the purchase and sale of foreign currency and securities denominated in foreign currency, as well as operations on investment of foreign capital [17, 22]. In the foreign exchange market, demand, represented by the buyer, and supply, represented by the seller, come together. In the market, any economic entity (state, business entity, citizen, etc.) always acts only as a seller or a buyer. Each foreign exchange market participant has its own financial interests, which may or may not coincide. When these interests coincide, a currency purchase and sale transaction take place. Thus, the foreign exchange market is a kind of instrument for reconciling the interests of its participants (sellers and buyers of currencies).

On the other hand, the foreign exchange market is an official financial center where the purchase and sale of currencies and securities denominated in foreign currencies is concentrated on the basis of supply and demand.

However, special attention should be paid to the international foreign exchange market (forex market), which is a set of transactions of currency market participants to exchange specified amounts of one currency into another at the defined exchange rate. Actually, forex is not a market in the traditional sense of the word. It does not have a specific trading venue, such as a stock exchange, for example. Trading takes place by means of telecommunication, through computer terminals simultaneously in hundreds of banks around the world, in a 24/7 mode.

Nowadays, foreign exchange markets ensure timely international settlements, as well as hedging of exchange rate and credit risks.

Historically, at the beginning of the 20th century, exchange rates were fixed and tightly pegged to gold. After the World War II, only US dollars were exchanged for gold. The rates of other currencies were again fixed against the dollar. Fixed exchange rates became unprofitable over time, and the devaluation of certain currencies (including the US dollar) had a significant impact on all countries and their currencies. The final chord of the fixed exchange rate was the collapse of the gold pool in 1968 and the uncontrolled rise in gold prices. As a result, in 1971, the conversion of the US dollar into gold was suspended. After that, some countries switched to a floating exchange rate. Officially, floating exchange rates were legalized by the Jamaica Monetary Conference in 1976, after which the exchange rates of the world's major currencies began to be determined solely by supply and demand. The last transformation of the currency market occurred in 1985, when some countries moved from freely floating exchange rates to regulated floating exchange rates [15].

Foreign exchange markets perform the following functions:

1. From a functional point of view, they ensure timely international settlements, hedging of exchange rate risks, diversification of official reserves, interventions, speculative (arbitrage) operations, etc.
2. From an institutional point of view, foreign exchange markets are a set of commercial and central banks, investment companies, exchanges, brokerage houses, and hedge funds that carry out foreign exchange transactions. Operations in the foreign exchange market are conducted both between banks (interbank foreign exchange settlements) and between banks and their clients.
3. From an organizational and technical point of view, the foreign exchange market is a set of telegraph, telephone, telex, electronic, and other communication systems that connect banks in different countries that carry out international settlements and other foreign exchange transactions.

The vast majority of foreign exchange transactions are carried out in non-cash form, i.e., through bank accounts, and only a small part of the market is accounted for cash trading.

A wide range of exchange transactions is carried out in the foreign exchange markets, in particular:

1. Maintaining foreign currency accounts for clients.
2. Non-trading operations (not related to export and import of goods)
3. Establishment of correspondent relations with foreign banks (a prerequisite for international payments).
4. Transactions on international settlements.
5. Operations on sale and purchase of foreign currency in the domestic market.
6. Credit operations in the international money markets.
7. Exchange transactions in the international currency markets, etc. [6, 8, 10].

1.2. Classification of foreign exchange markets

Depending on the volume of currency trading and the scope of currency transactions, the foreign exchange market is divided into domestic (national), regional, and international.

The domestic (national) foreign exchange market is the foreign exchange market of one country, i.e., the exchange and over-the-counter market operating within its borders. The national foreign exchange market covers a set of foreign exchange transactions carried out by banks and foreign exchanges located in the territory of one country.

The national market ensures the movement of foreign exchange flows in a given country and serves as a link to international currency centers. Its development depends on the state of the country's financial and credit system, the level of its integration into the global economy, the currency regulation system and other factors.

A regional currency market is a currency market located in a specific geographical region of the world.

There are the following types of regional currency markets:

- European (the largest centers: London, Zurich, Paris, Frankfurt am Main) – 40% of the world market volume;
- North American (New York, Philadelphia, Los Angeles, San Francisco, Ottawa, Montreal) – 30%;
- Asian (Sydney, Tokyo, Singapore, Hong Kong, Bahrain, Beijing) – 30%.

The international exchange market (forex market) is a market that includes exchange markets of all countries of the world. It is a global market for the exchange of major currencies that operates around the clock and is decentralized. The bulk of foreign exchange transactions are conducted directly between banks using electronic means of communication.

Specifics of the modern international foreign exchange market are as follows:

- increased internationalization associated with deepening economic ties, increasing concentration of production and financial capital, creation of joint banks, etc; high dynamism of currency transactions;
- availability of unified and, in most cases, standardized methods of organizing trade and concluding foreign exchange contracts;
- an increase in the share of speculative transactions in the turnover structure and, accordingly, a decrease in the share of commercial (client) currency transactions;
- high level of technical equipment of financial and credit institutions;
- the use of special telecommunication information systems (Reuters, Bloomberg, Telerate);
- widespread use of international settlement units;
- constant increase in the dynamics of the use of cryptocurrencies;
- liberalization of national currency legislation and strengthening of domestic currency markets, etc.

In contemporary conditions, this division of markets is largely conditional, as the foreign exchange market is increasingly gaining organizational integrity on a global scale.

1.3 Forex market participants

Foreign exchange market participants can be divided into two main groups: those who carry out foreign exchange transactions on a professional basis and those who use the services of the previous when participating in foreign exchange transactions, i.e., non-professional participants.

Central banks of different countries are important participants in the foreign exchange market, which, through the use of foreign exchange policy instruments in accordance with its strategic and tactical goals, are able to influence all market participants at the national, regional and international levels.

The main functions of central banks as participants in the foreign exchange market include the following:

- formulation of a certain strategy and tactics in the implementation of exchange regulation policy;
- management of the country's foreign exchange reserves;
- influence on the main factors of exchange rate establishment through currency interventions;
- regulating the level of the discount rate and mandatory reserve requirements;
- control over the amount of money supply in circulation, etc.

Among the central banks, the most influential are: the US Federal Reserve System, the European Central Bank and the Bank of England, whose activities can significantly affect the international currency market [12].

The bulk of foreign exchange transactions are conducted by commercial banks, which form the interbank foreign exchange market by performing a full range of foreign exchange transactions, including both client orders and transactions for the banks needs and purposes. The following banks are generally recognized as leaders of the international currency market: Bank of America, Deutsche Bank AG, Union Bank of Switzerland, Barclays Bank plc, JP Morgan Chase, Citibank NA, Bank of Tokyo - Mitsubishi UFJ and others (Table 1.1).

Banks and other financial institutions operating in the foreign exchange market are divided into two main groups according to the degree of their influence on the formation of foreign exchange policy and trends in exchange rate dynamics:

Table 1.1. – TOP-10 participants of the forex market (as of January 01, 2023)

№	Participant	Market share, %
1.	JPMorgan	11.41
2.	UBS AG	10.02
3.	Deutsche Bank AG	8,49
4.	XTX Markets	6.69
5.	Citibank	6.18
6.	Jump Trading	5.91
7.	Goldman Sachs	5.20
8.	Bank of America	4.69
9.	State Street Corporation	4.54
10.	HSBC	3.49
Other participants		33.38

Source: developed by author using [2, 4. 6]

1. Market makers – the largest banks and financial institutions that carry out significant volumes of foreign exchange transactions and, due to their dominant position in the market, formulate a strategy for the dynamics of exchange rates, interest rates, etc. As a rule, banks and financial companies are market makers for one or more currencies. For example, Union Bank of Switzerland AG is a market maker for conversion operations with the Swiss franc (CHF), JPMorgan and Bank of America – with the US dollar (USD), Deutsche Bank AG – with (EUR), Bank of Montreal – with the Canadian dollar (CAD), MUFG Bank – with the Japanese yen (JPY), etc.

Market makers determine current foreign exchange rates by constantly conducting foreign exchange transactions with each other and with smaller banks that are market users in relation to market makers.

2. Market users – small banks and financial institutions that are users of the FX market and perform much smaller volumes of FX transactions, and their activities do not have a significant impact on FX policy and FX rate dynamics.

Investment funds are also full-fledged participants in the FX market. These companies, represented by international investment, pension, mutual funds, insurance companies and trusts, pursue a policy of diversified portfolio management by placing funds in securities of governments and corporations of different countries. The most famous among the investment funds is George Soros` Quantum Group of Funds, which mainly engages in FX speculations.

Other professional participants in the FX market are brokerage firms. Foreign exchange brokerage firms, which are legal entities and usually work with exchanges and banks, act as intermediaries on behalf of their clients in credit and deposit, conversion, or dealing operations. The most well-known brokerage firms in the international currency markets are: Bierbaum, Lasser Marshall, Harlow Butler, Intermoney Financial Products, and others.

Among the non-professional participants of the foreign exchange market are enterprises engaged in foreign economic activity, international corporations and financial institutions engaged in foreign investment of assets, as well as individuals. Companies and organizations engaged in foreign economic activity have a constant demand for foreign currency and create its supply depending on the direction of export and import flows. They are active participants in the foreign exchange market, but carry out credit, deposit, settlement, and conversion transactions primarily through commercial banks.

Enterprises, international corporations, and financial institutions that invest assets abroad operate in the international currency markets with the following goals:

- making production investments in their foreign branches and subsidiaries;
- organization of activities in the international stock market (especially in the market of foreign state securities);
- conducting speculative transactions due to differences in interest rates and exchange rates in the international and national exchange markets.

Individuals, as participants in the foreign exchange market, carry out transactions related to the purchase and sale of foreign currency in cash, tourism, transfer of salaries, fees, pensions, voluntary contributions, etc.

2. ANALYSIS OF THE CONTEMPORARY TRENDS OF THE WORLD FOREX MARKET DEVELOPMENT

2.1 Forex market and its role in the global financial system

The FOREX currency exchange stands as the largest decentralized market globally, both in terms of trading volume and liquidity. It functions as an informal network connecting market participants worldwide, encompassing entities such as central banks, commercial banks, investment banks, pension funds, brokers, dealers, insurance companies, multinational corporations, and individual traders. This diverse array of participants engages in the buying and selling of foreign currencies with settlement occurring on predetermined dates.

The market facilitates the trading of all major currencies (Table 2.1). Within this dynamic environment, market participants engage in various transactions, creating a robust and interconnected global marketplace for currency exchange.

Table 2.1 – Features of the FOREX market [20, 21]

Features of the FOREX market					
Free conversion of all world currencies online and without delays	The ability to conduct operations continuously throughout the day anywhere in the world	The opportunity for high profitable margin trading for individuals	High volatility of exchange rates that depends on various economic factors	Unified nature of currency transactions	Liquidity guarantee of each transaction, as there is always a market demand

The FOREX market facilitates several fundamental types of currency transactions: trade and investment; speculative; hedging; regulatory.

One of the remarkable aspects of the FOREX market is the potential it offers for participants to generate quick profits. Unlike some other markets, there is no minimum deposit requirement to start trading in FOREX. This is due to the high liquidity of currencies as trading instruments, which ensures that there is always a counterparty available for transactions. Consequently, situations where there is no counterparty, as sometimes observed in stock trading, do not arise in the FOREX exchange.

The primary function of the FOREX market is to facilitate the trading of national currencies from different countries. The movement of currency exchange rates primarily stems from the demand of governmental and commercial institutions worldwide to convert foreign profits into their respective national currencies. However, it's important to note that this constitutes only around 5% of the total currency market turnover. The remaining 95% is driven by speculative capital from currency traders aiming to profit from currency fluctuations.

The primary concern in any financial market is the risk of a potential collapse. However, the FOREX market is safeguarded against such risks due to the unique nature of its primary commodity, which is currency. Currency is widely regarded as the most liquid and reliable trading instrument worldwide. Among currency traders, transactions involving the major currencies account for over 85% of the market activity. These major currencies include the US dollar (USD), British pound (GBP), Japanese yen (JPY), Swiss franc (CHF), Canadian dollar (CAD), and Australian dollar (AUD).

The analysis of the average daily turnover of the FOREX currency exchange from 2004 to 2022, focusing on the key counterparties, is shown in Table 2.2.

Table 1.2 – Average daily turnover of the FOREX market in 2004-2022 (as of the end of the year) by major counterparties, trillion USD [25, 26]

Indicators	2004	2007	2010	2013	2016	2019	2022
Dealers	1,018	1,392	1,545	2,072	2,120	2,518	3,462
Other financial institutions	0,634	1,339	1,896	2,812	2,564	3,592	3,622
Non-financial clients	0,276	0,593	0,532	0,472	0,382	0,470	0,425

As depicted in Table 2.2, the average daily turnover of the primary counterparties exhibited an overall upward trend from 2004 to 2022. However, there were certain years where a decline in cash turnover was observed. Notably, 2022 stood out as a year of heightened market participant activity. The increased turnover was primarily driven by other financial institutions, including commercial banks and investment funds. Central banks also play a role as market participants. Among these institutions, prominent organizations such as the US Federal Reserve System (Fed) and its Open Market Committee, the Bank of England (BOE), the European Central Bank (ECB), and the Bank of Japan (BOJ) exert significant influence on the FOREX market. These banks, alongside investment funds, act as market makers in the FOREX market.

The growth in operations of other financial institutions can be attributed to two main factors. Firstly, long-term investors actively diversified their portfolios, leading to both direct and indirect demand in the foreign exchange market. Secondly, the foreign exchange market (FOREX) provided attractive profitability levels for investors engaging in leveraged trading over shorter time periods.

Market participants generally perceive foreign currency as an asset class within their holdings. Statistical data reveals that there have been fluctuations in turnover by currency type over the past three years, as indicated in Table 2.3.

Table 2.2 – Average daily turnover of the global FOREX market by certain types of currencies in 2019-2022 (as of the end of the year), billion USD

№	Currency	Years		Tempo. of growth, %.
		2019	2022	
1	Euro	2126	2293	7,86
2	US dollar	5811	6641	14,28
3	Japanese yen	1108	1253	13,09
4	Pound sterling	843	969	14,95
5	Australian dollar	446	479	7,40
6	Swiss franc	326	390	19,63
7	Canadian dollar	332	466	40,36
8	Swedish krona	134	168	25,37
9	Hong Kong dollar	233	194	-16,74
10	Mexican peso	111	114	2,70
11	New Zealand dollar	137	125	-8,76
12	Norwegian krone	119	125	5,04

Upon analyzing the data presented in Table 2.3, it is evident that certain currencies have experienced a notable increase in demand. The Canadian dollar saw a substantial surge of 40.36%, followed by the Swedish krona (25.37%), Swiss franc (19.63%), pound sterling (14.95%), and US dollar (14.28%). However, some currencies witnessed a decline in trading volume, such as the Hong Kong dollar and New Zealand dollar.

Within the forex community, there exist successful traders who, utilizing their knowledge and intuition, are capable of generating profits even in unfavorable conditions within the domestic forex trading sector.

However, it is important to note that even in developed countries with high levels of financial literacy, not all forex trading participants achieve significant success. In speculative markets like forex, one participant's gain is often balanced by another participant's loss. An analysis of the failures of novice traders highlights the necessity of knowledge and skills, including the use of tools such as money management, risk diversification, risk management, a well-structured trading plan, and a reliable trading system. A comprehensive understanding of these tools assists in minimizing currency risks, thereby maximizing the average trader's potential profit.

2.2 The impact of cryptocurrencies on forex market

A cryptocurrency is a digital or virtual currency designed to function as a medium of exchange. The term "crypto" refers to the use of cryptography for securing and verifying transactions, as well as for creating new units of the currency (coins).

Cryptography enables the encoding of data that can be easily decrypted with a key but is difficult to decipher without one. This means that creating new coins can be challenging, while verifying transactions is relatively straightforward.

Fundamentally, cryptocurrencies are recorded on an immutable and pseudonymous database called the blockchain. The blockchain is a publicly accessible ledger verified by numerous nodes, making it highly challenging, if not impossible, to counterfeit coins. It also enables the tracking of specific transactions between anonymous individual accounts or wallets.

The response of central banks and financial institutions to cryptocurrencies has generally been cautious. While some organizations support cryptocurrencies, many central banks remain wary due to the market's extreme volatility. Concerns surrounding tax evasion and capital controls have further contributed to widespread reservations. Examples of central bank responses include:

- US Federal Reserve: Federal Reserve Chairman Jerome Powell acknowledges remaining technical challenges and emphasizes the need for effective risk management before cryptocurrencies can become mainstream [34].
- People's Bank of China: The People's Bank of China recognizes that conditions are favorable for the introduction of cryptocurrencies, but they assert the importance of maintaining full control. As a result, the authorities in China have implemented stringent measures against the cryptocurrency ecosystem in the country [35].
- Bank of England: Bank of England Governor Mark Carney views cryptocurrencies as part of a financial revolution and has expressed support for this technology, making the central bank one of the few government entities endorsing it [36].

Cryptocurrencies offer various advantages in terms of seamless transactions and inflation control. Consequently, many investors include cryptocurrencies as assets in their diversified portfolios. The uncorrelated nature of the cryptocurrency market makes it an attractive option as a potential hedge against risk, similar to traditional safe-haven assets like gold. As a result, various products, such as exchange-traded funds (ETFs) and exchange-traded notes (ETNs), have been introduced on cryptocurrency exchanges to cater to this demand.

However, there are concerns among experts that a potential crash in the cryptocurrency market could have adverse effects on the broader financial system, similar to the impact of mortgage-backed securities during the global financial crisis. It is important to note, though, that the total market capitalization of all cryptocurrencies is still relatively small compared to many public companies such as Microsoft Corp. As a result, the impact of a cryptocurrency crash on global markets may not be significant.

While cryptocurrencies are popular among investors as a speculative asset or a hedge against inflation, the current size of the market does not pose a systemic risk as of 2021.

The increasing popularity of cryptocurrencies stems from the perception that they offer investment opportunities, with buyers hoping for their value to increase over time. Traditional currency systems have their own shortcomings, including vulnerabilities and the potential for inflation leading to loss of value. In contrast, digital currencies are preferred by buyers due to their perceived resistance to inflation and the ability to bypass traditional banking systems. Additionally, the decentralized nature of blockchain technology provides enhanced security, which further attracts buyers in the digital age. Some speculators, who are primarily focused on short-term gains rather than long-term adoption, find cryptocurrencies appealing because of their potential for value appreciation.

The benefits of digital currencies for the global economic structure are evident, with their rapid growth rates and milestones such as Bitcoin surpassing the $60,000 mark. This presents an opportunity for individuals to profit by analyzing the market and investing at the right time. Early investors in Bitcoin have earned substantial profits, with some making thousands or even millions of dollars.

Today, there are various digital currency platforms, like Bitcoin Evolution, that provide guidance and accessibility to traders and investors through comprehensive ecosystems. These platforms leverage automated software and artificial intelligence algorithms to assist users in their transactions.

Furthermore, digital currencies enable borderless trading without additional fees through the use of blockchain technology. This fosters financial stability, connectivity, and empowerment for individuals. The low cost of movement associated with digital currencies, as they do not rely on physical infrastructure, attracts new participants to utilize these instruments for financial purposes. This facilitates closer interaction with the global economy.

The use of different ledgers for each transaction ensures transparency and eliminates the risk of manipulation for unfair advantage. Consequently, underdeveloped countries have a greater opportunity to engage in financial transactions and enhance their economic and social prospects. Additionally, cryptocurrencies offer ordinary citizens the ability to track the allocation of public funds, empowering them to have a say in their political climate.

The cryptocurrency market has seen significant growth, with over 2,300 cryptocurrencies in existence. Approximately 25 cryptocurrencies have a market capitalization of over $1 billion, while 450 cryptocurrencies have a market capitalization of around $1 million. The emergence of cryptocurrency exchanges and the exploration of their potential and applications have spurred the crypto industry's intensification and rapid development. Table 2.4 and Figure 2.1 depict the top 10 crypto assets by market capitalization as of 01.01.2022.

The table provides an overview of cryptocurrencies ranked by market capitalization, which is expressed in US dollars. Let us delve into an examination of the most popular cryptocurrencies.

Bitcoin currently holds the top position as the most valuable cryptocurrency in the market. As of May 18, 2021, its value stood at approximately $43,144.7 USD. BTC captures a significant market share, accounting for 50.62% of the total cryptocurrency market. It is projected that the price of BTC may reach approximately $100,000 in the future. Notably, when bitcoin was first introduced in 2008, its initial value was a mere $0.01. Over the years, its value has shown considerable growth and stability.

Table 2.3 – Cryptocurrency market capitalization [30]

Place	Name	Symbol	Market capitalization	Price
1	Bitcoin	BTC	$765 447 371 713	$40 903,05
2	Ethereum	ETH	$319 379 392 239	$2 754,14
3	Binance Coin	BNB	$59 098 434 352	$385,17
4	Tether	USDT	$58 611 996 125	$1,00
5	Cardano	ADA	$55 204 569 001	$1,73
6	XRP	XRP	$52 417 919 144	$1,14
7	Dogecoin	DOGE	$51 165 066 110	$0,3945
8	Polkadot	DOT	$26 667 751 342	$28,38
9	Internet Computer	ICP	$21 375 745 530	$172,46
10	Bitcoin Cash	BCH	$15 110 694 856	$806,23

Figure 2.1 illustrates the distribution of cryptocurrencies based on their percentage of the total market capitalization. Bitcoin occupies the largest share, with Ethereum and Binance Coin following closely behind.

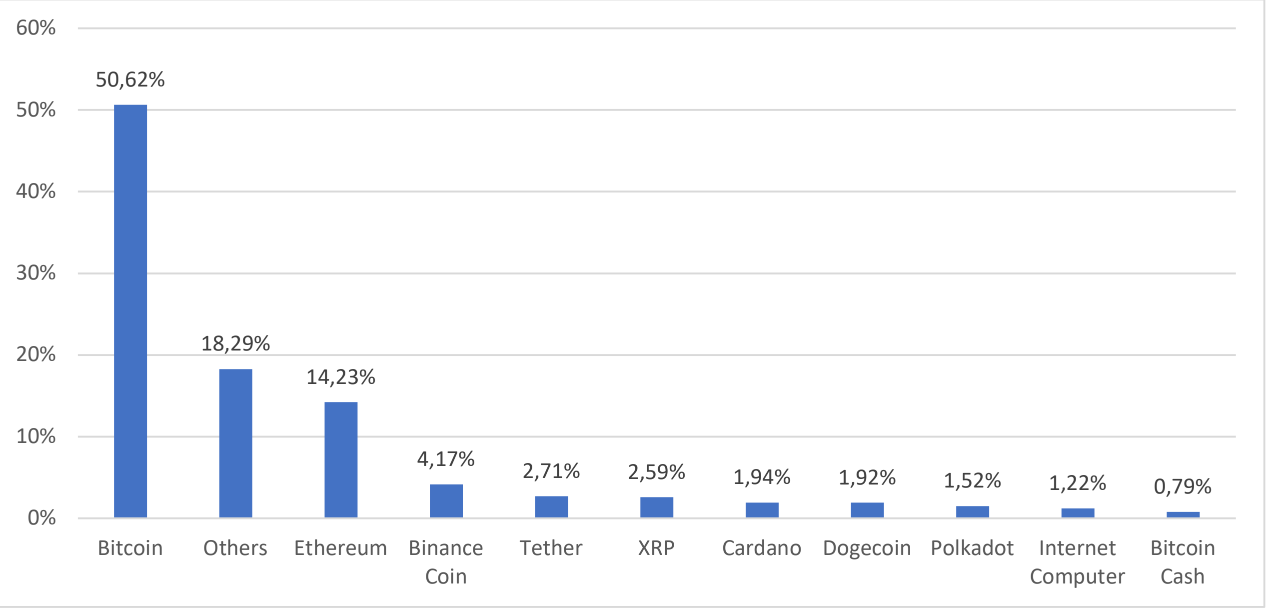

Figure 2.1 – Percentage of cryptocurrency capitalization from the total market, USD

Source: compiled by the author based on data [30, 31].

CONCLUSIONS

This qualification work aims to identify the features and problems of the global FOREX market development as well as to analyze its current state.

The main conclusions are as follows:

1. The foreign exchange market is a sphere of economic relations related to the purchase and sale of foreign currency and securities denominated in foreign currency, as well as operations on investment of foreign capital. On the other hand, the foreign exchange market is an official financial center where the purchase and sale of currencies and securities denominated in foreign currencies is concentrated on the basis of supply and demand.
2. Depending on the volume of currency trading and the scope of currency transactions, the foreign exchange market is divided into domestic (national), regional, and international.
3. Foreign exchange market participants can be divided into two main groups: those who carry out foreign exchange transactions on a professional basis and those who use the services of the previous when participating in foreign exchange transactions, i.e., non-professional participants.
4. The FOREX market facilitates several fundamental types of currency transactions: 1) trade and investment, 2) speculative, 3) hedging, 4) regulatory.
5. The increasing popularity of cryptocurrencies stems from the perception that they offer investment opportunities, with buyers hoping for their value to increase over time. Traditional currency systems have their own shortcomings, including vulnerabilities and the potential for inflation leading to loss of value. In contrast, digital currencies are preferred by buyers due to their perceived resistance to inflation and the ability to bypass traditional banking systems. Additionally, the decentralized nature of blockchain technology provides enhanced security, which

further attracts buyers in the digital age. Some speculators, who are primarily focused on short-term gains rather than long-term adoption, find cryptocurrencies appealing because of their potential for value appreciation.

6. And, finally, specifics of the modern global foreign exchange market development are as follows:

- increased internationalization associated with deepening economic ties, increasing concentration of production and financial capital, creation of joint banks, etc;
- high dynamism of currency transactions;
- availability of unified and, in most cases, standardized methods of organizing trade and concluding foreign exchange contracts;
- an increase in the share of speculative transactions in the turnover structure and, accordingly, a decrease in the share of commercial (client) currency transactions;
- high level of technical equipment of financial and credit institutions;
- the use of special telecommunication information systems (Reuters, Bloomberg, Telerate);
- widespread use of international settlement units;
- constant increase in the dynamics of the use of cryptocurrencies;
- liberalization of national currency legislation and strengthening of domestic currency markets, etc.

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