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DEVELOPMENT TRENDS OF OPERATIONS IN THE INTERNATIONAL FINANCIAL MARKET

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ABSTRACT: - The main ultimate goal of the economic reforms implemented in our country is to fully establish the principles of market relations in the country's economy. In this process, it is of great importance to create an effective system of currency regulation, to develop measures to prevent the negative impact of various situations arising in the currency sector on other areas of the economy. The article analyzes the problems of regulation of monetary relations, exchange rates and monetary policy, especially in Uzbekistan.

KEYWORDS: Currency policy, exchange rate, currency market, devaluation, revaluation, balance of payments, currency restrictions.

INTRODUCTION

The role of the leading economic countries in the development of currency relations is significant. In the last decade, the activity of transition and developing countries is also increasing in this field.

Each developing country, implementing its currency policy related to the coordination of the economic situation, strives to eliminate the deficit of the balance of payments, to curb the import and export of goods, and to protect the national currency reserves. For this, the following main methods of currency policy are used:

a) coordination of the exchange rate using various regimes such as fixed, floating, multiple and devaluation and, in rare cases, revaluation;

b) application of various forms of currency restrictions on current and financial transactions of the balance of payments;

c) creation of interstate payment and clearing agreements to save currency reserves (Asian Clearing Union, West African Clearing Chamber, etc.);

d) development of currency cooperation and integration of developing countries by establishing their own currency groupings, joint currency funds designed to cover the deficit of the balance of payments.

ANALYSIS AND RESULTS

Commercial banks take the main place in the implementation of currency operations. The legislation of most countries of the world imposes the right to carry out non-cash currency exchange operations mainly on commercial banks.

It should be noted that commercial banks carry out settlement and payment operations in the form of currency exchange transactions through their established representative accounts (bank accounts opened in other commercial banks). This, in turn, determines the participation of commercial banks as the main participants in the Forex market.

Commercial banks should organize a number of special departments in the implementation of currency exchange operations:

- currency dealing (Dealing) department for concluding transactions on the foreign exchange market;
- department of foreign exchange transactions (Back office);
- Settlements department.

Usually, currency transactions refer to transactions related to the exchange of property rights to foreign currencies and currency values.

There are several types of foreign exchange operations of commercial banks. In the economic literature, mainly two types are distinguished:

1. Cash transactions or spot operation;

2. Futures contracts (their most common forms are forwards, options, futures, swaps, etc.).

A condition of cash transactions or spot transaction is that when the currencies arrive within two working days after the foreign exchange transaction is concluded, these are called spot transactions. If it is delayed by two working days of the bank, the guilty bank will pay a penalty. These two working days do not include bank holidays and bank holidays, and must be a working day for both countries' banks.

Term is the main condition of foreign currency operations, and refers to operations that are carried out within a specified period, but in a period exceeding two working days. The most common form of currency futures are forward contracts. In banking practice, there are standard terms for the implementation of forward transactions. Examples of standard terms are 1, 3, 6, 9, and 12 months. Forward contracts are usually used to hedge the risks arising from exchange rate fluctuations. For example, the exporter sold his goods with the condition of payment within 6 months. After 6 months, he got 10 mln. Must have foreign exchange earnings of USD. If the exchange rate of the US dollar falls within 6 months, the exporter will suffer. In order to avoid losses, the exporter concludes a forward currency contract with the bank. The commercial bank determines the exact forward exchange rate at the time of signing the contract, and after 90 days, the client will receive 10 mln. buys US dollars. In order to avoid losses, the commercial bank analyzes the amount of the transaction, the term of the transaction, the interest rate of loans in the currency of the transaction, the interest rates paid to deposits in the currency of the appraiser, determines whether it is a premium or a discount, and hedges (insures) the currencies. If the interest rate on the foreign exchange contract is lower than the interest rate of the valuing currency, this currency is quoted at a higher rate and the resulting index is sold at a premium. If the interest rate of the foreign exchange transaction is high, this indicator will be a discount.

In the first half of 2021, the situation in the domestic currency market was formed in the context of an increase in the volume of supply and demand for foreign currency.

The total volume of foreign currency supply in the domestic currency market in the first half of 2021 is 9.8 billion. US dollars (excluding Central Bank interventions) and increased by 1.6 times compared to the same period last year (in 2020 - 6.0 billion US dollars, in 2019 - 5.1 billion US dollars).

In January-June of this year, the total amount of demand in domestic currency market operations is 11.3 billion. USD, and increased by 1.7 and 1.4 times compared to the corresponding periods of 2019 and 2020. In addition, the share of individuals and legal entities in the total demand was 18 and 82 percent in 2021, while in the corresponding period of 2020 this figure was 21 and 79 percent, respectively.

Australian dollar, Canadian dollar, Swiss franc and Chinese yuan are the next most used currencies.

In general, in the near future, the national currencies of developing countries do not have the opportunity to lead global currency transactions. At the moment, even among developed countries, it can be seen that the US currency has high liquidity and does not lose its leadership due to its participation in currency pairs and cross rates.

In Uzbekistan, spot currency operations are developed mainly with US dollars in exchange and over-the-counter currency markets. Although the trading instrument with the euro is placed in the trading system of the currency exchange, its scale is not significant. At the moment, all legal grounds are sufficient for the Central Bank and commercial banks to carry out currency swap operations. However, forward, futures and option contracts with foreign currency remain undeveloped in the national currency market.

Term currency transactions do not develop in conditions of only one-way changes in the national exchange rate, i.e. depreciation. The reason for this is that the parties to the transaction should benefit from the uncertainty of exchange rate changes. In other words, if someone insures himself against an increase in the exchange rate, the other party, on the contrary, is protected against a decrease in the exchange rate.

CONCLUSION

It is clear from this that the Central Bank should stop the continuous growth of the exchange rate by intervention in the foreign exchange market. Price formation on the basis of supply and demand naturally has both an ups and downs. This creates the basis for the development of transactions with currency swaps, forwards, futures and options. In the initial conditions of the development of term currency operations, the Central Bank should participate as a provider of liquidity, that is, it should intervene in the term currency market.

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