

Currency trading restrictions

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Currency Trading Restrictions By lifting foreign exchange restrictions, the National Bank of Belarus (NBB) hoped to achieve certain goals. The main purpose for this move was to restore the normal operations of the country's exchange market and thereby raise the level of transparency regarding how foreign exchange rates are set (Office for a Democratic Belarus, 2011). It was also aimed at addressing the uncertainties that surround the country's foreign exchange market. The Bank noted the importance of maintaining a single exchange rate that applies to all market segments. Without stating it, the measure could have been aimed at encouraging foreign direct investment.

Trade restrictions are widely known to impact negatively on a country's import and export activities. The establishment of foreign exchange restrictions is often associated with high forex rates to the extent that goods become extremely expensive to export (Dothan, Ramamurti & Ulman, 1996). This in turn implies that fewer goods can be exported and the country's domestic residence end up with little foreign currency with which to import goods. In this sense, forex restrictions negatively affect import and export trade in many cases.

The move by the National Bank of Belarus to lift the forex restriction will benefit multinationals to a great extent. For one, multinationals will have the confidence to make investments in the country knowing that the forex market of the country is transparent (Dothan, Ramamurti & Ulman, 1996). The move will also see multinationals that have already invested in the country produce and sell more to foreign markets and remit their earnings to their mother countries. In essence, the change adopted by NBB will encourage foreign direct investment and will boost their exports.

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Reference

Office for a Democratic Belarus (2011). Exchange Rate Restrictions Lifted in Interbank Market. Retrieved March 14, 2014 from <http://democraticbelarus.eu/news/exchange-rate-restrictions-lifted-interbank-market>

Dothan, M. Ramamurti, S. & Ulman, S. (1996). Applying economic restrictions to foreign exchange rate dynamics: spot rates, futures, and options. Atlanta: Federal Reserve Bank of Atlanta.