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METHODS OF INFLUENCING THE EXCHANGE RATE: PROBLEMS OF CURRENCY REGULATION AND WAYS TO OVERCOME THEM

Currency regulation plays a significant role in the state economic policy. Depending on the goal, currency regulation can stimulate or constrain economic development in the country and, accordingly, affect the state of individual sectors, industries and enterprises, as well as the place of the state in the world market. In modern conditions of economic globalization, the exchange rate is becoming one of the main integrated macroeconomic indicators, which affects not only the foreign economic activity of the state, but also, in general, the socio-economic development of our country. The imbalance of the foreign exchange market, the negative trade balance, high inflation rates indicate that the problem of conducting an effective exchange rate policy and establishing the optimal level of the exchange rate remains unresolved. It is necessary to choose the optimal system for regulating the rate of currency quotations to solve these problems. The paper discusses theoretical approaches to the system of regulation of exchange rate regimes. Systematized and classified methods of currency regulation. The proposed application of a systematic approach to the stabilization of the exchange rate, which promotes the integrity, hierarchy, structuring of currency systems. And this paper also discusses the problems of currency regulation and ways to overcome them.

Key words: currency system, exchange rate, currency regulation, currency regulation methods, currency regulation tools.

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Валюта бағамына әсер ету әдістері: валюталық реттеу мәселелері мен оларды шешу жолдары

Валюталық реттеу мемлекеттің экономикалық саясатында маңызды рөл атқарады. Оның мақсатына қарай валюталық реттеу елдегі экономикалық дамуды ынталандыруы немесе тежеуі мүмкін және сәйкесінше, жекелеген салалар мен секторлардың жағдайына әсерін тигізіп, сондай-ақ мемлекеттің әлемдік нарықтағы орнына да ықпал етеді. Қазіргі экономикалық жаһандану жағдайында валюта бағамы еліміздің сыртқы экономикалық қызметіне ғана емес, жалпы әлеуметтік-экономикалық дамуына да әсер ететін негізгі кешенді макроэкономикалық көрсеткіштердің біріне айналды. Валюта нарығының тепе-теңдігінің бұзылуы, сауда балансының теріс қалдығы (сальдосы), инфляцияның жоғары қарқыны қазіргі кезде тиімді валюта бағамы саясатын жүргізу мен валюта бағамының оңтайлы деңгейін орнату мәселесінің әлі де ашық қалып отырғандығын көрсетеді. Бұл мәселелерді шешу үшін валюта котировкасы бағамын реттеудің оңтайлы жүйесін таңдау керек. Мақалада валюта бағамы режимдерін реттеу жүйесіне теоретикалық көзқарастар қарастырылған. Валюталық реттеу әдістері жүйеленген түрде жіктелген. Валюталық жүйелерді құрылымдауға және олардың тұтастылығы мен иерархиясына ықпал ететін, валюта бағамын тұрақтандыруға жүйелік көзқарасты қолдану ұсынылады. Сонымен қатар, бұл мақалада валюталық реттеу мәселелері мен оларды шешу жолдары қарастырылады.

Түйін сөздер: валюталық жүйе, валюта бағамы, валюталық реттеу, валюталық реттеу әдістері, валюталық реттеу құралдары.

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Методы воздействия на валютный курс: проблемы валютного регулирования и пути их преодоления

Валютное регулирование играет значимую роль в экономической политике государства. В зависимости от цели, валютное регулирование может стимулировать или сдерживать экономическое развитие в стране и, соответственно, влиять на состояние отдельных секторов, отраслей и предприятий, а также на место государства на мировом рынке. В современных условиях экономической глобализации валютный курс становится одним из основных комплексных макроэкономических показателей, который влияет не только на внешнеэкономическую деятельность государства, но и в целом на социально-экономическое развитие нашей страны. Разбалансированность валютного рынка, негативное сальдо торгового баланса, высокие темпы инфляции свидетельствуют о том, что в настоящее время остается нерешенной проблема проведения эффективной валютно-курсовой политики и установления оптимального уровня валютного курса. Для решения этих проблем необходимо сделать выбор оптимальной системы регулирования курса котировок валют. В статье рассмотрены теоретические подходы к системе регулирования режимов валютного курса. Систематизированы и классифицированы методы валютного регулирования. Предложено применение системного подхода к стабилизации валютного курса, который содействует целостности, иерархичности, структурированию валютных систем. А также в статье рассматриваются проблемы валютного регулирования и пути их преодоления.

Ключевые слова: валютная система, валютный курс, валютное регулирование, методы валютного регулирования, инструменты валютного регулирования.

Introduction

The need for currency regulation is objectively determined by the basic principles of the modern world monetary system, providing for the possibility of exchange rate formation based on supply and demand in the foreign exchange market and involving the widespread use of only a few of the strongest currencies in international payments. An imbalance of supply and demand in the foreign exchange market can lead to serious economic shocks. Foreign exchange regulation has been used by various countries since the first years of transition to a world monetary system based on credit money. Currency regulation measures were actively used already during the actual collapse of the gold standard system, in particular, during the First World War. Many western European countries implemented exchange controls in the years immediately following World War II. The measures were gradually phased out, however, as the post-war economies on the continent steadily strengthened; the United Kingdom, for example, removed the last of its restrictions in October 1979. Countries with weak and/or developing economies generally use foreign exchange controls to limit speculation against their currencies. They often

simultaneously introduce capital controls, which limit the amount of foreign investment in the country. Countries with weak or developing economies may put controls on how much local currency can be exchanged or exported – or ban a foreign currency altogether – to prevent speculation. Exchange controls can be enforced in a few common ways. A government may ban the use of a particular foreign currency and prohibit locals from possessing it. Alternatively, they can impose fixed exchange rates to discourage speculation, restrict any or all foreign exchange to a government-approved exchanger, or limit the amount of currency that can be imported to or exported from the country (Kenton, 2020).

The world currency system passed some stages in the development. Each stage differs in the basic principles of functioning of system, but has a certain heredity in relation to the previous. The characteristic of classical currency systems is provided in Table 1.

From the conducted research it is possible to draw a conclusion that in modern conditions of business and development of the international currency relations the main place is taken by the Jamaican currency system as one of the most economically effective and developed systems where the exchange rate is defined by market forces – supply and demand.

Table 1 – Characteristic of classical currency systems

Currency system	Basic principles functioning	Advantages	Disadvantages
The Parisian currency system	Gold – the main international unit of account. The exchange rate paid off on the basis of gold reserves. The central banks had to support possible considerable deviations of exchange rates of the monetary units	Stability of an exchange rate and prices. Stability of an economic situation in the market. Regulation of the payment balance and an exchange rate it was carried out automatically	Complexity of the economic regulations. Complete dependence from gold mining and its deliveries
Bretton Woods system	Gold kept function of world money. However reserve currencies – US dollar, English pound sterling were at the same time used. Beginning and gradual strengthening the American dollar on the world economic scene. The International Monetary Fund and the International bank of reconstruction and development is created	Free convertibility currencies. Relative stability of an exchange rate. The American dollar monopolizes the world market and allows the USA to dictate the terms in the currency market	Sensitivity of the currency systems to external conditions and the crisis phenomena. Deprivation of flexibility of the currency systems. Intervention of the state in system of stabilization of currency and its regulation
The Jamaican (European) system	Gold as the currency is officially abolished. The standard of special drawing right which has to be used as world money, and also for establishment of exchange rates of currencies is entered.	The floating currency course which is formed on the basis of supply and demand on the currency market	Sharp fluctuation of exchange rates. Growth of inflation owing to growth of an exchange rate. Peg of national currencies to official international currencies (US dollar and euro)

Note – compiled by authors on the basis of (Goyette, 2009; Chetwin, 2006)

Literature Review

World experience testifies that development of the currency relations happens with active participation of the state (Chetwin, 2006). Moreover, it should be noted that in the conditions of crisis shocks improvement of state regulation concerning implementation of currency transactions gains extreme relevance. Productivity of currency regulation is the most important factor of ensuring stability of national currency, stability of financial and credit system and financial market, formation of

investment climate in the country, developments of the international economic integration.

Key object of currency regulation is the exchange rate of monetary unit of the country which in turn significantly influences further development of intraeconomic processes and the external economic positions of the country. The exchange rate is necessary for mutual currency swap at trade in goods and services.

The main theoretical approaches to system of regulation of the modes of exchange rates are presented to Table 2.

Table 2 – Approaches to regulation of the modes of exchange rates

Theory	Characteristic
Theory of key currency (A. Hansen, T. Graham)	Distribution of currencies on key, firm and soft; need of orientation of currency policy of all countries with market economy for US dollar and its supports as reserve currency
Theory of the mobile parities (I. Fischer, J. M. Keynes)	Influence on a course by management of gold parity of monetary unit
Theory of courses of balance	Point of balance is such exchange rate which provides balance of the balance of payments
Standard theory exchange rate (J. Mead)	Exchange rate as the additional instrument of regulation of economy, application of the mode of a flexible course which is controlled by the state
Theory of the currency stability on base the fixed parities and courses (J. Robinson, J. Bikerdayk)	Is based on the mode of the fixed parities and courses, assumes their change on considerable imbalance of the balance of payments
Theory of parity of purchasing power (D. Ricardo)	Treats change of an exchange rate a ratio of quantity of money in circulation of the respective countries, rejects an objective cost basis of an exchange rate

Theory	Characteristic
Theory of the optimum currency zones, (R. Mundell)	Develops criteria for establishment of real exchange rates, trying to find objective indicators which define need and the amount of their change
Theory of the floating exchange rates (M. Fridman, G. Johnson)	Suggests to forbid legislatively currency intervention because the market better does work of currency speculators, than the government
Note – compiled by authors	

Methodology

Classification of currency regulation and methods are now into administrative and economical pattern. Administrative methods include the policy restrict, the rights of participants in foreign exchange transactions, and administrative liability for non-compliance. Methods that do not restrict the rights of economic agents as opposed to administrative methods, but that affect them indirectly, through various market mechanisms and economic incentives, are considered economic (indirect).

Results and Discussion

During the nineties XX century among economists of the IMF the thought that only this way the

called “corner solutions” can prevent currency crises which equally affect as developed, and developing countries was standard.

However, it is possible to observe signs of the increasing support of the intermediate modes, especially in new market economies. Specialists of the IMF assume more pragmatically that “... any of the modes of exchange rates isn’t worthy in any cases for all countries...”.

The obvious conflict between “corner solutions” and so-called “intermediate solutions” can be solved by the assumption which is that angular decisions are the best in the long-term period, especially in those countries which successfully liberalized and capitalized internal financial institutions, and then liberalized external accounts of the capital.

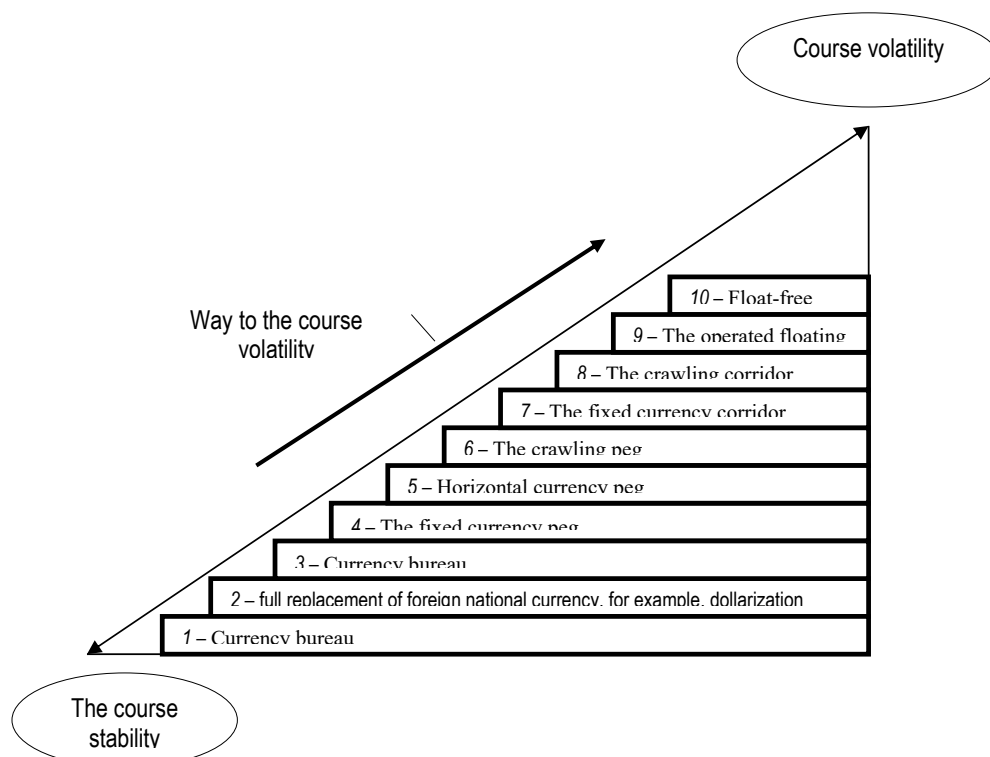


Figure 1 – Triangle of “corner and intermediate solutions” of rather currency and course modes

Note – compiled by authors

For the purpose of a choice of the mode of regulation of an exchange rate in the country the triangle of “corner and intermediate solutions” of rather currency and course modes (Figure 1) is offered. Thus 8 intermediate are allocated 2 “corner solutions” (the monetary union and free floating),

and also: from full replacement of national currency (dollarization) before the operated floating.

On the basis of data of Figure 1 the table in which classification is carried out is constructed and the main modes of exchange rates are characterized (Table 3).

Table 3 – Classification of the modes of exchange rates

№	Type of the mode of an exchange rate	Characteristic
1	Fixed, including:	- an official fixed rate which is entered by government bodies (The central bank of the country) in the conditions of currency restrictions for an exchange of national currency for the foreign; - is obligatory for all (or only for a certain part) currency transactions; - introduction leads to emergence of “the black market”
1.1	Fixed rate within the mechanism ERM-II	- the ERM-II mechanism obliges the countries to hold within two years courses of national currencies within 15% from declared by the European Central Bank; - accession to ERM-II is a necessary condition for further occurrence to the Eurozone
1.2	Currency bureau	- rate of national currency to leading currency is fixed in a legislative order; - the monetary base has to have 100% a covering net international assets of the Central bank; - The Central bank refuses any active operations with internal assets; - changes in monetary base result only from changes in the international assets
1.3	Dollarization	full replacement of foreign national currency, for example US dollar or euro in the international assets
2	Float-free	- level of an official exchange rate is defined only in the currency market under the influence of supply and demand which, depend on a condition of the balance of payments of the country, a ratio of interest rates and rates of inflation, expectations of participants of the market, official currency interventions; - The central bank doesn’t interfere with process of an exchange rate formation mechanism
3	Mixed, including:	intermediate between fixed and flexible the modes of an exchange rate
3.1	The fixed currency peg	“peg” to strong currency or basket of currencies with a corridor $\pm 1\%$
3.2	Horizontal currency peg	“peg” with a corridor more than $\pm 1\%$
3.3	The crawling peg	“peg” with parity which is periodically corrected in the fixed volume in response to changes in the chosen quantitative indices
3.4	The fixed currency corridor	the maximum and minimum borders of fluctuation of an official exchange rate established by the state for a certain period of time
3.5	The crawling currency corridor	Crawling “peg” in combination with currency corridors more than $\pm 1\%$
3.6	The operated floating	floating without the declared movement of an exchange rate: active interventions of the Central bank without readiness to follow obviously definite purpose or the movement of an exchange rate

Note – compiled by authors on the basis of (Andrade & Magalhaes Prates, 2013; Davidson, 2011)

Complexity of exact classification of the modes of exchange rates is explained by several reasons. First, officially declared mode of an exchange rate in this or that country can not answer the actual actions of the Central bank or other regulatory bodies for realization of officially proclaimed currency and course policy. Secondly, there is a significant amount of the so-called intermediate modes of an exchange rate which are characterized by existence

of the general signs and different associations of micro and macroeconomic conditions of realization, legislative restrictions and practical actions of the Central bank in this connection it is difficult to carry these modes to some concrete group.

Therefore, it is expedient to classify all forms of realization of currency and course policy on two main modes of exchange rates which have accurately expressed signs, all other types can be carried to one

of these two groups. The main modes of exchange rates, as well as forms of realization of currency and course policy, are fixed and floating.

Key advantages and differences of system of the fixed exchange rates and system of floating rates are given in Table 4.

Table 4 – Advantages and shortcomings of system of the fixed exchange rates and floating rates

Course		Explanations
Floating exchange rate	Advantages	Are defined by generally market forces under the influence of supply and demand and reflect real state of the economy of the state. If the markets work effectively and the exchange rate freely floats, speculators will have no opportunity to get profit at the expense of the Central bank. Supply and demand on foreign currency will be balanced with the market and the Central bank will have no requirement to carry out currency intervention. Therefore external streams won't influence internal monetary indicators and the independent monetary policy will be pursued.
	Disadvantages	Shortcomings of floating exchange rates can be considered that there can be a situation when the exchange rate can be on unpredictable economic forecasts level. Future exchange rate can be not certain that can create difficulties for the enterprises in the sphere of planning and pricing. In some situations from uncertainty of the forecast of an exchange rate it is possible to be insured, using forward or future agreements, however such actions are followed by additional expenses.
Fixed exchange rate	Advantages	The fixed exchange rate when it stable, gives to the enterprises to participants of foreign economic activity a basis for planning and pricing. The mode of the fixed exchange rate can be used in cases when in the state tools for carrying out a market monetary policy aren't rather developed.
	Disadvantages	There is no reliable way for definition of an optimum exchange rate. Neither the government, nor the Central bank can't claim with confidence that they it is better, than the market, know in what point there is a balance course.
Note – compiled by authors		

The mode of the fixed exchange rate is effective on condition of internal crisis situations in unstable economy. It provides low rates of inflation and quite stable conditions for foreign economic activity because creates opportunity to predict development of a situation in the country.

The fixed rate gives the chance to reach certain macroeconomic indicators. Theoretically exchange cost of national monetary unit can be calculated so that to provide stabilization of any macroeconomic indicator: demand for money, cumulative demand, index of import prices. One of the main issues which face the Central bank at establishment of the fixed exchange rate, search of a certain international standard on which the cost of national monetary unit will be oriented is. As a rule, courses of national currencies are in rigid compliance with US dollar or euro.

The modes of the fixed currency courses mean the obligation of continued support of concrete rate of national currency rather foreign irrespective of supply and demand in the currency market. Thus fluctuations of an exchange rate in general are absent or can be allowed in limits to + 1%.

The mechanism of realization of currency and course policy concerning maintenance of a fixed rate of national currency can provide implementation of currency interventions for the purpose of steadiness of supply and demand on currency at the set fixed parity. For example, at deficiency of the balance of payments and a tendency to devaluation of national currency the government pursues the deflationary policy directed on restriction of increase in prices and the income which defines decrease in domestic demand for import and, respectively, foreign currency, and then leads to rebalancing in the currency market. Under such circumstances the Central bank assumes accurate obligations concerning carrying out interventions for the purpose of maintenance of a fixed rate of national currency at the declared level. If it doesn't do it, reliability of an essential deviation of a real exchange rate from nominal under the influence of action of market forces will lead to emergence of the "shadow" currency market and establishment of double course ratios.

Other defining currency and course mode is floating. Use of this mode became one of the basic principles of functioning of the Jamaican currency

system by which it was provided to the countries an exchange rate formation mechanism mode freedom of choice after refusal of the obligatory fixed parities in Bretton Woods system.

The floating exchange rate is a ratio between currencies of the different countries which is formed in the market under the influence of change of supply and demand on national and foreign currency. The floating mode of an exchange rate provides use first of all of market mechanisms of regulation of course ratios of currencies under the influence of change of supply and demand. However, it doesn't exclude possibility of influence of currency policy of the Central bank on exchange rate formation mechanism mechanisms. In this regard such mode of an exchange rate can get different forms depending on scales and ways of intervention of regulatory bodies of the state in process of establishment of an exchange rate.

Though the majority of the countries of Europe doesn't apply the floating modes of exchange rates, in the last decade more and more the countries of the world passes to the flexible currency modes (for example, Brazil, Israel, Poland, Turkey, Chile).

At the same time many countries don't wish to enter a floating exchange rate because of decrease in opportunity to control inflationary expectations. Besides, they are disturbed by possibility of systematic withdrawal from the fixed mode because it demands preliminary preparation, a right choice of terms and reliable fundamentals of economic policy.

In case in the country not one mode of an exchange rate is used, and some, such mechanism of an exchange rate formation mechanism is called as the mode of multiple exchange rates is a form of realization of currency and course policy in which in the country the differentiated rates of national currency depending on types of currency transactions, participants of these operations and kinds of currencies are applied.

As a rule, such mode provides existence of two or more exchange rates which are applied to different types of operations. Usually it is an official rate for a certain list of operations and a market rate for all other operations.

For the first time the mode of multiple exchange rates was used in the period of a world economic crisis of 1929 – 1933. After World War II some countries continued to apply multiple exchange rates. So in France to the middle of the 1960th exchange rates worked. Turkey used the overestimated official rate and the differentiated courses on separate operations in the 1970th. The same practice during this period was observed and in Brazil (Rickards, 2011).

The mode of plurality of exchange rates mostly is applied in the countries with undeveloped market mechanisms and weak positions in the world markets. Therefore, the IMF, as a rule, recommends refusal of this mode, and for the countries which assume obligations for ensuring convertibility of national currency, not recommendations, but strict requirements of the charter of the IMF concerning a ban of the mode of plurality of exchange rates are applied (Kohler, 2001).

The exchange rate is one of the main complex indicators of macroeconomic stability and a factor which substantially influences social and economic development of the country. For this reason, regulation of an exchange rate for the purpose of its maintenance at the level, optimum for economy, is a key problem of economic policy of the state and, in particular, currency and course policy.

According to the author, it is necessary to understand system of legislative norms and economic measures which are realized by the state represented by authorized bodies for the purpose of formation and improvement of national currency system of the country according to the principles of development of world currency system, ensuring currency stability and formation of the effective mechanism of monetary relationship with other countries with application of administrative and economic methods of influence on participants of the currency relations of rather currency policy in the state as currency regulation.

In the offered approach concerning interpretation of essence of the concept "currency regulation" the following aspects are most considered:

1. Systematicity of legislative norms and economic measures which in turn allow to consider this concept of broader understanding is defined.

2. The expanded concept of the purpose of carrying out currency regulation, namely, formation and improvement of national currency system of the country is emphasized.

3. Compliance concerning structure of the principles of world currency system which in turn emphasizes modern development of internationalization and globalization of economic processes is staticized.

4. The attention to application of administrative and economic methods of influence on participants of currency legal relationship of rather currency policy in the state which, in turn, includes currency interventions, devaluations and revaluations of currencies, discount policy, policy of management of currency reserves (their diversification), currency restrictions are focused.

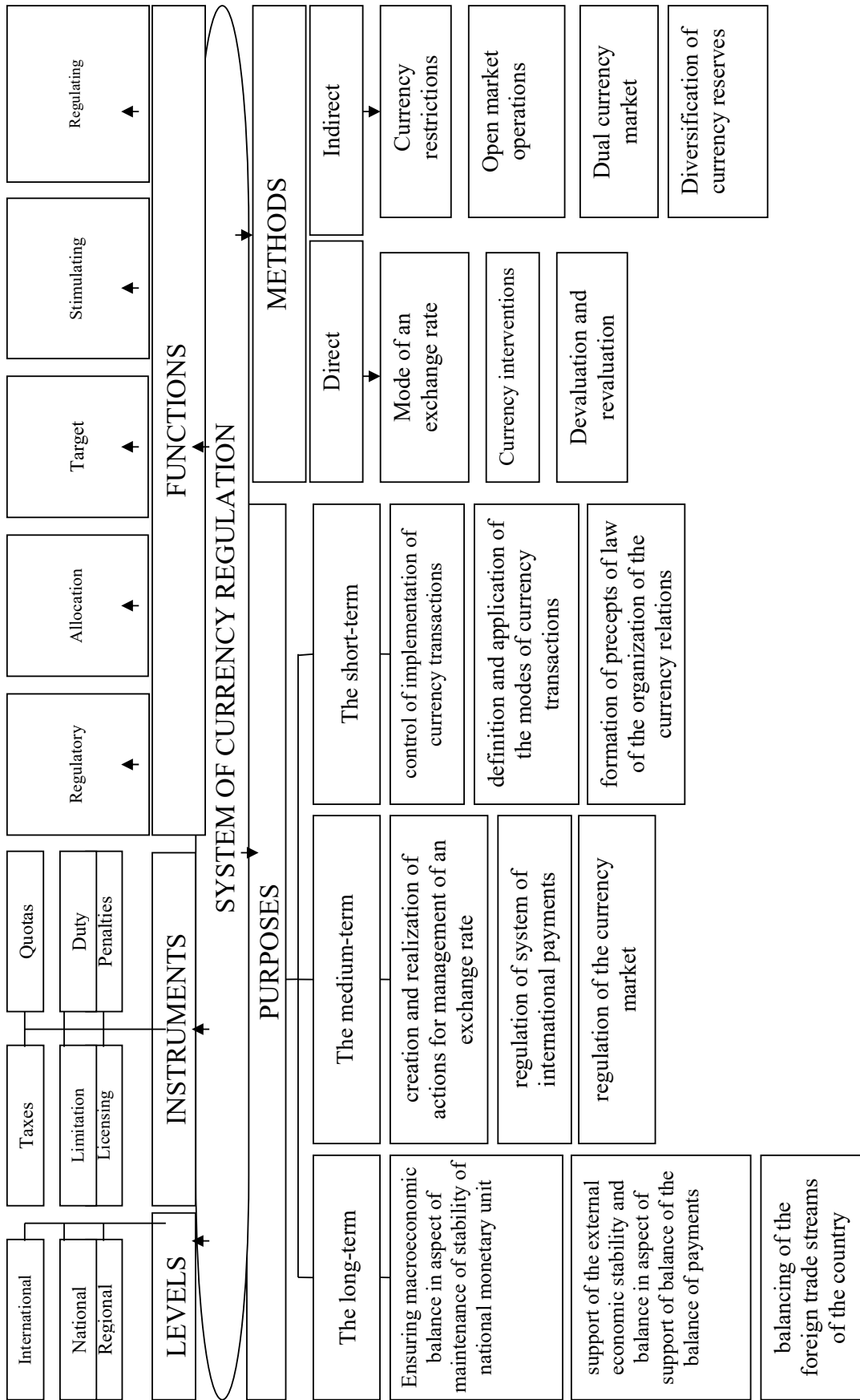


Figure 2 – System of currency regulation within levels, the purposes, methods, functions and tools
 Note – compiled by authors

Considering the main functions of currency regulation it is offered to use the following classification: regulatory (application of methods and forms of currency regulation), allocation (influence on the currency relations), target (definition of the directions of development of currency system), stimulating (formation of regulatory measures of influence), regulating (development and deployment legislative and normative legal acts which define an order of carrying out operations with currency values).

The system of currency regulation is realized at the different levels with application of different methods and tools, interaction and which interrelations are presented on Figure 2.

It should be noted that in scientific literature there is no consensus concerning a typology of methods of currency regulation. Classification of methods of currency regulation is reduced to allocation direct and indirect, administrative and market (Rickards, 2011; Wood, 2012).

According to the authors, it is expedient to allocate two groups of methods of currency regulation: administrative and legal and economic (market). On the essence administrative and legal methods are action straight line methods as have standard character and reveal specific conditions of implementation of currency transactions to direct participants of the currency market. At the same time, economic methods of currency regulation can include methods and direct and indirect influence. It is necessary to understand set of methods which were developed especially for regulation of the currency relations in the country as methods of direct influence. Methods of indirect influence are understood as set of methods which are used during implementation of monetary policy of the state for regulation of the offer of money in the country, influencing thus dynamics of an exchange rate. According to the author, Figure 3 need to be presented structure of methods of currency regulation as follows.

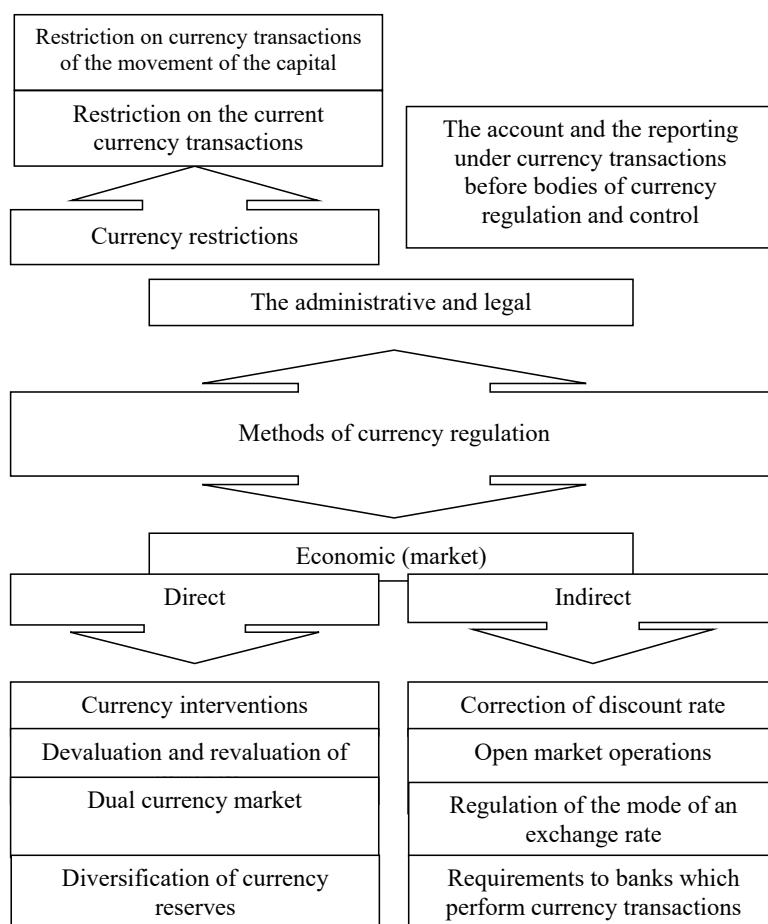


Figure 3 – Classification of methods of currency regulation
 Note – compiled by authors

Using data of the analysis, it is possible to note that the set of methods of regulation and stabilization of currencies is necessary first of all for effective and stable development of national currency, and also all set of economic processes and a monetary policy in general.

Among administrative methods of currency regulation currency restrictions – set of regulatory measures which provide establishment of legislative or standard rules concerning a ban, limitations and regulations of operations of residents and nonresidents with currency and currency values are widespread (Rodrik, 2008). Except basic function – establishment of rules of conduct in the currency market – currency restrictions carry out a number of important tasks to which it is possible to refer alignment of the balance of payments, management of gold and foreign exchange reserves, influence on dynamics of an exchange rate of national currency.

The most effective economic methods are methods of devaluation and revaluation of currency, however they sharply influence all economic situation that further can serve as the reason of negative consequences for the population as main consumer of production (Harvey, 2009).

The method of currency interventions which is applied generally by the countries which have limited material resources is the most used in modern conditions and regulate currency system at the gold expense and foreign exchange reserves, respectively, spending huge amounts of money for maintenance of an exchange rate in stable conditions. These methods give only economic effect on functioning of currency system and don't reflect, which influence will be created on participants of the currency market (Archer, 2005).

As experience of Mexico, Turkey and Chile testifies, official interventions are not always an effective method of influence on an exchange rate or reduction of range of its fluctuations. Interventions are more effective if they are carried out infrequently, thanks to strengthening of a factor of surprise and building confidence of participants of the market in intention of the Central bank to peg the flexible exchange.

Positive factor is the transparent policy of interventions. It is a lot of countries, including Turkey and Philippines, confirmed the favor to a flexible exchange rate, having emphasized that interventions won't be applied to targeting of an

exchange rate. Besides, favor of the state to definite purposes of interventions allows the market to control currency transactions of the Central bank and provides its accountability for their carrying out. A striking example of transparency is the publication of information on the politician of interventions in Australia and Sweden with the accurate indication of the purpose and the reasons of their carrying out (Andrade & Magalhaes Prates, 2013).

Important method of direct influence is diversification of currency reserves which provides regulation of structure of official currency reserves of the state by inclusion in their structure of foreign currencies of the different countries (Rossi, 2013). Understand official stocks of foreign currency which are in Central bank, in banking institutions of other countries and the international currency and credit organizations as currency reserves. As a rule, this method is used for sale of fluctuating currencies and purchase of more resistant currencies and also currencies necessary for carrying out international payments and interventions. It allows to operate currency risk of the country and is especially actual during the periods of economic instability. In normal economic conditions diversification of currency reserves acts as an auxiliary method which provides efficiency of other tools – such, for example, as regulation of the mode of an exchange rate.

One more method of currency regulation is regulation of the mode of an exchange rate – the activity of the Central bank directed on establishment of an order of definition and change of an exchange rate of national currency of rather foreign currencies (Wray, 2012).

Other method of indirect influence is the policy of the open market which provides regulation of money supply in the country by carrying out by the Central bank operations with the state securities for the purpose of influence on resource base of banks (Rogoffs & Reinhart, 2004). Repayment of securities by the Central bank increases resource base of banks which leads to increase in money supply and devaluation of national currency. Sale of securities, on the contrary, withdraws money from circulation and narrows money supply, increasing the relative value of national monetary unit.

Systematization of methods of regulation of an exchange rate is given in Table 5.

Table 5 – Methods of regulation of an exchange rate

Method	Characteristic
Method of devaluation of currency	Provides the directed actions of the relevant institutional structures owing to which exchange rates of currency of own country decrease. This method has negative character at an initial stage because exchange rate sharply falls, however after completion of devaluation this process predetermines in the long term economy raisings in all spheres and increase of export of production
Method of revaluation of currency	Have the opposite contents connected with the corresponding actions directed on increase of rate of national currency? The purpose - to increase import of production and in addition to stimulate inflow of investments into the country
Method of currency intervention	This method can be carried out due to use of own gold and foreign exchange reserves or due to sale of the securities placed in foreign currency. However the first option is most widespread as provides an additional way of intervention or injections of money for repayment of deficiency of the balance of payments and deduction of stable exchange rate
Diversification of currency reserves	Regulation of structure of official currency reserves of the state by inclusion in their structure of foreign currencies of the different countries. This method is used for sale of fluctuating currencies and purchase of more resistant currencies the, and also currencies necessary for carrying out international payments and interventions
Open market operations	Regulation of money supply in the country by carrying out by the Central bank operations with the state securities for the purpose of influence on resource base of banks
Regulation of the mode of an exchange rate	The activity of the Central bank directed on establishment of an order of definition and change of an exchange rate of national currency of rather foreign currencies
Correction of discount rate	Is quite widespread means of influence owing to increase of discount rates which directly conducts to increase of exchange rate and, on the contrary, using debt obligations
Currency restrictions	Represents system of standard rules which regulate the rights of citizens and legal entities of the market concerning currency exchange of the country on foreign, and also implementation of other currency transactions
Note – compiled by authors	

Conclusion

Thus, methods of currency regulation represent set of levers by means of which influence on an exchange rate by performance of the powers and special government bodies in the sphere of currency regulation and control are carried out. Features of those define real currency policy in the country and provide realization by public authorities (first of all, the Central banks). The functions connected with currency regulation. Current trends of usage of these methods of currency regulation testify to shift of emphasis with administrative on economic methods of regulation of an exchange rate. In modern conditions of conducting economic activity and international cooperation, the effective mechanism of realization of system affects stabilization of currencies in turn, which will interact with all links of currency system. System approach provides research of currency system as whole in total of the relations and communications between them, that is the object as a set of the whole is considered. Thus, the author offers application of system approach to stabilization of an exchange rate, which promotes

integrity, hierarchy, structuring currency systems. This mechanism will give a positive effect because of association of all links and subsystems in a single whole and will cause accurate fixing, control of currency transactions in the market and regulation of an exchange rate.

The realization of the mechanism of stabilization of currencies has to be enabled according to the expense of tools of currency system; the course of use of methodological approaches to stabilization of currencies; structuring and functional features which fully reflect structure and its structure; as well as the basis of system and accurate sequence of all subsystems and leverage on stabilization of currency.

Based on this research the following is revealed:

1) Classical systems of stabilization of currencies in a historical retrospective do not give full understanding of system of international payments. However, use of the European (Jamaican) currency system promotes prompt developments of the countries of the world;

2) developing countries are at a transitional stage, that is not fully use all opportunities and advantages

of the European currency system owing to what they are most sensitive to the crisis phenomena in economy, an unstable situation in the international market of trade;

3) owing to transition to other currency system (European) in the certain countries negative tendencies of decrease in national production which are reflected by rigid dependence of the national currency markets to a course of the international currencies (US dollar, euro).

In the long term, it conducts to decline in the rate of national currency to international, to increase of a rate of inflation, unemployment, decrease in export of production, negative balance of the balance of payments and in the end result – to increase in debt obligations (granting the credits of the IMF and other international organizations).

The offered mechanism of realization of system approach to stabilization of currencies, which reflects accurate system, and complexity of all levers and links of system, promotes:

1) To prompt development of all economic sphere of life of society;

2) Gives additional benefits and opportunities in prompter and consecutive development of currency system;

3) To development of the bank sphere as basic sphere of the currency relations;

4) The general set of a raising of a standard of living of the population, strengthening and, the most important, stability of national currency, which conducts to economic welfare in all spheres of business and gives additional opportunities of inflow of the foreign capital to the country.

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