

Unit-I

Lecture-11

Who are the Participants in a Foreign Exchange Market?

- The participants in a foreign exchange market are as follows:
- **Central Bank:** The central bank takes care of the exchange rate of the currency of their respective country to ensure that the fluctuations happen within the desired limit and this participant keeps control over the money supply in the market.
- **Commercial Banks:** Commercial banks are the channel of forex transactions, which facilitates international trade and exchange to its customers. Commercial banks also provide foreign investments.
- **Traditional Users:** The traditional users consist of foreign tourists, the companies who carry out business operations across the globe.
- **Traders and Speculators:** The traders and the speculators are the opportunity seekers who look forward to making a profit through trading on short-term market trends.
- **Brokers:** Brokers are considered to be the financial experts who act as a sure intermediary between the dealers and the investors by providing the best quotations.

Advantages of Foreign Exchange Market

The whole world economy is relying upon this foreign exchange market for obvious advantageous reasons. Let us check what are the advantages gained in the foreign exchange market-

- There are very few restrictive rules, this allows the investors to invest in this market freely.
- There are no central bodies or clearinghouses that head the Foreign Exchange Market. Hence, the intervention of the third party is less.
- Many investors are not required to pay any commissions while entering the Foreign Exchange Market.
- As the market is open 24 hours, the investors can trade here without any time-bound.
- The market allows easy entry and exit to the investors if they feel unstable.