

GENERAL ASPECTS RELATED TO THE SALE AND PURCHASE OF FOREIGN CURRENCY IN THE FOREX MARKET IN MOLDOVA

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Abstract

The buying-selling currency activity is a specific kind of trade within which currency is considered to be a good. The result of this trade is a price (currency rate of exchange) that depends on the demand-supply conditions existing on the market; this price may be limited from legal point of view. The purpose of this article is to define various transactions on the currency market including that of the Republic of Moldova and to single out currency transactions within foreign currency accounts of the residents and non-residents.

Key words: currency, currency operations, exchange rate, speculations, transactions

INTRODUCTION

Currently the FOREX market in Moldova is characterized by exchange rate dynamics and turnover.

Some market segments observed are the interbank market (foreign exchange transactions carried out between authorized commercial banks) and intrabank market (foreign exchange transactions conducted between banks and their customers); spot market (where settlements are carried out for two days at the latest banking) and forward market (where settlements are usually carried out over fixed periods such as: one, two weeks, one month or more).

While the exchange rate reflects the dynamic equilibrium of demand and supply of currency in the market, the turnover reflects the overall activity of the foreign exchange market participants. The main problem is to develop a simple mechanism applicable and economically argued that takes into account the peculiarities of foreign markets that will provide tools for various transactions and meet the needs of a wide range of participants: banks, insurance companies and investment funds pensions, commercial corporations and companies. The diversity of the financial instruments allows investors to manage their portfolios.

MATERIALS AND METHODS

the study has been conducted under the conditional generalization of sale and purchase transactions of foreign currency. The methodological investigations were based on the fundamental principles of accounting, the provisions of the National Accounting Standard "Exchange rate differences and the amount" [2], on the terms and conditions of foreign exchange operations [3], The Accounting Law [4], International Financial Reporting Standards [2] and publications in the field of local scientists. Preference was given to the monographic study method applying elements of analysis, observation, selection, induction and deduction.

RESULTS AND DISCUSSIONS

The activity of the sale of currencies is a specific kind of trade, and in this genre is treated as a commodity currency. What emerges from this trade is a price (exchange rate) that depends on the conditions of supply and demand on the market, this price can be legally limited. The exchange rate formation mechanism has three stages, leading to uniformity: at each bank - setting the exchange rate by a bank is based on the following factors:

The established rate during the previous day;

The ratio of supply and demand of buying and selling provisions to the bank.

The rate set by other banks operating in that market, and the exchange;

On the national market - between banks;

On the international market - between national markets. The transaction is called fixation rate quote and involves two aspects:

Selling price; Purchasing price. There is a difference between them, usually the selling price is higher than the purchasing. The foreign exchange market is subject to national regulations (the foreign exchange market in Moldova is different from the currency market in France, for example), but in addition to these national currency markets have specific legislation that arises from situations where an international foreign exchange markets, serving interests areas (economic areas of great interest: Frankfurt, Tokyo, London, New York). These markets with international character are exempt from national legislation, which makes them attractive. Sometimes the foreign exchange market transactions separate from the actual economic activities. In this sense there are:

currency speculation - Is the transaction of sale that has no economic base itself, being carried out only in order to obtain certain gains (usually undeserved); in this respect it is speculated exchange differences arising between different times and places. Who wins an accurate assessment of the exchange rate trend;

currency arbitrage – A transaction similar to currency speculation, with the difference that is made by the bank (bank only) and put into circulation and manipulated values are much higher;

State intervention - is all a transaction that involves the massive sale or purchase of foreign currency in order to maintain the exchange rate of the national currency. State intervention should be done in conjunction with financial and currency policy of the state and economic and social development of the country.

The tax legislation of international transactions is achieved naturally currency accounts available in accounts with banks, but also occurs in situations that create certain

deficits to payment obligations assumed. In these circumstances it is necessary to transfer certain amounts of currency in the portfolio of banks in other currencies, these operations are called currency arbitrage.

Arbitration can be achieved in order to exchange one currency to the other to achieve profits or FOREX existing balance. Accordingly, the arbitration will result in a balance of exchange rates and interest rates, increasing the application where the interest rate is weaker or less and increasing the supply where the rate is stronger, the higher the interest rate. Arbitration may be used on two or more markets simultaneously, taking advantage of the exchange rate or interest rate differential between the markets. The arbitration may be conducted by banking units, stock and exchange houses, but the largest share is the banks. It is accomplished by known means of communication: mail, phone, fax.

An attempt to classify arbitration may be obtained taking into account the following criteria:

In terms of opportunity this transaction, arbitration may be:

speculative arbitrage - placing certain currencies or selling them for profit which may result from the difference in rate of two currencies simultaneously recorded for two different markets - or - the currency of the same currency between two different times on the same market - or - difference of interest simultaneously on two different markets - or - interest difference between different times on the same market;

Imposed arbitrage - not intended for profit but is mainly for balancing currency positions existing in a currency portfolio. Usually, the balance is achieved by transferring funds from the bank showing that surplus currency; if the currency position is a poor recourse to force sale and purchase transactions. In these circumstances the immediate result that appears is running a currency from a market to another as needed to avoid loss due to currency depreciation caused by this transaction.

In terms of nationality or area of action, arbitration may be:

domestic arbitration - transaction partners are residents and non-residents in the country. The lower volume for currency fluctuations in this market are lower than the use of different markets. Interests are relatively close, and the differences are insignificant;

Arbitration of the foreign market - is more common and has the widest diversity due to the difference between the interest rate and national markets, different markets are more attractive. It may be of interest arbitration, sight arbitration and term arbitration.

In terms of sight arbitration and term arbitration:

Sight arbitration - sale / purchase made in the accounts within 48 hours of tge closing date of the transaction;

Term arbitration – transactions of selling / buying of carrying final transaction in a subsequent period fixed by the two partners when negotiating the transaction by the buyer or seller. These transactions occur when a currency risk by assessing the provision / depreciation concerned. Usually it has a speculative role, aiming to be buying at a smaller rate and selling at a higher rate. If currency arbitrage transactions must be properly analyzed for the risk factors (referee will estimate the future evolution of the currency and according to this estimate will win or lose). These currency arbitrage transactions are difficult and require experience and spontaneity.

The role of the foreign exchange market is determined primarily by the possibilities offered by participants in economic exchanges for choosing and obtaining the most convenient credit and payment means. Financial markets are a barometer of international currency in international economic exchanges.

The introduction of the euro has produced profound changes in the financial and currency markets, competition between the area of influence of the dollar and the euro is increasingly fierce.

Transaction time - presumably following the conclusion of the contract at the time of the delivery of the goods to be done after a certain period.

Transactions spot - involve conducting sale

and purchase of foreign currency directly or within 48 hours, so that when the transaction coincides with the formation of the exchange rate.

Hedging transactions - transactions which a buyer / bank undertakes on the one hand to pay an amount in foreign currency at a certain time, and on the other hand borrows the same amount in the same currency, the same repayment period. In this way foreign buyer shelters the potential risk of currency depreciation for the period in question and possibly the loss is compensated by equal gain obtained by borrowing, which is a transfer of risk to the lending bank.

Swap transactions - are common transactions between a client and a bank or between two banks simultaneously terminating a transaction spot and one term, but in another currency. In this way you can change the term, market and even the title. From the economic point of view, swaps involve a mutual granting of foreign currency loans with an interest rate agreed between the two partners. On international financial markets are of particular importance because imply a very important movement of cash.

Below I present the main transaction taking place in the currency markets. This transaction takes place mainly in international trade, given that it is necessary to provide the financial resources for these transactions. However, in addition to foreign exchange transactions that take place in connection with international trade, there are other transactions that go beyond exchange (currency speculation, currency arbitrage, state intervention). Currency speculation is made of natural / legal, government intervention is made, obviously, state, and foreign arbitration is conducted by banks; in any of these three situations who will win out in the one to guess the currency in which the investment trends. It is known that residents and non-residents may open accounts in local currency and foreign currency with licensed banks in accordance with the legal provisions governing the opening of bank accounts. Within the framework of foreign exchange and foreign currency accounts in national currency by residents and non-residents opened with

licensed banks recorded funds from any legal source, including interest amounts due on those accounts. In transactions in foreign currency accounts in the national currency by residents and non-licensed banks open on payments and transfers (including related fees and interest paid to licensed banks) shall be made in accordance with the legislation of the Republic of Moldova currency.

For payment / transfer of non-cash foreign exchange operation within individual will present the following documents to the licensed bank, but are not limited to:

- a) ID;
- b) written request for the payment / transfer signed by the individual concerned;
- c) documents, unless expressly specified in this Regulation or in other normative acts of the National Bank in foreign exchange regulation;
- d) certificate /notifying / proper authorization.

Individual residents may transfer abroad of funds for family expenses for each family member - an individual who is a resident abroad and transfers of funds for family expenses for each family member - non-resident individual, as follows:

- a) single transfer amount not exceeding 1000 euro (or their equivalent) - without submission to the licensed bank of documents confirming the kinship/marriage relation or establishing guardianship/trusteeship;
- b) single transfer amount exceeding 1,000 euro (or equivalent), but not exceeding 10000 euro (or their equivalent) - upon submission to the licensed bank of documents confirming the kinship/marriage relationship (birth certificate, certificate of marriage, etc.) or establishing guardianship / trusteeeship;
- c) transfer in the amount exceeding 10000 euro (or their equivalent) - the submission to the licensed bank of documents confirming the kinship/marriage relation or establishing guardianship/trusteeship, as well as documents confirming the necessity of payment/transfer by individual in whose favor the transfer and containing data on the amount of the payment / transfer [3].

Individual residents establishing their residence abroad may transfer abroad of funds held by the proprietary upon submission to the

licensed bank of the following documents:

- a) the identity of the natural person resident in the exit visa is applied in Moldova by authorized bodies of the Republic of Moldova (passport, issued a Moldovan national or a stateless person for leaving/entering in Moldova or the national passport of foreigner);
- b) documents confirming ownership proprietary funds subject to transfer amounts from Moldova (eg contract of sale - buying real estate, securities, certificate of inheritance);
- c) certificate on the absence or existence of arrears to the national public budget issued by the tax authorities of the Republic of Moldova on behalf of the person establishing residing abroad. The certificate referred must meet both of the following conditions: confirm the absence of arrears to the national public budget, to be released no earlier than 5 working days before the date of submission to the licensed bank of the written request of making the transfer and not before the following day after the transaction of property sale or other transaction, after which they were obtained funds subject to transfer;
- d) other documents that are considered necessary for the individual to submit for the transfer in setting residing abroad [3]. For the account in the transaction of foreign exchange funds, the individual is to submit the following documents to the licensed bank, but are not limited to: ID; written request for submission of cash signed by the person; documents, unless expressly specified in this Regulation or in other normative acts of the National Bank in foreign exchange regulation; authorization. The written request for submission of funds must contain the following data, not limited to: the purpose of deposit funds that are indicated in detail; name and, if applicable, number and date of the document supporting - if submission is made based on a supporting document, name, number and date of the authorization; kinship / marriage relation / relationship guardianship / trusteeeship with the individual in whose favor the deposition is made - the submission of funds for family expenses. In the foreign exchange transactions, cash accounts non-resident individuals in national currency in foreign currency and traveler's checks in

foreign currency may be submitted by third persons resident as follows: 1) If filing by a person of funds for family expenses: a) in an amount not exceeding 1000 euro (or their equivalent) - without submission to the licensed bank of documents confirming the kinship / marriage relation or establishing guardianship / trusteeship; b) worth more than 1000 euro (or their equivalent), but not exceeding 10000 euro (or their equivalent) - upon presentation to the licensed bank of documents confirming the kinship / marriage relation or establishing guardianship / trusteeship; c) in the amount exceeding 10000 euro (or their equivalent) - upon presentation to the licensed bank of documents confirming the kinship/marriage relation or establishing guardianship/trusteeship, as well as documents confirming the necessity of transfer/payment by the individual in for which the deposition is made and contain information about the amount of payment / transfer; 2) If a person deposits cash in foreign exchange transaction other than that indicated in point 1) is not subject to authorization: a) in an amount not exceeding 1000 euro (or their equivalent) - without supporting documents; b) in the amount exceeding 1,000 euro (or their equivalent) - upon presentation to the licensed bank of documents, confirming the purpose of the payment / transfer and containing data on the amount thereof; 3) when depositing funds in the foreign exchange operation is subject to authorization - the submission to the licensed bank of the justifying documents containing data on the amount of payment / transfer and authorization issued by the National Bank of Moldova [3]. Legal resident entities may make payments / transfers within foreign exchange operations without cash without providing supporting documents licensed banks where is performed: a) transfers to their accounts opened abroad under the authorization of the National Bank, which provide the possibility of making transfers from those accounts to accounts with licensed banks and contain no requirement to submit supporting documents to the licensed bank; b) transfers to other accounts opened theirs at the same or another licensed bank; c) transfers

unique form of donations within foreign exchange operations in the amount not exceeding 1000 euro (or their equivalent) each transfer; d) transfer the licensed bank account in another bank account opened in the bank licensed or non-resident; e) payment abroad of state tax established by the foreign state. Legal residents abroad can make payments / transfers within foreign exchange operations without cash without supporting documents if carried out: a) transfers the name of the same account holder; b) payments / transfers by representatives of international organizations, diplomatic missions, consular offices, other official representative offices of foreign states accredited in the Republic of Moldova and international organizations; c) payments / transfers by non-resident legal persons are institutions implementing technical assistance projects in Moldova, for the purposes of implementing the projects mentioned only in relation to individuals; d) payments / transfers by non-resident banks; e) transferred, as a donation in exchange operations in the amount not exceeding 1000 euro (or their equivalent) per transfer - if they are carried out by non-resident legal persons, other than those specified in subparagraph b) of this point; f) payment abroad of state tax established by the foreign state [3]. Non-resident legal persons can perform in Moldova payments / transfers within foreign exchange operations without cash without supporting documents if carried out: a) payments / transfers in national currency; b) transfers in foreign currency on behalf of the same account holder; c) payments / transfers in foreign currency by non-resident banks; d) the single transfers in foreign currency in the form of donations within foreign exchange operations in the amount not exceeding 1000 euro (or their equivalent) each transfer; e) foreign currency payment of the state fee established by the Republic of Moldova.

Without supporting documents of legal resident entities' accounts opened with licensed banks can be deposited funds: a) fully or partially unused who previously received from the respective legal entities' accounts written request indicating the deposition of funds to date and purpose prior

receipt of funds from the account in question (not limited to such information); b) to pay court fees or other charges / taxes established by legislation of the Republic of Moldova payable to the national budget; c) collected from individuals in cases under the law of the Republic of Moldova in the course of the activity under the law does not require possession of a document issued by the competent authorities of the Republic of Moldova legal person certifying the right to carry out certain activities; d) high / seized / confiscated by the competent authorities under the laws of the Republic of Moldova; e) as a donation in the amount not exceeding 1000 euro (or their equivalent) from individual philanthropic and sponsorship. Without supporting documents of legal resident entities' accounts opened with licensed banks can be deposited funds: a) if the deposit accounts of diplomatic missions, consular offices, other official representations of foreign states, representatives of international organizations accredited in the Republic of Moldova and international organizations within their activity in Moldova; b) in the case of legal persons resident deposit accounts, which are institutions implementing technical assistance projects in Moldova, for the purposes of implementing the projects mentioned only in relation to individuals; c) fully or partially unused who previously received from the respective accounts of legal entities, except as indicated in letter a) of this section, indicating the written request of deposit of funds to date and purpose prior to receipt of cash to the account (not limited to such information); d) the submission of receipts from the sale of goods / services by legal entities resident passengers working on vehicles in international traffic and the submission of receipts in local currency from the sale of transport documents by the representative enterprises resident transport; e) in the case of legal persons resident deposit accounts other than those indicated in paragraph a) of this section, the funds as a donation in the amount not exceeding 1000 euro (or their equivalent) from individual philanthropic or sponsorship. Without supporting documents of legal

residents' accounts opened with licensed banks funds can be released: 1) the accounts of diplomatic missions, consular offices, other official representations of foreign states, representatives of international organizations accredited in the Republic of Moldova and international organizations - in order to release funds to individuals within these institutions in Moldova; 2) the non-resident legal entities' accounts, which are institutions implementing technical assistance projects in Moldova, the use of funds for the purposes of implementing the projects mentioned only in relation to individuals; 3) representations accounts resident legal entities, other than those specified in point 1) of this section: a) national currency - the purpose of paying current expenses relating to their activities in Moldova; b) Foreign currency - for expenses related to travel under the laws of the Republic of Moldova; 4) intended to pay court fees and other charges / taxes established by legislation of the Republic of Moldova; In case of receipt by businesses of payments / transfers: a) documents justifying making / confirm the need for legal entities payments / transfers which according to legislation can be made in cash (eg, contracts, invoices, court decision) and, where appropriate, data on Payments / transfers; b) documents issued by the competent authorities of the Republic of Moldova legal persons resident certifying the right to carry out certain activities in which foreign exchange legislation of the Republic of Moldova allows to receive cash in foreign currency and traveler's checks in foreign currency (for example, the license for duty-free shop, certificate of performance issued ground resident legal entity operating in the field of civil aviation that provide ground) - if the Moldovan legislation establishes the need to have such a document for certain activities; c) the documents specified in other normative acts of the National Bank governing certain foreign operations.

CONCLUSIONS

The factors which determine the development of the foreign exchange market are:

- world trade liberalization tend to increase

economic exchanges between countries and increasing the role of currency markets;

- increasing the share of international credit in foreign trade volume;

- increasing the share of certain national currencies in all economic exchanges.

Any natural resident in the Republic of Moldova can transfer without submission to the licensed bank of documents, money as a donation in the amount not exceeding 1000 euro (or their equivalent), as follows: single transfer abroad in favor of resident individual who is abroad; single transfer abroad in favor of diplomatic mission, consular or other official representative of the Republic of Moldova abroad; single transfer in favor of an individual / legal resident.

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