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FOREIGN EXCHANGE MARKET UKRAINE: RISKS FUNCTIONING AND DEVELOPMENT PROSPECTS

The currency market is a leader among all other financial markets and is a component of economic processes in the country. By their nature, the currency market – a system of economic relations associated with the purchase and sale of foreign currencies to be used in international payments. The modern foreign exchange market – one of the types of money market, which ensures the sale of foreign and national currency. The existence of this market is an important part of the economy of Ukraine.

The market players are different groups of economic agents, each of which seeks to gain maximum profit. Characteristic for the modern foreign exchange market is a wide range of regulatory institutions, including: the relevant government authorities; system of international financial organizations, groups and agreements existing on interstate basis, and the system of insurance against currency risk. Although the present conditions the role of government in growing foreign exchange regulation, state regulation should not replace market self-regulatedness and has only supplement and adjust accordingly their action because the currency market Ukraine has a high level of regulatedness of all major segments.

Organization of the currency market of Ukraine, according to the current legislation is entrusted to the National Bank of Ukraine. The official rate of the national currency against foreign currencies, the organization trading on the currency market and the use of foreign exchange intervention to stabilize the exchange rate is part of the powers of the National Bank and is one of the primary goals.

Foreign exchange market Ukraine has always been unstable. This is due to the great impact of changes both within the state and abroad. Rate, since its introduction in circulation since September 2, 1996, changed many times, mostly declined against foreign currencies. So in 1996 the hryvnia against the dollar did not exceed 1.8 hryvnia for one dollar. Subsequently, there have been three sharp jump devaluation: in 1999 the dollar exchange rate established at the level of

5,3-5,4 UAH, and during the global economic crisis in 2008 at around 8.1 UAH. New rapid collapse occurred in 2014. During the year, the currency market Ukraine developing in conditions of extremely unfavourable external environment and worsening social and political tension in the society. During the year the national currency has lost much of its value. The reasons for this trend are several, including the negative business expectations, decline in exports, a decrease of foreign direct investment and significant costs of servicing the public debt, the NBU support payments NAK “Naftogaz Ukraine” for imported natural gas. The main effects of devaluation is the rise in imported products, for which payments are made in foreign currency, then – production sectors of the Ukrainian economy in the first place – because of the fuel price hike and increased transportation costs. Additional long-expected collapse of credit and reduction in investment. Reduction of overall economic activity causes instability of economic conditions. In 2014 sales volume of interventions NBU foreign exchange interbank market (10 146 100 000 USD. UAH equivalent) significantly exceeded the purchase of foreign currency regulator (980.9 million UAH, UAH equivalent).

National currency changed during 2014 from USD 7.94 mark per dollar to a mark of 15.76 USD for \$ 1, indicating that the devaluation of the hryvnia devaluation and its nearly 2-fold or 200%.

By 2015 the official exchange rate decreased from 1 576.86 USD. / \$ 100. US district as of 01.01.2015. 2 400.07 USD. / \$ 100. As of 01.01.2016 the US. During the specified period of time peak official rate was recorded February 26, 2015 – 3 001.01 USD. for \$ 100. USA. The total volume of NBU interventions on the interbank market on results 2015 (4 250.7 million dollars USA) is much smaller than the same figure for 2014 (11 127.0 million dollars USA). The purpose of this intervention is to provide a relatively stable value rates. Under the regime of floating exchange rate interventions NBU volume of sales of foreign currency in the interbank market were insignificant.

While in Q1 2015 the NBU has exercised such banking transactions, whereas in Q2 stopped, because of some a balance and stability.

The total volume of cash foreign currency on the interbank currency market of Ukraine in 2015 amounted to only 2 960.5 million dollars USA (2014 – 13 918.0 million dollars USA). Trend 2015 was a significant predominance of sales of currency by the population over the volumes of purchase. National Bank for its part promotes this phenomenon by easing administrative restrictions on the foreign exchange market. However this trend is largely due to the depletion of public funds and withdrawal of foreign currency savings to fund current spending.

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