

**NATIONAL AVIATION UNIVERSITY  
EDUCATIONAL AND SCIENTIFIC INSTITUTE OF ECONOMICS AND  
MANAGEMENT**

Department of Management of Foreign Economic Activity of Enterprises

**METHODICAL RECOMMENDATIONS FOR STUDENT PREPARATION  
TO PRACTICAL (LABORATORY) CLASSES**

**ON DISCIPLINE "INTERNATIONAL MONETARY AND FOREIGN  
EXCHANGE TRANSACTIONS"**

FOR STUDENTS \_\_\_ 5 \_\_\_ YEAR

7 / 8.03060104 - MANAGEMENT OF FOREIGN ECONOMIC ACTIVITY  
(CIPHER AND NAME OF THE DIRECTION (SPECIALTY) OF TRAINING)

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М 502 International credit-settlement and currency transactions.

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The methodological recommendations provide general guidance on the implementation of practical tasks and tasks in the main sections of the discipline "International credit and settlement and currency operations" and methodical recommendations for solving typical problems.

Designed for full-time and part-time students studying specialty 8.03060104 "Management of Foreign Economic Activity".

It is designed for students of higher educational institutions, who study according to the program of specialists and masters when introducing modular rating technologies into the educational process.

## INTRODUCTION

The discipline "International credit-settlement and currency operations" is taught for students of specialty 7 / 8.03060104 "Management of foreign economic activity".

It is a unit of normative disciplines that meets the state standard of training of a specialist.

The subject of the discipline is the essence, the main theoretical and practical aspects of the implementation of international credit, settlement and currency transactions at the state, industry and enterprise level.

The peculiarity of teaching the discipline "International credit and settlement and currency operations" is the implementation of practical tasks and solving typical and specific tasks.

Yes, it is necessary to understand that international credit-settlement and currency transactions are carried out by subjects of foreign economic activity. these operations serve the main relations of such entities with regard to the sale of goods or services, lease and leasing, tolling operations, investment schemes and their implementation.

Foreign exchange operations are the starting point for the implementation and maintenance of the foreign economic activity of the enterprise. When the future earnings and servicing of settlement and credit operations in the FEA of a particular enterprise depend on currency risk. How to calculate and forecast the exchange rate is an applied question of determining the effectiveness of foreign economic operations in Ukraine and in the world.

Settlement transactions are a practical part of the execution of payments for international supplies of goods and services. The quality of delivery and optimization of relations in the international environment of multi-national counterparties depends on the chosen settlement mechanism.

Credit operations are quite common. They are determined by the need to raise funds for export or import operations. Financing of foreign trade operations characterizes the need of this enterprise in external funds and lack of own funds.

Situational tasks and typical and specific tasks are solved on the basis of the methods developed by the teachers and the department of management of foreign economic activity of the NAU enterprises.

Separate tasks and tasks are integrated within the modules. The study of discipline involves the implementation of two modules and one term paper (which is the third module).

## **MODULE 1. EXCHANGE, CALCULATION AND CREDIT OPERATIONS AS BASIS FOR DEVELOPMENT OF INTERNATIONAL CURRENCY- FINANCIAL RELATIONS**

As a result of mastering the material of the first training module "Foreign Exchange, Settlement and Credit Operations as the basis for the development of international monetary and financial relations", students must:

- To know the essence of currency relations between enterprises, branches, regions and individual countries and to solve problems of individual subjects of international economic relations;
- To be able to solve situational tasks concerning the implementation of international settlements as ancillary operations of international trade, investment, lease and other relations;
- Use the whole arsenal of theoretical and practical knowledge to identify the opportunities and threats of international credit transactions.

### Practical lesson 1.1

The foreign exchange system and international currency relations

Purpose of the lesson: to consolidate and test the knowledge of the basic concepts of the theory of international monetary and financial relations in the system of international economic relations in general, the notion of the currency system and its levels, the definition of currency values.

Theoretical part:

Monetary and financial relations - an extremely complex and important sphere of economic life of any modern state, as the main subject of the IMF. The current practice in Ukraine with particular persuasiveness confirms that the factors related to the urgent need for an early resolution of the accumulated problems in this area - are not the most important in restraining the economic revival of our state.

It is necessary to distinguish between the concepts of "international monetary and financial relations" and "international credit-settlement and currency transactions". Consequently, the component of international monetary and financial relations are international credit-settlement and currency transactions. Note that the operation is a set of actions of counteragents from different countries in order to carry out certain activities. Thus, international credit is a form of the movement of loan capital in the field of international economic relations, where international credit-settlement operations are a completely independent system, which is connected with the movement of goods and tangible assets and money between countries. The distinction should be made on the definition of international credit - the economic relations that arise between lenders and borrowers from different countries regarding the provision, use and repayment of a loan.

International credit-settlement and currency transactions (hereinafter referred to as the MKRVO) are currently developing in the context of globalization. Note that globalization is a system of subordination to national international norms and standards. Particularly these norms relate to the implementation of credit, settlement and currency operations at individual enterprises. For example, the implementation of the letter of credit at the enterprises of Ukraine is subject to the Uniform Rules and Practices for documentary letters of credit in the wording of the International Chamber of Commerce, which are the manifestation of globalization processes.

In today's conditions of globalization and the construction of a market economy module in our country, the need for a deep understanding of the economic nature and essence of the MKRVO, their objective necessity, dialectical connection with other economic categories and concepts, as well as their growing role and importance in complex system of the world of economic ties.

Task:

- To find out the importance of international currency relations;
- To consolidate the knowledge of the concepts of "currency system", "currency values", "currency market", "exchange rate", "convertibility of currencies";
- To study the basic approaches to the classification of levels of currency systems;
- To check knowledge of the spheres and factors of the existence and development of the international monetary system.

Literature:

1. Banking operations: textbook / ed. VI Mischenko, N.G. Slavic - K .: Knowledge, 2010. - 227s.
2. Borinets S.Ya. International Monetary and Financial Relations: Textbook. - 5th edition, reb. and add - K .: Knowledge, 2008. - 582s.
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5. Petrashko L.P. Foreign exchange operations: training. manual / LP Petrashko - 2nd form., Reworked. and complemented - K.: Knowledge, 2012. - 271s.

## **Methodical recommendations for solving problems**

### **Problem**

**In conditions of unstable globalization conditions of the world economy, the enterprise engaged in foreign economic operations is affected by a large number of various factors. The external environment is quite wide. Foreign**

exchange factors become the risks that need to be taken into account in the implementation of foreign trade transactions.

Alpha Company sells a metal sheet to Germany, supplying it with water through the ports of Ukraine and Germany. Exports are made within the scope of delivery once a month. What foreign exchange factors affect the activities of the exporting company and the importing company. How do the conditions of the existence of the world monetary system affect the performance of foreign trade activities of these counterparties?

### **Solution**

Today the Jamaican currency system operates, which determines that the system of forming exchange rates in the world is unified and provides for their definition depending on the indicators of demand and supply of currency. If in Ukraine the demand for foreign currency rises, then the rate of the national currency is decreasing while the foreign one rises. For the exporter, the depreciation of the national currency is favorable conditions for doing business, since for the received amount of foreign currency the entrepreneur receives a greater amount of national currency. The importer in such conditions has the risk of untimely delivery of goods by the exporter and the currency risks associated with the invention of funds to pay for the supplied metal. The importer may require to fix the price (turn it into solid) and overcome the currency risks to increase the value of the export product.

### **Tasks for independent work**

#### **Task1**

A foreign leasing company, without assessing the value and liquidity of the auto-workshop assets, provided it with the necessary equipment without collateral. Income and net profit of the company were sufficient to pay lease payments without detriment to the current activities of the workshop. The equipment remained in the ownership of the lessor throughout the term of the lease agreement.

#### **Task**

How do the conditions of the existence of the world monetary system affect the performance of foreign trade activities of these counterparties?

#### **Task 2**

The agroindustrial firm specializes in the cultivation of a particular crop and the processing of its products into the head (for example, sugar beet growing and sugar production). The management of the firm must determine the strategy of allocating funds directly to the production of agricultural products, its processing and the export of raw materials and finished products abroad.

#### **Task**

How do the conditions of the existence of the world monetary system affect the performance of foreign trade activities of these counterparties?

### Task 3

An enterprise that manufactures and sells textile products abroad has a certain number of warehouses. The volume of production and foreign sales of products does not allow the company to fully utilize all warehouse space. An enterprise makes a decision to lease a certain part of the lease to a foreign lessee.

### Task

How do the conditions of the existence of the world monetary system affect the performance of foreign trade activities of these counterparties?

## **Practical lesson 1.2**

Foreign exchange operations. International exchange market

Purpose of the lesson: to consolidate knowledge of the essence of international currency operations and the functioning of the international exchange market

Theoretical part:

Conversion currency transactions depend on a phenomenon like convertibility of currencies. The most commonly used currency in the economic literature is the ability of the currency of this country to exchange freely the currencies of other countries and international payment facilities at the current rate.

For such a simplistic approach to the concept of convertibility of the currency almost completely ignored its economic essence, and the whole problem is practically reduced to an ordinary technical exchange of shares. A similar interpretation of currency conversion generates in turn the external visibility of its easy implementation.

In fact, the achievement and support of the country of the convertibility of its national currency is a rather complicated economic problem associated with profound qualitative changes both in the economy of the country itself and in its economic relations with the outside world. That is why the introduction of the regime of convertibility of the national currency requires the country to seriously prepare and create a whole set of economic conditions.

Thus, the obligatory prerequisite for the convertibility of the national currency is the presence in the country that wants to introduce it, certain economic and legal conditions for the manifestation of economic independence of the owner of money. Another prerequisite is the availability of a market economy in which all participants in the economic exchange act independently at their own risk. In this case, the market economy should be sufficiently balanced, competitive and open, with significant trade currency and financial constraints, or in their total absence.

All this is possible in the transition of the country's economy to an alternative choice between domestic and foreign markets, when the domestic economy

becomes an organic part of the world, and the world economy - as a natural extension of the domestic one.

Convertibility of currency, organically linking the domestic market with the world, makes it possible to respond promptly to changes in the international economic situation, which has a positive effect on the country's economic development. In the economy of the country, which is affected by the world market, processes of adaptation and equalization of national conditions of production with the world over all parameters - costs, prices, quality, technical level of products, etc. occur. Only such a regime can ensure the full implementation of the well-known market principle of "selling at the most expensive markets and buying at the cheapest", allows the most rational use of funds for investment on a global scale, as well as benefit from the international division of labor.

Hence, convertibility as an economic category can be defined as the state and nature of the economic and monetary-financial system, in which the holders of funds in the national currency are provided with the freedom to carry out certain operations both in this country and abroad.

The result of the system of convertibility of currencies is the processes of currency transactions, which in the greater number are convertible. Note that in addition to currency conversion operations, there are deposit and insurance foreign exchange operations.

Task:

- to consolidate knowledge about foreign exchange operations and the international exchange market, its characteristic features;
- to study the essence of conversion, current and urgent foreign exchange operations;
- characterize interbank correspondent relations. interbank SWIFT system.

Literature:

1. Banking operations: textbook / ed. VI Mischenko, N.G. Slavic - K .: Knowledge, 2010. - 227s.
2. Borinets S.Ya. International Monetary and Financial Relations: Textbook. - 5th edition, reb. and add - K .: Knowledge, 2008. - 582s.
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### **Methodical recommendations for solving problems**

Problem

Bank A buys at the bank B 1 million USD for Swiss francs at the rate of 1,5500.



Long currency position - USD 1 000 000, Short currency position - 1 550 000 francs.

Task

Calculate cross-course

Solution

The most active cross-exchange conversion markets include: Swiss Franc to Japanese Yen (CHF / JPY), Pound Sterling to the Swiss Franc (GBP / CHF), Euro to Swiss Franc (EUR / CHF).

The calculation of cross-rate values is based on the use of these currencies to the US dollar.

The main methods of calculating cross-rates include:

1. Cross-rate calculation for currencies with direct quotations to the dollar (ie, the dollar is the basis for quotes for both currencies):

$$\text{CHF} / \text{EUR} = (\text{USD} / \text{CHF}) / (\text{USD} / \text{EUR}). \quad (1)$$

2. The calculation of the cross-rate for currencies with direct and inverse quotes to the dollar, where the dollar is the basis of quotation for one currency:

$$\text{GBP} / \text{CHF} = (\text{GBP} / \text{USD}) * (\text{USD} / \text{CHF}). \quad (2)$$

3. Calculation of cross-rate for currencies with indirect quotes to the dollar, where the dollar is the currency of the quotation for both currencies:

$$\text{GBP} / \text{EUR} = (\text{GBP} / \text{USD}) / (\text{EUR} / \text{USD}) \quad (3)$$

Note. You should not accept the USD / CHF, CHF / GBP and others literally as fractions. This is generally accepted in the international practice of denomination of the exchange rate. If the dollar to the mark was depicted as a real fraction, then the value of the rate of 1.5520, or the number of French francs for one dollar, would correspond to the inscription CHF / USD.

The above-mentioned methods are used to calculate the average cross-rate, but in reality any rates are quoted by banks in the form of double-quoted do and offer.

Task 1

For a certain date, the official hryvnia rate is:

- Ukrainian hryvnia / US dollar - HU UAH. per dollar USA;
- Ukrainian hryvnia / euro - UAH per euro;
- Cross-US Dollar to Euro - X / Euro to USD USA.

Task

If a client wishes to exchange N USD for Euro on this day, how much will he get Euro and what course.

Methodical recommendations for solving problems

Problem

Suppose that a client needs to convert them into hryvnias when receiving foreign currency funds from a deposit account. In order to avoid currency risk, the client concludes with the bank on November 26, 2015 a forward currency contract

for the amount of \$ 500,000, the settlement date of which is January 26, 2016, and the forward period is three months. At the date of the transaction on November 26, 2015, the market acted: spot rate - UAH 23,505 / USD. USA; the NBU discount rate - 35%; rate for US dollars - 6.09%.

Calculate the forward rate.

**Solution**

The agreement fixes the exchange rate of 25.178 UAH / USD. US, calculated by the formula:

$$23.505 * (1 + 0.35 * (90: 360)) / (1 + 0.0609 * (90: 360)) = 25.178$$

On the date of calculations of November 26, 2015, the currency exchange transaction is carried out at a spot rate of UAH 24,000 / USD. USA, and the client receives UAH 12000000, and according to the forward agreement the bank pays UAH 589000 to the client:

$$(25,178-24,000) * 500,000 = 589,000.$$

Thus, the total amount of payments is UAH 12 589 000. (12000000 + 589000), which means the rate is 25,178 UAH / USD. USA, fixed in the agreement.

**Task 2.**

Suppose that a client needs to convert them into hryvnias when receiving foreign currency funds from a deposit account. In order to avoid currency risk, the client concludes with the bank the 30.11.2015 forward currency contract for the amount of 750 000 dollars, the date of settlement on which 30.05.2016 occurs, and the forward period is six months. At the date of the transaction, 30.11.2015, the market operated: spot rate - 23,500 UAH / USD. USA; NBU discount rate - 25%; the rate for US dollars is 6.90%.

Task: to calculate the forward rate and the amount of money that the client of the bank should receive.

### **Practical lesson 1.3**

Features of settlements using checks, plastic cards, bills. Features of use in the international environment of non-documentary forms of settlements. The essence of documentary forms of payments: letters of credit and collection.

The purpose of the lesson: to consolidate knowledge of the essence of international settlements using checks, plastic cards, bills of exchange; learn the necessary approaches and methods of using in the international environment non-documentary and documentary forms of settlements.

Theoretical part:

The means of making international payments are financial documents such as checks, drafts (bills), international payment orders and bank guarantees.

A check is an unconditional order of the payer to the payer's bank or other credit institution to pay a certain amount to the payer or upon his order at the expense of the funds available to the bank (deposited) by the checker.

A bill of exchange is a valuable paper, which certifies an unconditional and unconditional debt obligation. There are two main types of bills: simple and transferable (drafts).

Postal remittance is a written payment order sent by one bank to another (foreign), which can be authenticated as signed by the relevant official at the sending bank, which is an instruction to another bank to pay a certain amount of funds to the identified beneficiary (or at the disposal of the identified beneficiary).

The postal transfer is sent by the issuing bank to the foreign bank by airmail.

SWIFT is an international interbank financial reporting organization using telex. SWIFT is a cooperative partnership of participating banks (registered in Brussels), which organized a computerized international communications network to improve the efficiency of bank management and speed up the transfer of international payments between them. These improvements are achieved through the use of systems of computerization of participating banks that are interconnected through international telecommunication lines. The payment notice is printed out on the bank of the receiver bank.

Due to the fact that more and more banks become members of the SWIFT system, the use of postal and telegraphic transfers is reduced because SWIFT has its own correlated payment methods.

"SWIFT message system" is a payment that is equivalent to a postal transfer, when the payer's bank and a foreign correspondent bank are members of the SWIFT system. Messages of the SWIFT system are called an international money transfer. Forms of international settlements are mostly documentary, that is, they are carried out under financial and commercial documents. Meanwhile, in calculations between countries with a developed market economy dominated by non-documentary forms of settlements.

Each form of settlement contains a certain risk share for the exporter or importer and depends on many factors: the type of goods, the degree of mutual trust of counterparties, the existence of a loan agreement, the solvency of foreign trade partners, the level of demand and supply for this product, the reliability of the attraction of banks. Therefore, each counterparty tries to insist on the form of settlement, in which it would have the lowest risk.

The most universal and most effective instrument for providing international documentary payments is a letter of credit, which is widely used and is in high demand as a key banking product that enables the import of a significant part of international trade. In world trade, almost 80% of payments are made with the help of a letter of credit. This is due to the fact that a documentary credit is the least

risky and most effective tool for providing payments from all forms of international settlements.

The collection (collection) is defined in Perry's banking dictionary as "received, transferred and presented for payment of a bill, bill, check or other document by the collecting banker for the client, and the subsequent sending of the resulting funds to that client's account" (URC).

Task:

- check knowledge about the features of settlements using checks, plastic cards, bills of exchange;
- to consolidate knowledge about the types and types of bank guarantees in international settlements;
- to indicate the peculiarities of using in non-documentary forms of payments in the international environment: advance payments, payments to an open account, bank transfer, payment after shipment;
- To assess the essence of documentary forms of payments: letters of credit, collection.

Literature:

1. Banking operations: textbook / ed. VI Mischenko, N.G. Slavic - K .: Knowledge, 2010. - 227s.
2. Borinets S.Ya. International Monetary and Financial Relations: Textbook. - 5th edition, reb. and add - K .: Knowledge, 2008. - 582s.
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5. Petrashko L.P. Foreign exchange operations: training. manual / LP Petrashko - 2nd form., 271 p.

### **Methodical recommendations for solving problems**

Task (payments by checks, plastic cards, bills)

Enterprise "Beta" carries out active foreign economic operations. According to their effectiveness, the manager of foreign economic activity is Alekseenko Vadim Anatoliovich. In order to clarify the information on the extension of the foreign economic contract, he is sent on a business trip to the partner country of the Netherlands - Netherlands. The term of stay abroad is 1 week. He booked a room at the hotel with the first breakfast, other meals at the expense of the manager himself and the capital of the Netherlands. The travel is provided by the partner company.

Task: what kind of calculations should use Alekseenko VA (traveler's checks, promissory notes or plastic cards) on a business trip abroad?

Solution

Mr. Oleksenko VA is not able to move freely during a business trip to the Netherlands and depends on the official timetable of negotiations and familiarization with the current partner. Therefore, it is better to use plastic cards with withdrawals from an ATM or when paying for the purchase of goods or services in sales outlets (shops, banks, etc.). Traveler's checks are difficult to use, and bills are a debit note, which provides for the payment of debts with the subsequent repayment of debt in payment of funds for presentation of a bill.

Tasks (non-documentary payment forms)

Answer the question:

1. What are the non-documentary forms of payments in international settlements do you know?
2. What is the difference between a payment to an open account and an advance payment?
3. What is bank transfer?
4. How are bills and checks used in international payments?
5. What do you know about types of bills?
6. What is a traveler's check and in what cases is it used?
7. What is the mechanism of using Eurocards?
8. Describe the settlement mechanism using bills.
9. How do plastic cards use in calculations?
10. What types of plastic cards do you know?

Task (documentary forms of payments: letters of credit, collection)

Your customer has chosen a vendor who ordered to issue an irrevocable, transferable, confirmed, letter of credit in accordance with the Uniform Rules and Lending Codes.

Task A. Explain customer requirements to the supplier. Why does a company require to open a confirmed letter of credit?

Task B. If the firm requires the transfer of a letter of credit, can it be an intermediary with a third company?

Task B. What kind of binding document will you advise to insist on your client?

Solution

Task A. The supplier insures himself against the risks of non-payment for the delivered products and requires confirmation of a letter of credit from the third bank and, moreover, the supplier insists on irrevocable letter of credit, which can be withdrawn only upon the agreement of all parties to the foreign economic agreement.

Task B. Yes, she can be an intermediary with a third company.

Task V. The client must issue a bill of lading for insurance against supply of products. This type of document must be entered into the terms of the documentary letter of credit without the possibility of withdrawing it during the implementation of the foreign economic transaction.

#### Task 1

The Ukrainian confectionery factory is credited with the Krakow butter factory with the help of a letter of credit. An agreement between them provides for an irrevocable letter of credit in the amount of 120 000 UAH. The factory September 10 appealed to the commercial bank "Debit" with a request to open an uncovered letter of credit. The correspondent agreement between the issuing bank and the executing bank for advising and other operations with the letter of credit provides for a commission fee of 0.1%.

After checking all the necessary documents of the confectionery factory, the commercial bank opened to it an uncovered guaranteed letter of credit for making payments with the Krakow Butter Plant. On September 18, the issuing bank received from the executing bank a register of documents for 120 000 UAH. and other letters of credit stipulated by the terms. At the current account of the confectionery factory, the balance on September 18 amounted to 30 000 UAH.

Task A. What is the essence of the bank guarantee when opening uncovered guaranteed letters of credit?

Task B. What documents regulate the relations between the parties involved in the calculation of guaranteed letters of credit?

Task B. What accounts should be made by the bank when opening a letter of credit and receipt of documents from the executing bank for the payment of funds?

#### Task 2.

After paying the invoice for the Finnish supplier and obtaining the cargo, Bravo LTD decided to resell the received cargo to other companies. She asked you about the expediency of using the collection form of settlements with their regular counterparts, which has been working for six months, using a letter of credit form. In this case, there were no delays or complaints.

Task A. Explain to the client what the documentary collection differs from net collection.

Task B. What kind of collection will you offer your client?

### **Practical lesson 1.4**

International credit and its role in international economic relations. International short-term, medium-term and long-term lending.

Purpose of the course: to consolidate knowledge of the essence of international credit operations of subjects of foreign economic activity; learn the necessary approaches and methods of using short, medium and long-term loans.

Theoretical part:

International credit is a form of the movement of loan capital in the field of international economic relations, where creditors and borrowers act as entities from different countries.

The subjects of these relations are private companies, commercial banks, credit organizations, non-financial institutions, state and state bodies, as well as regional international development banks, international financial institutions.

International credit is an economic relationship that arises between creditors and borrowers from different countries regarding the provision, use and repayment of a loan.

The main essential feature of international credit is that it is a form of the movement of loan capital in the field of international economic relations. The movement of this form of capital is associated with the provision of subjects of the economy from the world market of foreign exchange and credit resources.

On the basis of an international loan, large international loan markets were formed. In addition to the large national, international in character markets, at the present stage, the world market, the euro and the euro capital have emerged and reached significant proportions.

Many factors influence the international credit: balance of payments, interest and discount rates, type of currency, exchange rate, etc.

An international loan is characterized by general features of the loan (timeliness, turnaround, target nature, pay, security), as well as specific features due to the operation of the international financial mechanism (currency risks, losses associated with changes in exchange rates, etc.).

An exporter can receive a medium-term loan in UAH to finance export operations. The bank should consider exporters' applications for a hryvnia loan, as well as other applications for a loan from a business client.

Medium-term loans in foreign currency (for example, from one to five years) are known as "loans in EuroCurrency". Note that London is the leading financial center for lending in EuroCurrency. Loans can be obtained in major freely convertible currencies.

Medium-term international loans are divided into two large groups: traditional and non-traditional ones. Traditional - those that involve the use of common forms of lending, when there is a lender (bank) and a borrower (business structure) and they relate to the provision of funds for temporary use with returning over a certain period with interest.

Nontraditional methods - those that foresee a special relationship between the lender and the borrower, for example, leasing (one of the non-traditional methods) involves the implementation of lease relations as a means of providing funds.

Task:

- to check knowledge about the peculiarities of using international loans in the foreign economic activity of business entities;
- to consolidate knowledge about the types and types of international loans;

- Specify the features of use in the international environment of short-term loans;
- To assess the essence of international traditional and non-traditional medium-term loans.

Literature:

1. Banking operations: textbook / ed. VI Mischenko, N.G. Slavic - K .: Knowledge, 2010. - 227s.
2. Borinets S.Ya. International Monetary and Financial Relations: Textbook. - 5th edition, reb. and add - K .: Knowledge, 2008. - 582s.
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### **Methodical recommendations for solving problems**

#### Task (international lending)

The management of "Bravo LTD" has decided to expand its activities, which consists in the construction of a greenhouse complex, whose activities are based on the advanced achievements in this area. According to this decision, a contract was concluded with W & L (the Netherlands) regarding the supply of equipment of this complex and seeds with high winter-stable and productive potential. The total cost of the project is approximately US \$ 720,000. USA.

Sources of project financing: Bravo LTD was denied a bank loan due to lack of collateral. Based on this, the parties agreed on the phased payment of the complex equipment and seeds (quarterly) for two years with a payment of 12% per annum for the delay in payment.

Bravo LTD plans to make these payments from its own sources of financing, namely: the profit from the activities of the main complex (after all payments are made) is approximately UAH 6,000. day; daily revenues - UAH 12 947; annual profit - UAH 2 100 000; leasing payments - almost 245 000 UAH / year. Taking into account the total cost of the project and the annual profit from the activity of Bravo LTD, it can be concluded that the company is able to pay time for the new project, but it faced the problem of late payments by Svitoch main clients and Servisprodukt ".

#### Task A.

- how to ensure timely payments for the project, without attracting additional funds? Reason the answer;

- if you have suggested to the management of "Bravo LTD" to solve this problem by means of factoring transactions, determine the conditions and procedure for their implementation;



- when performing factoring operations, the bank assumes the risk of paying for its payment orders and attempts to minimize this risk by analyzing certain information. What information can the bank's factoring department request from Bravo LTD for this analysis? Prepare a draft of such information for the bank.

#### Task B.

In world practice, according to the terms of factoring agreements, banks immediately pay their clients from 75 to 90% of payment orders accepted by their payers for delivered goods, works performed, etc.

Choose from the position of the bank a percentage (75 or 90%) of the immediate payment by the factoring department of the bank of payment orders "Bravo LTD", accepted by Svitoch and the shopping center "Servisproduct" if known:

- Bravo LTD insists on the maximum level of payment;
- Overdue payments of debtors did not exceed three months;
- Delinquent payments, which are assumed by the debtor companies, due exclusively to the delay payment of three major consumers of products - hospitals and sanatoriums of the Ministry of Defense of Ukraine;
- Two more Ukrainian banks that carry out such operations, according to your data, are negotiating with Bravo LTD;
- The commission fee for the implementation of this transaction by the bank is pre-agreed at the level of 3%.

In accordance with the terms of the factoring agreement, the bank has decided to terminate the contract. But in this situation, Bravo LTD is not able to buy the bank's debt obligations transferred to it - payment orders (claims) for a certain period.

How can this situation be regulated within existing banking practice?

#### Solution

#### Task A.

#### Task B.

#### Task 1

Commercial bank "Success" has signed an agreement with the billsman - metallurgical plant. The agreement provides that the accountant is liable for payment for simple and transferable domiciled bills for a term not exceeding 6 months from the moment of presentation. An advertiser guarantees, in case of failure (partial execution) by the drawer of obligations on such bills:

- a simple bill for 100 thousand dollars;
- a bill of exchange for 85 thousand dollars;
- bill of exchange for 125 thousand dollars;

pay on demand of the promissory note holder the amount of unpaid bills, a penalty of 6% starting from the date of maturity, the amount of unpaid bills, as well as expenses related to non-performance of bills of exchange.

The drawee, in turn, undertakes to pay the bank a commission fee for providing the aval in the amount of 1.5% of the bill amount within three calendar days after the conclusion of the contract of aval.

The above mentioned bills were received by the bank on April 5. The commission commission was paid by the metallurgical plant on Tuesday, April 12. At the onset of the maturity of the bill, 100 and 85 thousand dollars. repaying the drawer, and a bill for 125 thousand dollars. the promissory note holder has filed a protest regarding non-payment.

Task A. How will the bank solve the issue of the hiring of bills of exchange?

Task B. What records will be made at the bank at the conclusion of the contract Aval?

Task B. How will the bank solve the issue with a bill of 125 thousand dollars?

Task G. Is there a connection between the opening of bills of exchange and the compliance of banks with the economic norms established by them?

## **MODULE 2. PECULIARITIES OF IMPLEMENTATION OF INTERNATIONAL CURRENCY-FINANCIAL RELATIONS**

As a result of mastering the material of the second training module "Features of the implementation of international monetary and financial relations, students must:

- Be able to apply formalized models of export control in the implementation of international credit, settlement and currency transactions;
- To be able to solve situational problems concerning the nature of currency and credit risks. Apply safeguard clauses and methods of foreign exchange risk insurance;
- Use the whole arsenal of theoretical and practical knowledge to identify the possibilities of currency regulation in Ukraine and in the world.

### **Practical lesson 2.1**

Formalized models of application of export control in the implementation of international credit-settlement and currency operations. Guarantees and risks associated with export control. Monetary and financial basis of export control in Ukraine.

Purpose of the lesson: to consolidate the knowledge of the essence of formalized models of application of export control in the implementation of international credit and settlement and currency operations.

Theoretical part:

Daily events convincingly prove that control over the non-proliferation of Weapons of Mass Destruction (WMD), their means of delivery, the limitation of conventional arms transfers, and the fight against terrorism is one of the most important directions of international activity and national policy in many countries of the world. The implementation of this policy at the international level is through the activities of the United Nations (UN) and the relevant international organizations in export control regimes. The international export control system aims to coordinate the efforts of leading world powers in their joint fight against the threat of weapons proliferation and the associated threat of military conflicts, as well as the threat of proliferation of weapons of mass destruction and their means of delivery.

The term "export control" is generally accepted as a reduced definition of a set of measures to control international transfers (export, import, transit, etc.) of goods that are extremely "sensitive" in terms of their impact on:

The proliferation of WMDs, which includes nuclear, chemical, biological, bacteriological and toxin weapons, is possible;

Proliferation of missile and other unmanned ZMZ delivery facilities is possible;

the accumulation of conventional weapons, which may be a destabilizing factor in a particular region;

possible use for terrorist purposes;

compliance with the relevant international obligations of the state.

"Sensitive" goods means conventional weapons, military equipment and associated dual-use goods, dual-use goods that can be used to create a ZMZ, means of delivery, or can be used for terrorist purposes, as well as other goods in relation to which, in accordance with the law, may be subject to export control procedures.

By its very nature, export control is a means of additional regulation of foreign economic activity, but has a different purpose than conventional tariff and non-tariff (administrative) methods for regulating such activities. Thus, the purpose of the usual methods of regulation of foreign economic activity is to ensure the

balance of the state's economy, the balance of its internal market, stimulation of progressive structural changes in the economy, creation of favorable conditions for attracting investments, etc., that is, the purpose of such methods is a positive impact on the economic indicators of the foreign economic activity of the state. However, despite the fact that the additional regulation of foreign economic activity by export control instruments has signs of non-tariff (administrative) regulation, the purpose of such regulation is not economic indicators, but indicators of ensuring the national security of the state and the security of international peace.

Achievement of the goal of export control is ensured by "interference" in foreign economic activity through the application of export control procedures regarding international transfers of "sensitive" goods. The application of such procedures is conditioned by the need to ensure the national security of the state and the need to fulfill the international obligations of the state in relation to non-proliferation of WMD, means of delivery, restriction of destabilizing transfers of conventional armaments and counter-terrorism.

#### Task:

- to check knowledge about the specifics of the use of export control in the implementation of international credit and settlement and currency transactions;
- To consolidate knowledge about guarantees and risks related to export control;
- to learn to assess the essence of the monetary and financial basis of export control.

#### Literature:

1. Banking operations: textbook / ed. VI Mischenko, N.G. Slavic - K .: Knowledge, 2010. - 227s.
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### **Methodical recommendations for solving problems**

Task (export control)

Determine the peculiarities of the application of export control in the delivery of military aircraft. Compare the features of the supply of civilian aircraft made at the factory AVIANT and military aircraft and propellers.

#### Solution

It should be noted that some parts of civilian aircraft fall under the export control regime, as opposed to military aircraft and propellers, which are fully subjected to export controls, especially in the context of the ATO.

#### Task 1

The enterprise "GLORIA" carries out production and trade of bicycles of various forms and kinds. This company imports spare parts from Italy and France for completing the finished products, and exports these finished products. Is the export control of export of overseas products subject to export controls?

#### Task 2.

Enterprise "UkrSpirt" produces ethyl alcohol, alcohol for medical needs. This is an export-oriented company. Does the product fall under the control of export? What is the procedure for the export of products in connection with the passage of export control?

### **Practical lesson 2.2**

The essence of currency and credit risks. System of safety warnings. Methods of currency risk insurance. Credit risk protection. Transport risks. Risks of instability of the macro environment in the implementation of currency and financial transactions.

Purpose of the lesson: to consolidate knowledge of the essence of currency and credit risks, methods of insurance of currency risk, protection against credit risk, risks of instability of the macro environment in the implementation of monetary and financial transactions.

#### Theoretical part:

Any existence is a probability of occurrence of adverse events. That is, an adverse event may occur, or may not happen. This can not be completely avoided, but you can take precautionary measures and reduce the risk of troubles. The ability to take

risks is the ability to bridge the gap between justifiable and unjustified risk and survive.

As an economic phenomenon, risk is an event whose occurrence further influences economic processes and thus deforms economic outcomes. If such an event, like risk, has happened, then the economic result of this - positive, negative or zero.

Depending on the possible result, risks can be divided into pure and speculative.

Net risks arise when there is an obvious threat and lead to a negative and at best to a zero result.

Speculative risks differ from net risks that they can be avoided, but not unlike pure, they lead to both positive and negative or zero results.

Depending on the underlying causes, risks are divided into many types: natural, environmental, political, transport, commercial, etc.

Risk is a compulsory element of the economy. The emergence of risk as an integral part of the economic process - an objective economic law.

Banking activity is inevitably related to risks. Whatever efforts the bank did to minimize risks, they always exist - the issue is in their size. Under the risk in the banking business is understood as the possibility of a loss of liquidity or financial loss. The frequency of occurrence and the depth of the negative effects of adverse events, banking activity is perhaps the most risky of all types of economic activity.

There are many banking risk classifications. Depending on the sources of origin, the main banking risks are: credit, interest, liquidity risk and currency risk.

Credit risk is the risk associated with the probability of non-repayment of loans and non-payment of interest thereon as a result of default by the debtor of their obligations to the bank.

Interest rate risk is the risk associated primarily with the uncertainty of time and direction of future interest rate changes. For banks where loans are the main types of assets, interest rate risk is the risk of a fall in asset prices due to a change in the interest rate, the risk of decreasing the interest margin of the bank, the risk of changes in the value of assets and liabilities resulting from changes in interest rates, this is the probability of a decrease in the spread between interest income and expense, uncertainty of income from fixed income securities arising from the sudden fluctuations in the value of assets due to changes in interest rates.

Liquidity risk - arises only when the liquid assets of the bank are insufficient to cover the bank's short-term liabilities. In case of such an event, the bank must cover its obligations by converting into its cash assets its illiquid assets with subsequent capital losses.

Currency risk is the risk of loss due to the unfavorable change in the value of foreign currency in relation to the currency of the country where the bank is located. Currency risk is, above all, the probability that a change in the exchange rates of foreign currencies will result in losses resulting from changes in the market value of assets and liabilities.

Task:

- to check knowledge about the essence of currency and credit risks;
- to consolidate knowledge on the use of methods of foreign exchange risk insurance and credit protection;
- to assess the nature of transport risks;
- to consolidate the characteristic features of the instability of the macro environment in the implementation of monetary and financial transactions.

Literature:

1. Banking operations: textbook / ed. VI Mischenko, N.G. Slavic - K.: Knowledge, 2010. - 227s.
2. Borinets S.Ya. International Monetary and Financial Relations: Textbook. - 5th edition, reb. and add - K.: Knowledge, 2008. - 582s.
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### **Methodical recommendations for solving problems**

#### **Problem**

In the autumn of 1984, the German company Lufthansa signed a contract for the purchase of aircraft in the American company Boeing in the amount of \$ 3 billion. it happened at a time when the dollar was strong and, overall, its course should have risen. The company's chief financial manager hedged this risk by concluding a forward contract of \$ 10.5 billion. Thus, with the strengthening of the dollar, the company loses its first contract (which in the brands would have cost him more than at the time of the transaction), but won on a forward contract. On

the other hand, with the weakening of the dollar, the company lost its hedging, but won on airplanes.

Why did an international financial manager take advantage of hedging a transaction?

#### Solution

Currency risk hedging is determined by the insurance of currency transactions. Lufthansa used swaps to prevent currency risks. These are the transaction reports that the company has entered into with its bank.

#### Task 1

Assume that the Japanese company carries out export operations in the United States, and for the purchase of working capital enjoys loans from Japanese banks. However, the Japanese company will better take a loan in US dollars, in order to insure itself of a part of currency risks, the more so because permanent income in foreign currency allows the company to repay loans immediately without loss in conversion.

Let's assume further that the Japanese company is little known in the US market for loans, so access to relatively cheap loans for it is closed. In addition, it is difficult to operate on an unfamiliar enterprise market in a foreign country. One of the tools that can help a company get a dollar loan is to participate in a currency swap transaction.

The Japanese company can exchange its debts in the yen on dollar debt of the American company, that is, the condition of structuring the debt for a Japanese company that suits the company in the best way is fulfilled.

Task: Determine which hedge transactions were used by the Japanese company.

#### Task 2.

An American exporter who supplies goods to Canada can take credit on the Canadian capital market. This allows the US company to know in advance the amount of necessary payments and income, as well as to insure against currency risks. However, the implementation of this strategy is possible only under the conditions of stability in the predictability of the financial market, when the risk of non-payment is practically absent.

The task: What risks should a US exporter insure and which hedging means should he use?

### **Practical lesson 2.3**

Ways of formation of the national monetary and financial system of Ukraine. Formation of the currency and financial markets of Ukraine. Integration of Ukraine into the system of international finance



Purpose of the lesson:

to consolidate knowledge about the ways of forming the national monetary and financial system of Ukraine. To gain experience on the characteristics of the formation of the currency and financial markets of Ukraine. To consolidate knowledge about Ukraine's integration into the system of international finance

Theoretical part:

After the declaration of independence, Ukraine practically did not inherit anything positive from the economic point of view from the former Soviet Union. Thus, as a result of imposing on our country as a part of the former Union, the structure of general export and import of Ukraine disadvantageous from the point of view of the prospects of world scientific and technical development of specialization and co-operation was even more deformed than in the whole of the USSR. Almost all personnel potential, which was more or less familiar with foreign economic activity, was concentrated outside of Ukraine, in Moscow.

External debt of the former Soviet Union was quite significant, even taking into account its future economic potential. The external debt of the Union began to catastrophically increase, especially in the last years of the USSR's existence. In addition to the objective reasons for such a phenomenon - internal (the functioning of the command-administrative system) and external (sharp drop in energy prices in the world market), there were subjective factors - the brilliant ability of the former leadership of the Union to do everything to rapidly increase these debts.

The most important among them is the Decree of the Cabinet of Ministers of Ukraine "On the System of Currency Regulation and Currency Control", adopted on February 19, 1993. The priority tasks of the Decree were:

- Stabilization of the Ukrainian ruble exchange rate against foreign currencies;
- Concentration of currency demand and supply;
- Gradual elimination of parallel circulation of foreign and national currencies;
- The attraction of currency funds to Ukraine and the reduction of imported inflation.

The decree established the principle of internal convertibility of the Ukrainian ruble, determined the list of transactions with currency values, which required a separate resolution of the National Bank of Ukraine.

As the system of internal conversion was to be based on the developed interbank market, and also to operate in conditions of inflation, another decree of the Cabinet of Ministers of Ukraine "On the time the procedure for the use of foreign exchange earnings" introduced a mandatory sale through authorized banks in the Interbank Currency Market of Ukraine 50% of the proceeds in foreign currency in favor of residents. However, such a procedure did not apply: to currency earnings, which was used to repay used foreign currency loans received by the NBU or guaranteed by the Government; balance of funds on current balance

accounts of residents at the time of acceptance of the Decree; foreign currency imported for the purpose of making contributions to the statutory funds of joint ventures, as well as foreign currency earnings for the export of own production, which comes in favor of enterprises with foreign investments. Decree of the Cabinet of Ministers of Ukraine "On the Procedure for Settlement in Foreign Currency" dated September 23, 1994. envisaged the definition of deadlines for postponing payment for export deliveries, as well as import advances.

These decrees initiated the formation of a certain system of currency regulation and currency control, which contributed to overcoming of inflationary processes and led to a gradual recovery of the economy as a whole.

Later, depending on the current economic situation in Ukraine, the executive has constantly improved the existing system of currency regulation and control. Thus, by Decree of the President "On additional measures to improve currency regulation" of November 2, 1993. temporarily introduced the order of replenishment of official currency reserves at the expense of the redemption of 10% of foreign exchange receipts that were subject to mandatory sale. The funds of these reserves were aimed at stabilizing the exchange rate of the national currency. The Cabinet of Ministers together with the National Bank to implement the Presidential Decree adopted a joint Resolution on the procedure for determining the official exchange rate of the Ukrainian ruble to foreign currencies. According to this Decree, the National Bank of Ukraine, in agreement with the Cabinet of Ministers of Ukraine, determined the official rate of the Ukrainian ruble on the basis of data from the Ministry of Economy of Ukraine and the Statistics Committee of Ukraine on the price ratios of products, goods and services, taking into account the balance of payments state.

In order to improve the system of currency regulation, the Verkhovna Rada of Ukraine also adopted a number of laws on amendments to the Decree. Thus, the laws "On Amendments to Article 16 of the Decree of the Cabinet of Ministers of Ukraine" of January 28, 1994, "On the System of Currency Regulation and Currency Control" established that the illegal purchase, sale, exchange or use of currency values as a means of payment or as collateral, that is, the commission of these actions without the corresponding permission (license) entails administrative or criminal liability in accordance with the current legislation of Ukraine.

#### Task:

- to check knowledge about the ways of formation of the national monetary and financial system of Ukraine;
- to consolidate knowledge about the conditions of formation of the currency and financial markets of Ukraine;
- To assess the essence of Ukraine's integration into the system of international finance.

#### Literature:

1. Banking operations: textbook / ed. VI Mischenko, N.G. Slavic - K .: Knowledge, 2010. - 227s.
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### **Methodical recommendations for solving problems**

#### **Problem**

Two friends started a business, which is to supply RAM (a storage device) for computers. Their business reached a turnover of \$ 5,500,000 a year. They opened three subsidiaries in Europe and started working with four companies in Asia that chipped in.

However, in order to increase revenue, friends decided to evade company taxes by developing a scheme with an Asian company that supplied them with RAM. The Asian company made two accounts: one true that was sent to friends, and one false - customs - is such that it captures only 1/10 of the cost of RAM. According to this scheme, \$ 1,000,000 of customs duties and VAT were not paid.

Identify the bank's actions in this situation and name the indicators that can indicate money laundering.

#### **Solution**

A similar tax evasion has helped them get around their competitors. The additional profit derived from the tax evasion, they removed from the company's account and transferred to several personal accounts to reduce the company's annual profit.

#### **Task 1**

Two friends started a business, which is to supply RAM (a storage device) for computers. Their business reached a turnover of \$ 5,800,000 a year. They opened three subsidiaries in Europe and started working with four companies in Asia that chipped in.

However, in order to increase revenue, friends decided to evade company taxes by developing a scheme with an Asian company that supplied them with RAM. The Asian company made two accounts: one true that was sent to friends, and one false - the customs - is such that it captures only 1/20 of the cost of RAM. Under this scheme, \$ 2,000,000 of customs duties and VAT were not paid.

Identify the bank's actions in this situation and name the indicators that can indicate money laundering.

### **Practical lesson 2.4**

Forms of national regulation of currency and financial flows. Monetary and financial policy of the state. Currency restrictions and currency risks. Free economic zones. Offshore centers

Purpose of the lesson:

to consolidate knowledge about the forms of national regulation of currency and financial flows, monetary and financial policy of the state, currency restrictions and currency risks, free economic zones and offshore centers

Theoretical part:

As you know, the transformational processes in Ukraine in the first years of its independence were accompanied by a deep economic crisis. In this regard, the issue of resource support for economic development, especially its financial component, has sharply aggravated.

One of the most acute problems that Ukraine had to solve was finding funds for its further successful socio-economic development. Low product quality, unemployment, the need for a structural background for production - all these problems require significant monetary resources. The imbalance of the financial system of the state, the payment crisis, caused primarily by the transition to world energy prices, the lack of necessary internal savings objectively led to the need for attracting external funds to restore economic balance and ensure sustainable economic growth.

However, from the first steps of attracting international capital, it turned out that, on the one hand, without the involvement of it it is impossible to overcome the crisis in the real time in the economy, on the other - such involvement is complicated by the economic and political situation. Tom all these problems are closely interconnected, which greatly complicates their solution.

Capital inflows from abroad can take place in two basic forms: loans or as investments in production, its individual industries or enterprises. The latter are more attractive and effective form of attraction of foreign capital, since they enable Ukraine to solve the strategic tasks of its economic development, based on the introduction of new advanced scientific and technological progress and best practices in management. Receipts of foreign capital in material production are more profitable than obtaining and using loans for the purchase of necessary goods, which are spent, as a rule, not for their intended purpose, but only increase the public debt.

Foreign investments are also important for achieving the medium-term goals - lifting production, improving living standards of the population.

However, it should be borne in mind that the economic interests of foreign investors and the Ukrainian side do not always coincide. So, Ukraine is interested in restoring its production potential, restructuring the production and consumer market, saturation with its inexpensive high-quality goods, carrying out anti-import policy, involving in our production an advanced management culture. Foreign investors are primarily interested in obtaining extra profits at the expense of natural resources of Ukraine, skilled and cheap labor force, achievements of domestic science and technology, lack of competition in the domestic market. Therefore, Ukraine faces a rather difficult task: to create favorable conditions for attraction of foreign capital and to use it directly for their specific purposes.

Thus, the priority direction of Ukraine's integration into the system of international finance today is the attraction of foreign investments into the national economy. From the organizational-functional point of view distinguish two most common forms of foreign investment - portfolio and direct.

Portfolio investments are made in the form of acquisition of securities of enterprises, companies and other economic entities for obtaining an additional profit by the investor (but do not provide him with the right to control these economic entities). Thus, a foreigner can buy shares directly from a Ukrainian corporation that tries to expand the volume of investments by selling new shares. In this case, the foreign investor gets shares, and the company - funds for expansion of investments. When a foreigner buys a small percentage of the shares of a Ukrainian company, it is not sufficient to establish control over its activities, it is a foreign portfolio investment.

Direct investments are made for the purpose or acquisition of the controlling block of shares of a foreign economic entity in full ownership through the creation of new enterprises and companies or the absorption of existing ones. Thus, a foreign investor can acquire a controlling stake in Ukraine, and at least all 100% of corporations, if, for example, in the framework of the privatization process, the government decides to sell the entire enterprise to foreign ownership. When a foreign investor gains control over a Ukrainian business (or when a Ukrainian company gains control over foreign ones), it is a direct foreign investment.

Task:

- to check knowledge on the forms of national regulation of currency and financial flows;
- to consolidate knowledge about the monetary and financial policy of the state;
- learn to assess the essence of currency restrictions and currency risks, the functioning of free economic zones and offshore centers.

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1. Banking operations: textbook / ed. VI Mischenko, N.G. Slavic - K. : Knowledge, 2010. - 227s.
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Answer the following checklist questions:

- 1) What is currency regulation?
- 2) Define the currency policy.
- 3) What are the characteristic features of accounting and business policy.
- 4) What are the features of currency dumping?
- 5) Tell us about the use of devaluation and revaluation now and at the time of the gold coin standard.
- 6) What are the features of the application of currency restrictions?
- 7) What is currency clearing?
- 8) When is the currency block applied?
- 9) Identify the economic orientation of the system of national currency regulation.
- 10) What is the purpose of the application of protective currency cautions?

### **Practical lesson 2.5**

Improvement of the international system of regulation of world finances. Economic background and implications of the growing instability of international finance. Improving the activities of international monetary and financial institutions. International currency law. International finance law

Purpose of the lesson:

to consolidate knowledge on the directions of improvement of the international system of regulation of world finances; economic preconditions and consequences of the growth of the instability of international finance; to acquire skills in applying

the norms and principles of international monetary law and international financial law.

Theoretical part:

The policy of credit restraint ("expensive money") is used, as a rule, in the conditions of rapid industrial boom and growth of economic activity. Its purpose is to prevent the process of active use of credit by economic agents and slow down the industrial boom, which often leads to "overheating of the economy" and overproduction of goods.

The policy of credit expansion ("cheap money"), on the contrary, is aimed at stimulating credit operations in the sense that more favorable lending conditions will encourage economic activity, growth of production and attraction of foreign capital.

The liberal policy of credit expansion causes a decline in the exchange rate, and vice versa, the policy of credit restraint creates a tendency to increase the exchange rate.

The motto's policy is aimed at regulating the exchange rate through the purchase and sale of foreign currency (motto). In modern conditions, a currency policy often takes the form of currency intervention - the direct intervention of the central bank in the operation of foreign currency in foreign exchange markets with the simultaneous introduction of restrictions in the field of foreign exchange operations in the domestic market.

With the use of false monetary policy in the event of a fall in the national currency, the central bank of the country sells in foreign currencies, as a rule, significant sums of foreign currency, which leads to an increase in the exchange rate of the national currency against a foreign currency, and, conversely, buying up foreign currency leads to a drop in the national currency.

The motto of the monetary policy has a temporary and limited effect on the level of the exchange rate, if there are no radical violations of the balance of payments. In the presence of such violations, the active use of the slogan policy can lead to a rapid depletion of the country's currency reserves, while not preventing the process of depreciation of the national currency. Therefore, currency intervention involves the presence of large foreign exchange reserves in the central issuing banks of the countries that hold it, and is possible when the balance of payments imbalance is negligible and is characterized by a periodic change in the passive balance on the active one. Otherwise, currency interventions threaten not only the complete exhaustion of foreign exchange reserves, as already noted, but also the disruption of money circulation within the country.

An example of massive currency intervention can be the actions of the US government aimed at maintaining the dollar, when it began to rapidly fall after a significant increase in 1980 - 1985. Thus, in the form of currency intervention to support its own currency, the US used for the period from 1987 to July 1989, according to various estimates, more than 140 billion dollars.

Often, currency intervention is used to maintain the exchange rate at a reduced level with the use of currency dumping - depreciation of the national currency for the purpose of mass exportation of goods at prices below the world.

Currency dumping is used to export goods through the use of special undervalued exchange rates that reflect the external depreciation of the currency in amounts that exceed the depreciation of money in the domestic market of the country exporting goods and services. For currency dumping, the exporter, even at a high level of production costs, can sell its products in foreign markets at prices below the world, which can be profitable in the currency of the country where the goods are exported. Often, currency dumping is carried out in a multiplicity of exchange rates, with the use of so-called free rates and other special low rates for a particular type of goods, services and operations.

Task:

- to check knowledge on directions of improvement of the international system of regulation of world finances;
- to consolidate knowledge about the economic preconditions for the consequences of the growing instability of international finance;
- to learn to assess the essence of the activities of international monetary and financial institutions;
- To acquire skills for analyzing the norms and principles of international monetary and financial law.

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Control questions and tasks:

- 1) What are the economic consequences of modern globalization of economic life?
- 2) Identify the main causes of the latest global financial and financial crisis. What countries did she embrace?
- 3) Describe the behavior of international monetary and financial institutions in a crisis.
- 4) What are the main requirements of the IMF and the SB before the countries?
- 5) What are the main principles of criticism of the IMF and the World Bank's credit policy by leading economists in the world?
- 6) What, in your opinion, are the most effective measures to overcome the effects of the global financial and financial crisis?
- 7) What are the main directions of improving the activities of international financial institutions in modern conditions?
- 8) What are the main principles of the Paris Club?
- 9) What is the restructuring and consolidation of external debt?
- 10) Identify the main functions of the London Club.

## EDUCATIONAL ISSUE

Methodical recommendations for student preparation

to practical (laboratory) classes

from the discipline

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