

**MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
KYIV NATIONAL ECONOMIC UNIVERSITY
NAMED AFTER VADYM HETMAN**

**Faculty of International Economics and Management
Department of International Economics**

BACHELOR DEGREE PROGRAM

«INTERNATIONAL ECONOMICS»

FIELD OF KNOWLEDGE

05 Social and behavioral sciences

SPECIALTY

051 «Economy»

Form of education *full-time*

BACHELOR THESIS

Title “ The role of gold as world money”

By Denys Hul
(Student's name, surname)


(Signature)

Academic Supervisor PhD, associate professor
(Scientific degree, academic status)

(Signature) Victoria Apalkova
(Name, Surname)

**Bachelor Thesis has been approved for defense at
Attestation Examination Commission (EC)**

Head of the Department of International Economics
Doctor of Science, Professor

(Signature) Y. Stoliarchuk

KYIV 2023

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AGREED

Head of the project group (guarantor) of
the educational-professional program

Y. Stoliarchuk
(Signature)

_____ 2023

APPROVED

Head of the Department

Y. Stoliarchuk
(Signature)

_____ 2023

INDIVIDUAL TASK

higher education applicant Denys Hul

Name, Surname

full-time form of education

Bachelor Thesis

Title: “ The role of gold as world money”

**The title of the Bachelor’s thesis has been approved by the Rector’s Order
«07» 12. 2022 №535**

**Bachelor Thesis is based on articles and reports of leading world financial institutions
like Bloomberg, World Gold Council and trading platforms like London Stock Exchange.**

Plan of Bachelor Thesis and the terms of its submission to the Academic Supervisor
Chapter 1 Theoretical concept of gold on the global money market
Chapter 2 Global trends of development of gold as the money asset and perspectives of
development of gold as world money.

Object of research:	The role of gold as world money
Subject of research:	Research of international currency systems and other financial relations that regulate the use of gold as a world monetary unit.
The purpose of the Thesis:	The purpose of this thesis is to examine the role of gold as a form of world money and its importance in global financial sphere.

Specific tasks applicant has to accomplish to meet the objective:

In Chapter 1 - Analyzing the theoretical concept of gold on the global money market, the specific task would be to conduct a thorough literature review on the subject.

In Chapter 2- Collecting and analyzing historical data: Gather data on the price of gold over time, its correlation with other financial assets, and its role in financial markets. Examining academic research and publications: Review scholarly articles, research papers, and publications that discuss various perspectives on gold as a global currency and mark the potential of Ukraine.

The task has been set
by the Academic Supervisor


(Signature)

Viktoria Apalkova
(Name, Surname)

“09” 01. 2023

The task has been given to
Applicant


(Signature)

Denys Hul
(Name, Surname)

“09” 01. 2023

Abstract

The qualifying bachelor thesis contains 59 pages, 2 tables, 3 figures, a list of used sources from 36 names.

In my thesis, I will explore the role of gold as world money, as well as its history and impact on the global economy. I will consider the historical aspects of the use of gold as a monetary unit, its influence on the development of world trade and the financial system. Also, I will analyze the current state of gold on world markets, its price and price change over time, as well as the role of gold in the modern world.

The object of the study of gold as world money is gold itself as a material asset that can perform the role of a monetary unit in international trade and financial relations. In the context of the study, such aspects as the history of the use of gold as a world currency, its role in the formation of international monetary systems, problems related to gold as a world currency, such as fluctuations in gold prices, instability of world financial markets, and others can be considered. important aspects related to the use of gold as a world currency.

In addition, **the subject** of research can also be international currency systems and other financial relations that regulate the use of gold as a world monetary unit. In this context, various models of the use of gold in international monetary systems and their advantages and disadvantages can be considered, as well as possible prospects for the use of gold as a world monetary unit in the future.

The **practical significance** of the thesis on the topic "Gold as world money" can be in the following aspects:

1. Revealing the historical and modern value of gold as a medium of exchange and storage of value, which can be useful for financial and economic calculations.
2. Analysis of various strategies for the use of gold in the world economy and their impact on the stability of world currency systems.

3. Consideration of the influence of political and economic factors on the price of gold and its use as a means of preserving value.

4. Evaluation of prospects for using gold in the future as an alternative means of exchange and storage of value.

The **theoretical significance** of the thesis lies in the fact that it provides an opportunity to better understand the role of gold in the world economy and the relationship between the monetary systems of different countries and regions. The work can help in the formation of a theoretical basis for further research on monetary policy and economic stability, as well as in the preparation of relevant

Keywords: *“gold”, “global economy”, “monetary relations”, “gold manufacture”, “gold standard”, “international finances”, “gold exchanges”.*

Review
of the qualifying bachelor's thesis of the applicant
of the Faculty of International Economics and Management of the educational and
professional program "International Economy"
Denys Hul
on the topic «The role of gold as world money»

- 1. The relevance of the topic:** gold has historically played a significant role as a form of currency and a store of value. Considering turbulence on financial markets caused by Russian invasion of Ukraine the topic of gold is very acute, first of all, for understanding its role as a safe haven asset and reserve asset, its diversification benefits as well as its influence on the global financial system.
- 2. Positive features of the qualifying bachelor's thesis:** in the work, the author examines the concept of gold in the current global monetary relationship, as well as approaches to regulation of gold as world money.
- 3. The presence of the author's independent developments:** the author investigated factors influencing global gold market. Also, author proposes own vision of place of Ukraine in global market of gold.
- 4. The value of theoretical conclusions and practical recommendations:** the conclusions and recommendations of the work can serve as a methodological basis for the development of the national strategy towards gold as an monetary asset.
- 5. The presence of shortcomings:** as a shortcoming of the work, it should be noted the following: lack of empirical analysis and incomplete coverage of perspectives of gold market development. Additionally, there are some typos and design inconsistencies with methodological standards.
- 6. General assessment of the qualifying bachelor's thesis and its admission to the defense before the EC:** the work was performed, in general, at the appropriate theoretical and methodological levels, meets all the regulatory requirements for qualifying bachelor's theses and is admitted to the defense before the Examination Commission with a preliminary assessment of 40 points

Academic supervisor: Associate Professor of the Department of International Economics, Candidate of Economic Sciences, Associate Professor

_____ Apalkova V. V.
June 8, 2023

Content of diploma work “ The role of gold as world money”

Introduction	3
Section 1 .Theoretical concept of gold on the global money market.....	6
1.1 Theory and historical aspects of gold standard.....	6
1.2 Concept of gold in the current global monetary relationship.....	11
1.3 Regulation of gold as world money.....	16
Section 2. Global trends of development of gold as the money asset.....	24
2.1 Analysis of price dynamics and volume of operations of gold on global monetary market.....	24
2.2 Regional market analysis of gold.....	28
2.3 Factor analysis of gold as world money.....	33
2.4. Perspectives of development of gold as world money and place of Ukraine in global market of gold	40
Conclusion	56
List of references	58

Introduction

Gold is a metal that has been used as a monetary equivalent and reserve asset in the world economy for many centuries. Gold has unique characteristics such as resistance to corrosion, low reactivity with other substances and no risk of inflation, which make it particularly attractive for use as a monetary unit.

In my thesis, I will explore the role of gold as world money, as well as its history and impact on the global economy. I will consider the historical aspects of the use of gold as a monetary unit, its influence on the development of world trade and the financial system. Also, I will analyze the current state of gold on world markets, its price and price change over time, as well as the role of gold in the modern world.

The **relevance of gold** as world money in modern conditions is a subject of discussion among economists and financiers. On the one hand, gold has a long history of being used as a monetary unit and is a symbol of stability and reliability. On the other hand, gold does not play an active role in today's globalized economy, where the dominant currencies are the US dollar, the euro and other currencies.

However, there are problems in the world related to the stability of currencies and financial markets, such as exchange rate fluctuations, inflation and other factors that affect the economy of countries and world trade. In this regard, gold plays a leading role in global economic and financial relations between different countries of the world. The purpose of my thesis is to study the influence of gold on the world economy and understand why gold remains one of the most important monetary units in the world to this day, to investigate the history of the use of gold as a world currency, to analyze its role in international trade and financial relations, to identify the main advantages and disadvantages of using gold as a world monetary unit, as well as to evaluate the prospects of using gold in the modern world. In the process of research, such aspects as the historical development of the use of gold as a monetary unit, its role in the formation of international monetary systems, problems related to with gold as a world currency, such as fluctuations in gold prices, instability of world financial markets, and other important aspects related

to the use of gold as a world currency. As a result of the research, recommendations can be offered regarding the further use of gold as a world currency and its possible role in the modern economy.

The object of the study of gold as world money is gold itself as a material asset that can perform the role of a monetary unit in international trade and financial relations. In the context of the study, such aspects as the history of the use of gold as a world currency, its role in the formation of international monetary systems, problems related to gold as a world currency, such as fluctuations in gold prices, instability of world financial markets, and others can be considered. important aspects related to the use of gold as a world currency.

In addition, **the subject** of research can also be international currency systems and other financial relations that regulate the use of gold as a world monetary unit. In this context, various models of the use of gold in international monetary systems and their advantages and disadvantages can be considered, as well as possible prospects for the use of gold as a world monetary unit in the future.

A **variety of methods** can be used to research gold as world money, including:

1) Literature analysis - the researcher can collect and analyze information from scientific articles, books and other sources about the history of the use of gold as a world currency, its role in the formation of international currency systems, problems related to gold as a world currency, etc.

2) Statistical analysis - the researcher can conduct an analysis of statistical data on fluctuations in gold prices, volumes of its extraction and use, as well as other indicators characterizing the use of gold as a world monetary unit.3) Expert evaluations - the researcher can turn to experts in the field of economics and finance for opinions and evaluations regarding the use of gold as a world currency and other related issues.

4) Modeling - the researcher can construct various models of the use of gold in international monetary systems and analyze their effectiveness and advantages and disadvantages.

Therefore, the study of gold as the world's money can depend on many factors, including the data available, the expertise required, and the methods that are most suitable to achieve the research objective. It is also important to consider that gold as a world monetary unit is not a static concept, and its role and meaning may change depending on economic, political and other factors.

The **practical significance** of the thesis on the topic "Gold as world money" can be in the following aspects:

1. Revealing the historical and modern value of gold as a medium of exchange and storage of value, which can be useful for financial and economic calculations.
2. Analysis of various strategies for the use of gold in the world economy and their impact on the stability of world currency systems.
3. Consideration of the influence of political and economic factors on the price of gold and its use as a means of preserving value.
4. Evaluation of prospects for using gold in the future as an alternative means of exchange and storage of value.

The **theoretical significance** of the thesis lies in the fact that it provides an opportunity to better understand the role of gold in the world economy and the relationship between the monetary systems of different countries and regions. The work can help in the formation of a theoretical basis for further research on monetary policy and economic stability, as well as in the preparation of relevant recommendations for financial and economic organizations.

Source base

Research and disclosure of this topic would be impossible without already acquired knowledge in the field of world economy as: John Maynard Keynes, K. Marx, A. Wagner and many other classics. To make the research picture as complete as possible, Internet sources were also used, including articles from Investopedia, Forbes, Morgan Stanley, elaborated articles by Alexandr Dick, Claus M. Germe

Section 1 .Theoretical concept of gold on the global money market

1.1 Theory and historical aspects of the gold standard.

Historically, gold has been a universally recognised standard of value. In the past, it was first used in the direct sense (minting gold coins), and then in the indirect sense, as the denomination of the national currency was pegged to some degree of this precious metal. The gold standard is a monetary system (now outdated) in which a certain standardised amount of gold is used as a unit of account, and the currency used reflects this amount and can be freely exchanged for it.

Since the late 18th century, the gold standard has meant that the state (or, say, the king personally) guarantees that each issued unit of currency can be exchanged on demand for the corresponding amount of gold - and vice versa. Similarly, the laws stipulated that commercial banks were obliged to exchange dollars, pounds or any other cash for a certain amount of gold of a certain standard upon request. If the settlement was made between states using the gold standard, the agreements established a fixed exchange rate for their currencies based on the ratio of each of these currencies to a certain weight of gold.

History of the gold standard

The gold standard system was first established in the late 18th century in Great Britain. The basis of the gold standard was 1 troy ounce of gold, equal to 31.1 g. Later, the gold standard became widespread at the end of the XIX century, when a more or less modern idea of an industrial economy was formed.[1]

In Germany, the gold standard was introduced in 1871-1873, in the United States in 1873, in France in 1878, and in Japan in 1897. In 1925, the UK adopted a new gold standard based on the pre-war parity between sterling and gold. From that moment on, central bank reserves were not limited to gold, but also included gold-convertible currencies (e.g., the US dollar).

The global economic crisis of 1929-1933 led all developed countries to consider abandoning the gold standard. First, the international monetary system was split into a number of blocks: the dollar, pound sterling, French franc, etc. Each bloc had its own standards for pegging currencies to gold and its own systems of gold exchange and accounting. In 1944, at an international conference in Bretton Woods (USA), it was decided to introduce the so-called gold standard instead of the gold standard, which allowed for a softer monetary policy. According to the gold standard, the dollar was equated in terms of reliability to gold at the rate of 1 ounce to \$35. And states could hold reserves not in gold, but in dollars. They could make mutual settlements not in gold but in dollars.

After the Second World War, the United States, as the strongest country, was able to dictate its terms and impose its own rules of the game. When the dollar took a new position, all US settlements began to be made in dollars. America could borrow in dollars on foreign markets. All US goods were sold abroad for a dollar, and imported goods were bought for a dollar.[2]

On 15 August 1971, US President Richard Nixon announced a "temporary" suspension of the dollar's convertibility into gold. The reason for this was the discrepancy between the real purchasing power of the dollar and the declared gold parity, and long periods of deficits in the US balance of payments and, in particular, trade.

The end of the US dollar-gold parity was finally established in December 1976 during the IMF's Jamaica Conference. Since then, gold parity has lost its real economic meaning. The gold standard was replaced by the era of floating exchange rates.[3]

Types of the gold standard

- **The gold standard**, also known as the classical standard, is a monetary system based on gold coins and bars. Paper money in such a system exists, but it can be freely exchanged in a bank for gold coins or gold bars at a guaranteed parity, which is fixed on the banknotes themselves. The First World War put an end to this system.[4]

- **The gold bullion standard**, also known as the "transitional" standard, emerged as a response of the state to the growth of paper money in the economy. There was a mismatch between gold reserves and the amount of paper money in circulation. It was then decided that paper money could be exchanged for gold, but only in bullion with a minimum weight of 12.5 kg, which (if we take the UK as an example) corresponded to the amount of £1,700. This allowed central banks to claim that paper money was still backed by gold, although this was no longer the case.

- The gold standard, also known as the "gold standard", which was the basis of the **Bretton Woods** monetary system, meant that, in accordance with international agreements, the United States of America undertook to provide the gold content of the dollar at the rate of \$35 per troy ounce. The gold reserves accumulated by the United States at that time amounted to about 25 thousand tonnes. However, the right to exchange US dollars for real gold was cut even further compared to the gold bullion standard. Only states, represented by central banks, were allowed to convert dollars into gold.[5]

Why gold?

In fact, gold had worthy competitors in monetary systems. The first monetary systems were also based on bronze and silver. The monetary silver standard existed in Central Europe in the VIII-XIV centuries. And starting around the 15th century, bimetallism was established in Europe: silver was exchanged for gold and vice versa at a fixed rate (which, however, was often revised).

As a result, gold was chosen as the standard to which the monetary units of different countries were pegged. The reasons for this:

- high value with a small volume and weight,
- durability, unchanged during storage,
- divisibility and combinability,
- the ability to be identified and standardised by specific characteristics (colour, weight, grade),
- gold reserves are limited, and its extraction is expensive - this protects against inflation.

Today, some economists suggest using platinum as a standard of value. Historically, platinum has almost always been more expensive than gold, although the difference between them is now \$700 in favour of the yellow metal. Before the collapse of the Bretton Woods gold standard in the 1970s, the average gold price was \$35.9 per ounce and platinum was \$151.6. Then gold began to rise. Both metals crossed at the same level - \$1,680 - on 23 December 2013. Since then, platinum has been declining in price.

Gold is more of an investment asset, while platinum is an industrial and partly investment asset. In addition, platinum is a rarer precious metal than gold, with 20 times less of it in the earth's interior.

Why the gold standard was abandoned?

The gold standard was good because it provided stability. Citizens of countries did not have to find out what the exchange rate was in the morning: they knew for sure that for their dollar they would receive 1/35th of a troy ounce of gold, i.e. slightly less than one gram of the precious metal (1 troy ounce = 31.1 g).

Such an economy - whose financial system is pegged to gold - is more stable and less prone to inflation, as under the gold standard the government cannot, at its discretion, "print" money that is not backed by gold. However, this is the very stability that is the enemy of development. The fact is that a shortage of means of payment causes a decline in production due to a liquidity crisis (i.e., a lack of liquidity). And this shortage will arise

constantly: practice has shown that if the national currency is equal to gold, people simply start hoarding it. At best, in the bank, at worst, under the mattress.

But for the economy to develop, money must circulate. At some point, economists and central bank governors came to the conclusion that in order for the economy to develop, a small (and manageable) inflation must be constantly present in the monetary system. Exactly the kind of inflation that would encourage people not to hoard money but to invest it, thereby stimulating business. But this requires abandoning the gold standard...Something similar happened in the United States during the Great Depression, which the government tried to overcome by pumping money into the economy. In the spring of 1933, the Roosevelt administration took a number of radical measures aimed at deliberately reducing the gold content of the dollar. First, on 6 March, the President announced the beginning of a "bank holiday" and the actual end of the gold standard. This was followed by a ban on the circulation of gold coins and gold certificates in the United States, and the nationalisation of gold and silver reserves. In 1934, the Gold Reserve Act was passed, according to which the dollar was not pegged to a fixed gold price, but at the discretion of the president, within a fixed range of gold prices that was within 50-60% of the former gold dollar.

However, only the final and widespread abolition of the currency's peg to gold allowed for relatively arbitrary money issue. And then it turned out that inflation was not so manageable. Due to an excess of paper money in the economy, a troy ounce of gold rose in price from \$35 to \$1,900 between 1967 and 2011. That is, it has risen in price by more than 50 times in 44 years - this is real inflation from the point of view of the gold standard.

Today, unlike in the 1930s, central banks can freely handle fiat money because it is not tied to the gold standard, as it was then. The US, the EU, Japan and other developed countries are injecting trillions of dollars into their economies in the wake of the corona crisis. Previously, such injections were impossible.

1.2 Concept of gold in the modern/current global monetary

Performance of monetary functions was historically carried out by various types and forms of money. Money has gone through a complex process of development, changing forms and types. The role of monetary goods was performed by a wide variety of things. Gold plays the brightest trace in the history of money. The complete consolidation of the role of money by gold and the dominance of gold monometalism became possible when the amount of gold appeared in the world, which was sufficient for the organization of normal trade. The free exchange of banknotes for gold made it impossible to depreciate paper money. Banknotes circulated in the economy on an equal footing with gold coins.

The appearance of value signs in gold circulation was caused by an objective necessity:

- firstly, gold mining did not keep up with the production of goods and did not provide the full need for money;
- secondly, gold money of high portability could not serve the small-value turnover;
- thirdly, gold circulation did not possess the property of objective economic elasticity, that is, it could not expand and contract quickly;
- fourthly, the gold standard, in general, did not stimulate production and trade.

The gold circulation existed for a relatively short time - until the First World War, when participating countries issued tokens of value to cover their expenses. Gold gradually disappeared from circulation. In relations between states, gold played the role of world money until the 20th century, while a significant part of interstate settlements was made by physically moving gold bars from one repository to another. And in the 21st century, when electronic money provides almost all calculations between business entities, people turn to gold as a reliable means of accumulating and regulating economic interests. This is especially evident during crises and local wars. Yes, only the statement of US officials about a possible military invasion of the armed forces on the territory of

Iraq led to a sharp jump in gold prices on the world market. Investors preferred to invest their funds in gold than in securities or other financial instruments.[6]

Of course, at this time the economic role of gold changed. Thanks to its unique physical and chemical properties, gold is increasingly used in the industrial production of products for various purposes and in medicine. The production of jewelry is growing year by year. Now gold can also work as a financial instrument, and in this capacity it has enormous potential. For a long time, the citizens of our country were outside the culture of circulation of gold as a financial instrument, and the use of gold and carrying out transactions with it were the exclusive right of the state. In the modern world, the most important part of the state's wealth is the gold and currency reserves, which consist of foreign exchange reserves and the official state reserves of the country - this is a reserve that can be sold and converted into money in the shortest possible time, despite the fact that gold is legally removed from the world monetary system. The ability of the precious metal to quickly turn into money is extremely important for the authorities when the opportunities to obtain foreign currency from other sources are exhausted. Countries in a state of economic crisis or faced with the problem of balance of payments deficit will use gold as collateral for receiving foreign currency loans.

State gold reserves in some cases serve as collateral for obtaining loans in other countries. This allows the state to retain ownership of the gold while receiving the required amount. For example, in the early 1990s, Germany granted Italy a loan of 2 billion dollars. 518 tons of gold as collateral. Initially, the bullion was stored in the USA, but Germany made the transfer of the metal from the storage of the New York bank to the German bank a condition of the loan. The Swiss Bank of International Accounts granted a loan of 300 million dollars to Portugal. 30 tons of gold as collateral. Mexico, Uruguay and other countries received similar loans.

Under the conditions of the gold standard, the role of world money was fixed on gold in the form of bullion (995 proof) and later on some national currencies that were freely exchanged for gold, primarily the British pound and the US dollar. After the collapse of the gold standard, there was a transformation of the forms of world money:

from metal (gold) to national currencies of a credit nature, and from them to collective currencies that do not have a material form (reserves in bank accounts).

In modern conditions, gold has ceased to be used as an international means of payment and has been replaced in this role by freely convertible national currencies. Gold continues to fulfill this function through transactions in the gold market and acts as a reserve medium.

Today, gold acquires the status of an instrument of investment attractiveness. This is the process of investing temporarily free funds in gold in accordance with the so-called rules by which "players" work in the financial markets and by which the activity of the gold market as a whole is analyzed. The golden rule of investors in the world is as follows: 10-15% of your investments should be made in gold. At the same time, some financial market analysts consider it necessary to convert 35-50% of their investment portfolio into gold. According to analytical forecasts, in the next five years, the yield of gold may exceed the mark of 500%. Given the instability of the world financial system, as well as the fact that the world's gold reserves are depleted almost every day, these predictions may come true in the near future. For a better understanding of the reasons for investing in gold, let's return to some historical aspects of the "yellow metal".[7]

The purpose of gold has always been expressed by its inherent functions. For centuries, gold had the main function of money. Accordingly, money has the following functions, which, by the way, were noted by K. Marx in "Capital". The functions of money include the following: measure of value, medium of circulation, measure of accumulation, means of payment and world money. It should be noted that during the entire history of the functioning of money, gold as a precious metal also performed its functions. In this regard, K. Marx wrote: "The first function of gold is to supply the commodity world with material for expressing value, i.e. to express the value of goods as identical values, qualitatively the same and quantitatively comparable. It functions, in this way, as a universal measure of values, and primarily due to this function, gold - this specific equivalent commodity - becomes money."

The reasons for investing money in gold have not changed for quite a long period of time. These include the following:

1. **Independence.** Gold creates confidence through its independence. It does not depend on states, currencies, deposit yield, credit reliability. Its value may be affected by economic and political factors, but its value and suitability as a means of payment remain unchanged throughout the ages.

2. **Reserve means.** States and central banks often choose gold as a means of securing their currencies. For this reason, one fourth of all gold in nature belongs to central banks or other official government institutions. Ukraine ranks 53rd among all countries in the world in terms of gold and foreign exchange reserves.

3. **High liquidity.** Gold, along with most highly liquid assets, is the most attractive. It can be sold within 24 hours both on one financial market and on several at once. It is unlikely that any securities of even the largest corporations in the world will be sold so quickly.

4. **Asset diversification.** Gold can play a crucial role in the formation of an investment portfolio. It should be noted that most of the assets of traditional portfolios consist of shares or other securities, but the inclusion of gold in the investment portfolio gives it a completely different look, raises it to a higher level, and, in addition, partially protects it from price fluctuations of other types of assets.

5. **Reliability and stability.** Gold has always been valuable and expensive for thousands of years, it has remained the best way to invest money; regardless of possible price fluctuations on the financial market, the price of gold shows stability and a positive upward trend.

Most people, trying to protect their savings from a decrease in their purchasing power, which is especially relevant today, resort to traditional methods. One of the ways is to convert money into a more stable and stable foreign currency. Sometimes this method allows you to save, and sometimes to multiply your deposits. In this regard, real estate often becomes the object of attention. But this deposit has only superficial

reliability, because real estate prices are also not immune to economic shocks. And only lastly we mention gold. Remaining an attractive investment object, it comes into play even now.

Because gold reserves are finite, governments cannot easily manipulate its price. Keeping your savings in gold is the only way to keep your savings in tough times.

In order to hedge their risks, obtain an investment profit from the growth of the world price of banking metals, receive interest income on the balances of banking metals in the accounts of all legal entities - deposits in gold with an interest rate of up to 5% per annum. Through current accounts in bank metals, legal entities can carry out operations of purchase/sale of bank metals both on the domestic market of Ukraine and on the world market for the purpose of obtaining exchange rate difference and risk hedging. The minimum transaction amount on the international market is 250 troy ounces of gold or 10,000 ounces of silver.

You can always get a cash loan as collateral for the metal placed on the bank account. Loans in bank metals (credit resources in physical gold or in the monetary equivalent to gold) are very popular among industrial consumers. The advantage of such loans is a low interest rate (on average 6-7% per annum, depending on the term of the loan). The decrease in the price of gold on the market and the end of the loan repayment period also play into the borrower's hand and can further reduce the cost of resources.

Buying precious metal bars and coins is a common way of investing in banking metals in most countries around the world. Coins made of precious metals are divided into investment and collector coins. Investment coins are used almost exclusively to accumulate value by investing cash in highly liquid precious metal products. Prices for such coins on the market can be very high.

Today, transactions with gold and other precious metals are not only transactions with physical gold, but also non-cash transactions on the international market of precious metals.[8]

So, despite the legal demonetization of gold, it continues to play an important role in international monetary and credit relations, which consists of the following:

States try to maintain gold reserves at a certain level in case of economic, political, military complications, taking into account their importance. Since the mid-1970s, most countries have periodically revalued their gold reserves at market-oriented prices. Central banks keep their reserves, and some buy them at gold auctions to replenish (these are mainly countries with a positive balance of payments).

Central banks use their gold reserves for swap agreements, securing international loans (examples include Italy, Portugal, Uruguay in the mid-1970s, and developing countries in the 1980s). In order to cover the deficit of the balance of payments and pay off external debts, they periodically sell part of the gold to replenish foreign exchange reserves (for example, the Bank of England, the IMF). In the European Monetary Union, 20% of the official gold reserves of the member countries served as a partial guarantee for the ECU emission. Gold is kept in the assets (10-15%) of the European Central Bank, which has been issuing euros since 1999.

In contrast to the demonetization policy, which was established by the Jamaican currency system, the EMU is based on the partial use of gold in transactions between central banks and the EMF, since 1994 - the European Monetary Institute, since 1998 - the European Central Bank, 20% of the countries' official gold reserves — members of the EMU serves as a partial security for the issuance of the ECU, and since 1999, the euro.

Therefore, it can be concluded that even in modern conditions certain qualities of gold as a currency metal are preserved, that is, gold continues to play an important role in the currency sphere of extraordinary world money.

1.3 Regulation/Methods of research of gold as world money.

The regulation of gold as world money has been quite complex and variable throughout history, depending on economic and political conditions. However, some main regulatory approaches and periods can be identified.

The first attempts to regulate gold as a world currency were made in the 19th century under the Gold Standard, when it was adopted as the official currency in many countries such as Great Britain and the United States. During this period, gold was linked to national currencies, which made it stable and attractive for use in international trade. However, during the Great Depression of the 1930s, the Gold Standard was destroyed when countries began to abandon the convertibility of their currencies into gold, leading to the collapse of the international monetary system.

In the second half of the 20th century, the United States and some other countries implemented a new regulatory approach known as the Bretton Woods system, which was based on a fixed exchange rate between the US dollar and gold. This approach kept exchange rates stable, but suffered a crisis in the 1970s when the US was unable to maintain stability in its exchange rate against gold.

Since the 1970s, gold has become a tradable asset, allowing its use in investment portfolios and providing protection against inflation and geopolitical risks. However, gold is no longer an official world currency and is not subject to regulation as such. In today's world, the regulation of gold as a world currency is limited. Most countries use fiat currencies, that is, currencies that are not backed by gold or other tangible assets. Gold is regulated through the dynamics of its price in the market, which depends on many factors, such as market supply and demand, geopolitical stability and risks, inflationary expectations and other economic factors.

In addition, some central banks keep gold in their reserves as a reserve currency, which allows maintaining the stability and reliability of the foreign exchange reserve and providing protection against risks and fluctuations in the market. Thus, it can be argued that the regulation of gold as world money is not direct and formal, but is carried out through the dynamics of its price on the market and its use as a reserve currency. However, gold remains an important asset in an investment portfolio and provides protection against market risks and fluctuations.

Regulation of gold on the world market is carried out using various methods. Here are some of them:

1. Intervention of central banks: Central banks of countries can intervene in the gold market by buying or selling it in the open markets. This can affect supply and demand in the market and affect its price.

2. Market restrictions: Governments can restrict the trade in gold or regulate its extraction and sale in the domestic market. This can affect supply and demand in the world market and affect its price.

3. Financial products: Financial instruments such as gold futures, gold options and mutual funds allow investors to buy and sell gold in the stock markets. This can affect supply and demand in the market and affect its price.

4. Geopolitical risks: Geopolitical events such as conflicts, sanctions and other political risks can affect the demand for gold. For example, if there is uncertainty about the future stability of currencies or the geopolitical situation, investors may turn to gold as a safer investment.[9]

Therefore, the methods of gold regulation in the world market are quite diverse and include the intervention of central banks, restrictions on market activity, financial products and geopolitical risks. In addition to this, the regulation of gold as a global currency also depends on various economic factors such as:

- Inflation: When the inflation rate increases, the price of gold usually increases. This is because gold is considered a stable investment that can help protect investors from the impact of inflation on their capital.
- Economic Crises: During economic crises, when demand for other assets such as stocks and bonds decreases, demand for gold may increase. This is because gold is considered a safe investment that can protect investors from losses in the market.

- **Currency Fluctuations:** Gold is often used to store foreign exchange reserves of central banks, especially in countries with low currency stability. Fluctuations in exchange rates can affect the demand for gold.
- **Demand for gold for manufacturing:** Gold is also used in the manufacturing of electronics, appliances, jewelry and other products. The demand for gold from these purposes can affect its overall demand and, therefore, its price on the world market.

In general, the regulation of gold in the world market is a complex process that depends on various factors, which may include economic, political and geopolitical factors.

One important aspect of gold regulation is determining the purity and authenticity of gold. Various countries and international organizations have established standards for the purity of gold, such as the "fineness" or "karat" rating, which indicates the amount of gold in a given piece of jewelry or bullion. In addition, governments may require licenses for gold dealers and impose taxes or restrictions on the export or import of gold. Central banks also play a role in gold regulation by holding significant amounts of gold reserves as a hedge against inflation and currency fluctuations. The International Monetary Fund (IMF) also holds a large amount of gold, and its gold holdings are subject to periodic revaluations. Overall, gold regulation helps to ensure the integrity of the gold market and to protect investors and consumers from fraud and other abuses.

The global gold markets are overseen and regulated by both governmental and self-regulatory organisations. In addition, certain trade associations have established rules and protocols for market practices and participants. In the United Kingdom, responsibility for the regulation of the financial market participants, including the major participating members of the LBMA, falls under the authority of the Financial Services Authority, or FSA, as provided by the Financial Services and Markets Act 2000, or FSM Act. Under this act, all UK-based banks, together with other investment firms, are subject to a range of requirements, including fitness and propriety, capital adequacy, liquidity, and systems and controls. The FSA is responsible for regulating investment products,

including derivatives, and those who deal in investment products. Regulation of spot, commercial forwards, and deposits of gold and silver not covered by the FSM Act is provided for by The London Code of Conduct for Non-Investment Products (the NIPS code), which was established by market participants in conjunction with the Bank of England. US participants in the OTC gold market are generally regulated by the market regulators which regulate their activities in the other markets in which they operate. For example, participating banks are regulated by the banking authorities, namely the Federal Reserve, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. In the US, Congress created the Commodity Futures Trading Commission (CFTC) in 1974 as an independent agency with the mandate to regulate commodity futures and option markets in the US.[10] The CFTC regulates market participants and has established rules designed to prevent market manipulation, abusive trade practices and fraud. In 2010, the US government passed the Dodd-Frank Wall Street Reform and Consumer Protection Act which authorises and instructs the CFTC to develop new rules for regulating swap dealers, increasing transparency, improving pricing in the derivatives marketplace, and lowering the risk to the American public. Over the coming years, the CFTC will be working with key stakeholders to establish new rules in these areas that will likely alter the shape of the futures exchange market in the US.

Institutions that regulate the gold markets

SEC and Gold

Buying and selling gold is highly regulated by federal agencies. The legal involvement of the SEC is based on the type of investment – although it does not directly regulate the bullion trade, it deals with other gold investments, like options, gold ETFs, or gold stocks. For example, in 2008 the SEC approved the trading in options on the SPDR Gold Trust, while the CFTC approved the trading in futures on it. Moreover, exchange traded commodity funds (like GLD or IAU) must register with the SEC when they want a new subscription of shares, and provide regulatory filings. Gold mining companies which issues stocks also have to file periodic reports with the SEC.

SEC also protects gold investors. For example, in 2010, the SEC took legal action against a mining company based in Florida for false press releases and other misleading statements associated, in part, with a mining project in Ecuador. The releases claimed the gold reserves were worth more than \$1 billion. The SEC noted that the exact value of those reserves could not be known “without further detailed exploration.” In the same year, the SEC charged six individuals with running a \$300 million Ponzi scheme on investors in a purportedly successful gold mining operation (they claimed to represent an independent financial education firm that had discovered a way to earn up to 36 percent annually by investing in mining investments that were “fully collateralized by gold”, but rather than invest the money, they diverted investor funds for their personal benefit).

London Gold Market

The London Gold Market is one of the largest and oldest gold markets in the world. It is located in London, UK and is the center of gold trading internationally. The London Gold Market is known for its role in setting international gold prices and as a central point for the storage and trading of gold reserves of central banks and other financial institutions. The London gold market is operated by special participants called "Market Makers" and "Bullion Banks" (banks that specialize in gold). These participants have access to trading platforms where they can buy and sell gold at market-determined prices.

As the London Gold Market is one of the largest and most influential gold markets in the world, gold prices set on this market have a significant impact on global gold markets. Gold in the London market is regulated through various mechanisms and standards set and monitored by various organizations such as the London Interbank Gold Market (LBMA) and the London Clearing and Reporting Gold Market (LPMCL). Another important component of gold regulation on the London market is its control and storage. The Clearing and Reporting Gold Market of London (LPMCL) is responsible for the provision and storage of gold in underground vaults in London and for settlements between market participants. In addition, the London Interbank Gold Market has the function of maintaining the stability of gold prices through various instruments and

mechanisms, such as derivative contracts, which allow market participants to reduce the risks associated with fluctuations in gold prices. Also, LBMA sets quality standards for gold traded on the market, which ensures its legal and environmentally safe origin.

Finally, it is important to note that the London Gold Market is one of the largest gold markets in the world, so its prices influence global gold prices. This means that any changes in the London gold market can have a significant impact on global gold prices, which can be reflected in the gold investment and trading market.

The IMF and gold

The International Monetary Fund (IMF) does not directly regulate gold prices, but it influences the gold market through its policies on international reserves of member countries. According to the IMF Charter, member countries have the right to keep their international reserves in the form of gold, but for the last decade, this practice became less common. The IMF believes that holding international reserves in gold may be less efficient and less safe than holding them in other assets, such as reserve currencies and other financial instruments. However, the IMF holds some gold in its own reserves and conducts gold transactions in the market, including sales and purchases of gold, to help manage its reserves. These transactions can have an impact on the demand and supply of gold in the market and, accordingly, on the price of gold. In addition, the IMF promotes international cooperation and coordination of monetary policy among member countries, which can affect the supply and demand of gold. For example, when member countries agree on common exchange rate or interest rate policies, this can have an impact on the global economy and consequently on gold prices. Thus, although the IMF does not directly regulate gold prices, it influences the gold market through its international reserve policies and the joint coordination of monetary policy among member countries. In general, various factors such as geopolitical instability, economic trends and other macroeconomic factors can also affect gold prices.

Gold quality standards

In addition, for gold used in financial and investment transactions, the standard of the London Exchange (London Good Delivery) is important, which sets requirements for the purity and weight of gold that can be used for international payments and deliveries. The gold quality standards of the London Exchange (London Good Delivery) are among the most important in the world and are recognized in all countries. These standards were established by the London Stock Exchange in 1750 and are periodically updated to ensure the high quality of gold used for international payments and deliveries.

- The main requirements for gold that meets the standards of the London Stock Exchange are as follows:

- Purity: Gold must contain at least 99.5% pure gold.
- Form: gold should be in the form of plates, balls or coins.
- Weight: the weight of the plate must not exceed 12.5 kg, the weight of the ball - 2.5 kg, and the weight of the coins - 100 grams.
- Dimensions: The dimensions of the plate and ball must meet the prescribed standards.
- Marking: the gold must have an appropriate marking that confirms compliance with the standards of the London Stock Exchange.

Gold that meets these requirements can be used for international payments and deliveries. Compliance with the standards of the London Stock Exchange is confirmed by the Good Delivery certificate, which is issued by the London Stock Exchange and is a certificate of the high quality of gold.

Section 2. Global trends of development of gold as the money asset

2.1 Analysis of price dynamics and volume of operations of gold on global monetary market.

Gold is one of the most important commodities in the global monetary market, and its price dynamics and volume of operations are closely watched by investors and analysts. There are several factors that can affect the price of gold, including economic and political events, currency fluctuations, and supply and demand.[11]

Price Dynamics:

The price of gold is determined by supply and demand, and it tends to rise when the global economy is in a state of uncertainty or instability. For example, during times of economic recession, investors tend to flock to gold as a safe haven asset, which drives up the demand and price of gold. Similarly, political tensions, trade wars, and currency fluctuations can all affect the price of gold. In addition, changes in interest rates can also have an impact on the price of gold. When interest rates are low, the opportunity cost of holding gold is reduced, which makes it more attractive to investors.



Graph: Price of gold 1990-2023

Source: Tradingview

Gold is one of the most durable and stable investments in the world markets. Over the past 30 years, the price of gold has fluctuated, but generally increased.

In the early 1990s, the price of gold fluctuated between \$350 and \$400 per troy ounce. Over the following decades, it gradually increased and reached its peak in 2011, when the price of gold exceeded \$1,900 per troy ounce.

However, after this peak, the price began to decline and for the next several years fluctuated between \$1,000 and \$1,400 per troy ounce. Since 2019, the price has started to rise again and reached around \$2,000 per troy ounce in August 2020.

One of the reasons that affects the fluctuations in the price of gold is the economic and political turbulence in the world. When the economy is stable and investors have confidence in their investments, the price of gold can decrease. However, when the economy experiences turbulence that leads to market volatility, the price of gold can increase as investors look for more stable investments.

The price of gold has experienced significant fluctuations during the Covid-19 pandemic. In March 2020, when the covid pandemic began, the price of gold initially fell by 12% as investors sold gold to get money to buy other assets or provide liquidity.

However, later, when the world economy experienced severe turbulence due to covid, the price of gold increased as many investors turned their attention to this stable investment. In early August 2020, the price of gold reached an all-time high of \$2,075 per troy ounce.[12]

Price of the gold during Covid-19

The increase in the price of gold during covid was caused by a number of factors, including the worsening of the geopolitical situation, the decline in confidence in the economy and financial markets, the negative impact of covid on the global economy and the increase in budget deficits.

Although the price of gold has fallen slightly since the start of 2021, it is still higher than it was before covid. It is predicted that the price of gold may remain stable in the

future as it is a safe investment that allows investors to reduce their risky portfolio during times of economic turbulence.

Gold and war in Ukraine

The price of gold also fluctuated during the Russo-Ukrainian war. Since the war between Russia and Ukraine in 2014, the price of gold has initially risen by 15% as investors sought a safe investment amid geopolitical instability. In 2015-2016, the price of gold fell again as investors shifted their investments to other assets, such as stocks and real estate, which seemed less risky. However, the price of gold rose again in 2018 as the global economy experienced turbulence due to sanctions against Russia and the worsening situation in the Middle East.

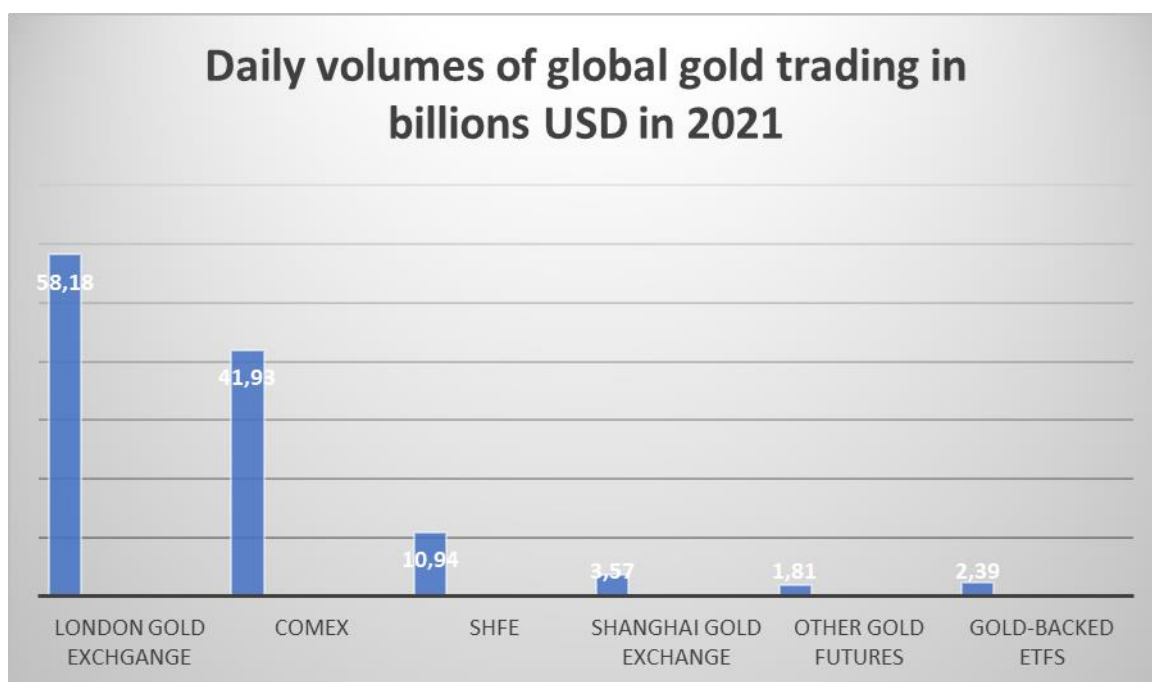
In 2022, at the beginning of the armed conflict on the border between Russia and Ukraine, the price of gold rose again as investors sought a safe investment in times of geopolitical tension. The increase in the price of gold during the Russo-Ukrainian war was caused by many factors, including the worsening of the geopolitical situation, a decline in confidence in financial markets and an increase in risk in global markets. Despite this, the price of gold may continue to fluctuate depending on developments in the region and on global markets.

Volume of Operations:

The volume of operations of gold on the global monetary market is largely driven by trading on exchanges such as the COMEX in New York and the London Bullion Market. The volume of operations can be affected by a variety of factors, including changes in the price of gold, market sentiment, and the overall economic climate. In addition, gold mining and production can also affect the volume of operations, as increased production can lead to a greater supply of gold on the market. However, it can be noted that the volume of gold trading has generally increased over the past 30 years, as gold is a popular investment asset and its price usually increases during times of economic instability. According to the World Gold Council, in 1990 the volume of gold trading was about 1.6 thousand tons per year, and in 2020 it reached more than 4.8

thousand tons. In addition, the value of gold has risen from around \$400 per troy ounce in 1990 to over \$1,800 per troy ounce in 2020. The landscape for wholesale gold trading is quite complex and constantly evolving. The three most important gold trading centres are the London OTC market, the US futures market and the Shanghai Gold Exchange (SGE). These markets comprise more than 90% of global trading volumes.

Daily notional gold volumes in US-dollar billions in 2021



Graph: daily volumes of global gold trading

Sources: Bloomberg, COMEX, Dubai Gold & Commodities Exchange, ICE Benchmark Administration, London Metal Exchange, Multi Commodity Exchange of India, Nasdaq, Shanghai Gold Exchange, Shanghai Futures Exchange, Tokyo Commodities Exchange, World Gold Council.

Overall, the price dynamics and volume of operations of gold on the global monetary market are complex and subject to a wide range of factors. Investors and analysts closely monitor these factors to make informed decisions about investing in gold and other commodities.[13]

Another important factor that can impact the price dynamics and volume of operations of gold is inflation. Inflation occurs when the general level of prices for goods and services rises over time, leading to a decrease in the purchasing power of money. Gold is often considered a hedge against inflation, as its value tends to increase during periods of high inflation. This can lead to increased demand for gold and higher prices.

Furthermore, central banks play an important role in the gold market. Many central banks hold significant reserves of gold as a means of diversifying their portfolios and reducing their exposure to other currencies. Changes in central bank policies or actions, such as purchases or sales of gold, can have a significant impact on the price dynamics and volume of operations of gold on the market.

In recent years, the rise of digital currencies, such as Bitcoin, has also had an impact on the gold market. Some investors view Bitcoin as a potential alternative to gold as a store of value, which could impact the demand for gold and its price dynamics.

2.2 Regional market analysis of gold

Gold markets are special centers of gold trade, where it is regularly bought and sold at market prices for the purpose of industrial and household consumption; private thesaurus; investments; risk insurance; speculation; purchase of the necessary currency for international payments. If we consider the gold market organizationally, it is a consortium of several banks authorized to carry out transactions with gold. They mediate transactions between buyers and sellers and concentrate their statements, compare them and, by mutual agreement, fix the average market level of the price. There are also certain firms that clean and preserve gold, and manufacture ingots.

Gold markets vary:

- by type of organization (stock and non-stock markets);
- according to the forms of the product that rotates on them (ingots of different weights and samples, coins of different issues);
- by the degree of legality (legal and black markets).

Gold markets are also divided, depending on the regime provided by the state, into global markets (London, Zurich, New York, Hong Kong, Dubai, etc.); internal free (Paris, Midan, Istanbul, Rio de Janeiro); locally controlled (Athens, Cairo); black markets (Bombay, etc.).

The source of gold supply on the market is: new gold mining [the main source (up to 80%) of gold supply on the market (up to 2,500 tons per year)]; state reserves of gold; private gold reserves; sale of investors' gold; sale of gold hoarders

Gold is supplied to the markets in the form of standard ingots: ingots (for example, ingots of the international standard of 12.5 kg with an assay of at least 995); gold coins of old mintage; souvenir coins; letters; plates; wire; gold certificates.[14]

From an economic point of view, the source of demand for gold is: industrial and household consumption; jewelry industry; radio electronics; atomic rocket technology; dental prosthetics industry; private thesaurus; investments; speculative agreements; purchase of gold by central banks to replenish their gold and currency reserves.

Domestic gold markets are the markets of one or more states with less significant turnover, focused primarily on local investors and hoarders. Local currencies can be used as a means of payment in parallel with the US dollar or instead of it. A distinctive feature is state regulation of the market by setting prices, taxes, excise duties, tariffs, import-export quotas, as well as the use of administrative methods, measures and rules.

Within this group, one can distinguish internal free markets with softer state regulation (usually tax), which formally does not prevent the movement of gold from country to country. The most significant domestic free markets are concentrated in Hamburg, Frankfurt am Main, Vienna, Amsterdam, Paris, Milan, Istanbul.[15] Domestic regulated markets are characterized by more stringent government intervention, where free import-export is prohibited, and regulation is "hard" by establishing such economic conditions where free trade in gold becomes unprofitable due to the fact that transactions are subject to progressive taxes, due to which gold prices become higher than world prices. For countries with a closed domestic gold market, a state buffer is used in the form

of a fiscal transfer of mined gold at a fixed price to the National Bank, which is designed to create conditions for the preservation of gold mining and the investment attractiveness of this industry. Gold markets of this type take place in Athens, Cairo, Alexandria, Saudi Arabia. Shadow ("black") gold markets are ego markets of illegal gold trade, operating under conditions of strict regulation and state veto on transactions with gold. As a rule, the organization of such markets is characteristic of the economies of developing countries with a low level of material well-being of the population. The most famous shadow market is located in Mumbai (formerly Bombay).[16]

One of the main centers of trade in physical gold is London. At the moment, the coordinating center on the London market is the London Bullion Market Association (The London Bullion Market Association), which unites market participants. This organization was founded in 1987 and now has several dozen members.

More than 50 gold markets operate in the world. The leading place belongs to the gold markets in London and Zurich.

Today, the USA, Germany, Switzerland, France, Italy, Belgium, and the Netherlands are the major holders of gold. Industrialized countries account for more than 83% of the world's centralized reserves and 77% of the world's total gold reserves. The IMF is also a large holder of gold, its warehouse is located in New York, and part of the reserves of 70 countries of the world are stored there. In the last decade of the 20th century. and at the beginning of the XXI century. the development of gold markets in the USA and an increase in the activity of American gold dealers are observed. Yes, in October 2003. the increase in the mass of the "yellow metal" was caused by the aggressive purchase of gold by certain New York funds that decided to play for the increase. Funds took the longest position in the last five years before 2003

Gold on financial markets

Depending on the goal set by the investor, they carry out the following operations with gold, which include:

- purchase of real gold to insure the risk of inflationary depreciation of money;

- buying shares of gold mining companies with the aim of obtaining high dividends, profit and simultaneous insurance of inflation risk;

- term - forward and futures - agreements with a term of 1, 3, 6 months with gold for making risky (venture) investments. The following is carried out on the market of forward operations:

- hedging for the purpose of insuring the risk of price changes;
- speculative futures contracts — buying and selling gold for the purpose of making a profit;

Arbitrage operations with gold for the purpose of obtaining profit in the space and time gap:

- a gold swap is a combination of a cash and a futures contract, i.e. a dealer buys 2,000 ounces of gold on the terms of a cash contract (at a price of \$368) and simultaneously sells 10 future contracts of 200 ounces (at a price of \$379 per ounce) ;

- swap agreements with gold for the purpose of purchasing foreign currency to strengthen official currency reserves;

At the same time, the scale of private hoarding (accumulation of gold as a treasure by private individuals) is not decreasing.[17]

Therefore, in gold markets, as well as in modern financial and commodity markets, there is a constant growth of the virtual part (derivatives) — futures, options, etc.— to increase the liquidity of the underlying product and hedge risks, which contributes to obtaining significant profits. The turnover of real gold with centers in London and Zurich is only 1-2% of the market turnover of so-called paper gold with centers in Chicago and New York.

Today, gold remains a fairly reliable, highly liquid reserve asset of the central banks of the world's leading countries, although at the end of the 90s of the 20th century. a tendency to sell gold by the central banks of a number of countries and the IMF with the aim of renewing their foreign exchange reserves emerged.[18]

South Africa, the USA, Australia, Canada, and Russia are among the top five gold-producing countries. New gold production is growing at a slower rate than consumption. In the structure of world gold production, the share of leading countries is gradually decreasing and the share of developing countries is increasing. Today, entire undeveloped regions that were previously closed to foreign investors are actively explored in the world. Governments interested in economic development and job creation provide a favorable regime for investment. The costs of prospecting for gold deposits in Africa, Latin America, and Asia are increasing. Cheap labor force, favorable tax regime in these countries contribute to lowering the cost of gold mining. According to "Business Week" analysts, if the cost of gold mining in the USA is up to \$240, in South Africa - up to \$300, then in many new areas it is only \$100. for a troy ounce of gold (1 troy — 31.1035 g).

Gold enters the world markets through middlemen-dealers. Gold dealers are firms that are the embodiment of the financial aristocracy (as a rule, there are no more than 20 of them). In the narrow sense, there are only five firms that traditionally make up the London market as gold dealers. The oldest of them originated in the 17th century, and the "youngest" is about 150 years old. The list of London dealers is headed by the Rothschild banking house founded in 1804 (official name N. M. Rotchild and sons, Ltd). Other firms are also active, in particular Mocata and Goldsmi, which is part of the Standard chartered bank. Gold dealers also include the "big three" Swiss banks with head offices in Zurich.

2.3 Factor analysis of gold as world money

The value of gold in the currency sphere. It is known that the function of world money was historically performed by gold and silver, and the Paris currency system fixed this function only for gold. After the Second World War, the United States, in connection with the growth of its monetary and economic potential, launched a struggle for the supremacy of the dollar under the slogan "the dollar is better than gold." On August 15, 1971, the United States imposed a "gold embargo" on the exchange of dollars for foreign central banks and thus began the process of demonetization of gold, which was officially established in the Kingston Agreement of the countries in January 1976 and ratified by the necessary majority of countries in April 1978. Gold left monetary and foreign exchange circulation and settled in treasures, and transactions with this precious metal take place today in special markets. But the question of the role of money in the development and functioning of the currency system remains controversial.[19]

The function of money as a means of creating treasures acquired new features with the withdrawal of gold from circulation. Treasures ceased to perform the function of a natural regulator of monetary circulation, because gold cannot automatically pass from treasures to circulation, and vice versa, due to the immutability of credit funds. But this function has certain features and is not stagnant. Its connection with domestic and world markets has remained, although it has changed significantly. The connection of private hoarding with the production process is manifested in the transformation of part of the capital into gold in order to preserve its real value in the conditions of inflation and currency crisis. Official gold reserves, concentrated in central banks, state financial bodies and international monetary and financial organizations, have international significance as international assets.[20]

The amount of gold reserves reflects the currency and financial position of the country and serves as one of the indicators of its creditworthiness. The volume of state and private treasures, which amount to (over

60,000 tons of gold), which is equal to gold production in the Western world for more than half a century. There is no commodity that can be hoarded as much as gold, so gold reserves are difficult to sell without conflict. And modern commodity production has not produced an alternative to gold as a treasure. The natural qualities of gold — homogeneity, divisibility, strength, durability — best meet the requirements for world money.

The enduring appeal—and influence—of gold. Even though it is no longer used as a primary form of currency in developed nations, the yellow metal continues to have a strong impact on the value of those currencies. Moreover, there is a strong correlation between its value and the strength of currencies trading on foreign exchanges.

Relationship between gold and foreign exchange:

- Throughout human history, gold has been used as a form of money in one way or another.
- From gold coins to paper notes backed by the gold standard, only recently has money moved to a fiat system that is not backed by a physical commodity.
- Since then, inflation and a declining dollar have meant rising gold prices. By purchasing gold, people can also shelter themselves from times of global economic uncertainty.
- Gold levels may also influence national economies engaged in global trade and international finance.[21]

Correlation with currencies

Gold is rightfully one of the most popular metals in the world, both in the eyes of investors and consumers. Although gold is no longer used as a currency in the developed world, it continues to influence currency markets. Moreover, there is a strong correlation between gold quotes and currency rates. The Forex currency market is influenced by almost all aspects of the financial and political life of our Earth. And one of the most important factors affecting the value of a particular currency is the commodity market. It

contains millions of positions, but traders most often work with precious metals and most of all with gold. The maximum influence on currency quotes is exerted by the price of gold. First of all, the main currency of the world - the US dollar - depends on it.

The price of gold is generally inversely related to the value of the U.S. dollar because the metal is dollar-denominated. All else being equal, a stronger U.S. dollar tends to keep the price of gold lower and more controlled, while a weaker U.S. dollar is likely to drive the price of gold higher through increasing demand (because more gold can be purchased when the dollar is weaker).[22]

As a result, gold is often seen as a hedge against inflation. Inflation is when prices rise, and by the same token, prices rise as the value of the dollar falls. As inflation ratchets up, so does the price of gold.

The impact of inflation and the value of the dollar can be seen in the recent price action of gold. As inflation soared in 2022, the price of gold actually declined throughout much of the year, partly owing to the strength of the dollar against other world currencies. However, after hitting a low of less than \$1,630 per ounce in September and October 2022, the price of gold began to recover, with the persistence of inflation and concerns about a recession bolstering prices throughout the fourth quarter and into 2023.

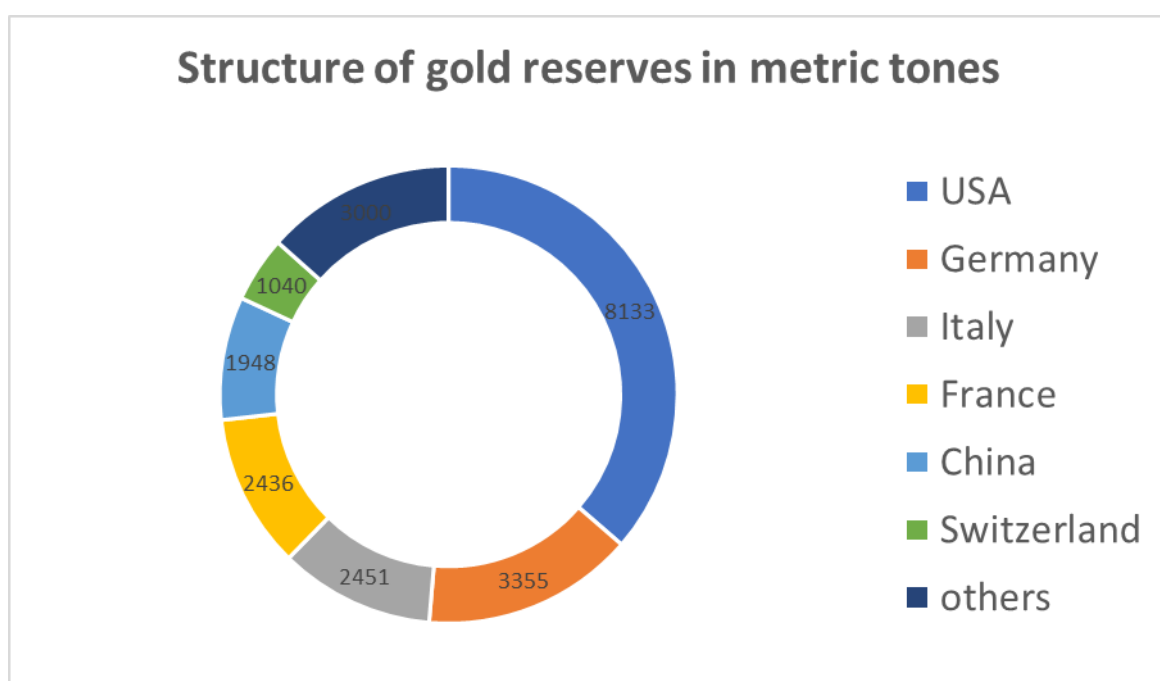
There has long been an interesting relationship between the yellow metal and the American national currency. In the long run, a weaker dollar has always meant higher gold prices. However, this regularity does not always work, and fluctuations between these financial instruments are insignificant.

The dollar and gold were also linked within the framework of the Bretton Woods currency system, according to which the US had to convert the hryvnia into gold at a fixed rate. Despite the fact that in 1971 President Richard Nixon abolished the fixed rate, and the dollar has been constantly devalued against the yellow metal since then, America remains a world power, and therefore, where the yellow metal is mentioned, American money is also mentioned.[23]

However, despite the relationship between the precious metal and the dollar (as well as other currencies), gold is influenced by other factors. For example, it is inflation or military actions. In general, gold is an indicator of the state not of a certain individual group of people or communities, but of the world economy in general.[24]

The role of gold in the formation of gold and currency reserves of central banks

For the Central Bank of the country, the gold reserve can act as a reserve of international means of payment for state bodies, own companies, corporations and individual citizens. Traditionally, the reserves of national banks consisted of physical gold and the most stable world currencies. The Central Bank of the country regulates the amount of precious metal reserves in absolute and relative terms, and also determines the sources of formation of replenishment and the means of realization of these reserves, ensuring their profitability and liquidity. Determining the proportions of the precious metal in the gold and currency reserves required by the state is within the competence of the Central Bank management.



Graph : Gold reserves of top countries in 2022

Source: made by author, Statista

It should be noted that the rejection of the gold standard, and later - of the Bretton Woods system of fixed exchange rates, as well as a significant increase in the instability of financial markets led to an increase in potential losses that the Central Bank may suffer due to adverse market conditions or the bankruptcy of a foreign debtor. This determines the need to manage the structure of gold and foreign exchange reserves.

The strategies of central banks regarding the optimal structure of gold and foreign exchange reserves are developed on the scientific basis of modern economic and statistical methods and taking into account the characteristics of gold as a monetary asset. The main features of gold as a reserve asset are:

- firstly, gold ensures the financial security of the state in case of adverse conditions, such as crisis, destruction of the currency system, war, terrorist acts. The events that took place in the USA on September 11, 2002, confirmed the importance of the value and attractiveness of gold. During this period, all indices of the leading capitalist countries (DowJones, DAX, etc.) began to fall, and the price of gold on world markets, on the contrary, increased and exceeded \$280/oz;

- secondly, gold is not a debt obligation, it does not depend on exchange control or freezing of assets in a certain currency, that is, it does not depend on factors that affect foreign currency reserves. Gold is used to settle obligations between governments, it is easy to mobilize, use as collateral.
- thirdly, gold helps to diversify official reserve assets.

It should be noted that the formation of the structure of gold and foreign exchange reserves in Ukraine takes place under the influence of the development of the world monetary system. The demonetization of gold and the growing needs of central banks to receive income from the management of gold and foreign exchange reserves determine the low average specific weight of the metal in the gold and foreign exchange reserves of both IMF member countries and the National Bank of Ukraine.

The purpose of maintaining part of the reserves in gold is not only to ensure the stability of monetary units, but also the psychological importance of gold, since for the population and other investors, gold is an aspect of trust. The indirect connection of gold

with money circulation is based on trust, which depends on the level of gold and foreign reserves. If gold was not given a responsible role, it could be perceived as a lack of confidence in this currency. Confidence in the country's central bank is a decisive factor in its normal functioning. Therefore, the composition of its official reserves is absolutely necessary to demonstrate that the central bank not only has a sufficient level to overcome possible crises, but also the right set of these resources.[25]

Some researchers of the role of gold in the structure of gold and currency reserves of central banks point to its low profitability compared to other assets. However, the above trends of the dollar falling and gold rising suggest the opposite. In our opinion, the costs associated with the storage of gold should be considered a risk fee paid to protect against an unexpected increase in inflation rates, a debt crisis, the collapse of global currency and trade agreements.

Gold is a symbol of currency independence, it provides protection against various catastrophic phenomena, guarantees trust in the national currency both in the country and abroad.[26]

"Quiet haven" for investors

In the conditions of a free market without a gold standard, the yellow metal becomes a kind of "quiet haven" for investors. At the same time, it is believed that investment interest in the precious metal appears with the greatest force in periods of instability, as it is partially or completely able to protect assets from economic shocks.[27]

Shock states are characteristic of any economy at all times. At times when the best investment is profit from goods purchased abroad and received at the expense of the difference in exchange rates, and investments in gold work on the same principle. At the same time, it is profitable to hold gold in some periods, and not in others. The yellow metal during the absence of the gold standard is under the influence of the same economic factors as other financial instruments, and it must be traded in the same way as a currency.[28]

Whatever the system is, its existence directly depends on how much investors believe in it. The gold standard is believed in because it creates the illusion that paper money is backed by something. But you will not be satisfied with gold, you will not build a house with gold - therefore, its value is born from the ideas of market players. In a free market, gold becomes a currency for those who trade it, while other investors rely more on cash as a means of payment to purchase goods and services. These beliefs are reinforced by advertising that not only promotes the product, but also offers a price for it, thereby asserting the opinion of cash as a method of payment. In this system, gold becomes a means of payment only when circumstances and market conditions favor this transformation.

Investors buy gold assets as a hedge against economic troubles, but it should be remembered that today gold is profitable, but tomorrow everything may turn out to be the opposite.

The yellow metal is subject to the same fluctuations as cash. "Given gold's low correlation with other types of investment assets, investing in the precious metal has traditionally been considered as a hedge against economic downturns. In particular, gold's correlation with stock market performance has historically remained low, and gold tends to move in the opposite direction vs. the dollar. This means that periods of dollar weakness could spell strength for gold prices."

The potential benefits of gold as a hedge against declines in other asset classes may come to the forefront of investors' minds when facing the likelihood of a recession. Based on historical data, gold prices generally increase when inflation-adjusted bond yields decline.⁷ This suggests that there may be some wisdom in allocating a portion of your portfolio to gold as a cushion against rough patches for economic growth.

Many investors choose gold to protect the rest of their portfolio from risk and to add diversity to their portfolio. Very few people would choose to invest all their money in gold as it is always advisable to create a balanced portfolio containing different types of investments. Many investors choose gold for that very reason, allowing them to

diversify into different areas. This is said to be because the price of gold is usually negatively correlated to the stock markets; gold often rises when other markets fall. “This is why, traditionally, gold is seen as a ‘safe-haven’ investment. In times of market volatility, where stocks and shares plummet, part of this decrease is due to investors moving away from ‘riskier’ assets into the safe haven of gold

Lastly, some investors choose gold because of the possible financial returns, especially over a longer period of time. Put simply, if you buy it and hold it until the price goes up, you can sell it – hopefully for a profit

2.4 Forecast of development of gold as world money and place of Ukraine in global market of gold

In general, although gold remains an important reserve, its role as the world's money can depend on many factors, such as the economic situation, technological development, political and geopolitical factors, environmental aspects, etc. In addition, there are other assets such as cryptocurrencies and other commodity metals that may also replace gold as the world's reserve currency.[30]

However, gold has its advantages that allow it to remain an important asset for investors and central banks. It is considered a safe place to store value because its rate can remain more stable compared to other assets during periods of economic instability. In addition, gold has a long history of being used as a monetary equivalent, giving it exposure and confidence among investors.

Gold can also play a role in diversifying an investor's portfolio, thereby reducing risks in investment portfolios. In addition, gold can be used as a hedge against inflation, as its price can rise with rising inflation. Thus, gold remains an important asset for investors and central banks, but its role as world money may change depending on various factors

What are gold's key price drivers?

Gold is a rare precious metal found in quartz veins and stream gravel, in its pure form. Gold has a history that goes as far as Ancient Egypt, and is a highly influential commodity in the global economy.

The gold's price is shaped by the forces of supply and demand, although the metal is appreciated beyond its instrumental value. Some investors use gold as a safe-haven asset during recessions or periods of uncertainty, or as a hedge against inflation.

Historically, periods of high inflation have been positive for the gold's price, as investors tend to flee from fiat currencies towards the yellow metal. Hence monetary policy by central banks in controlling inflation is key in driving the gold's price.

As a tradable commodity, gold is denominated in the US dollars, which creates an inverse relationship with the greenback. When the US dollar rises against other currencies, gold becomes more expensive, which hurts demand. When USD falls, on the other hand, this boosts the gold's price as the metal becomes cheaper for overseas buyers.

Gold is also used to produce jewellery, which is especially popular in China and India – some of the world's biggest buyers – for festivals and weddings. The biggest gold importers in 2021 were Switzerland, India, the UK and China, according to Statista.

SWOT analysis of perspectives of development of gold as world money



Table: SWOT analysis of perspectives of development of gold as world money

Source: made by author

Correlation with US dollar

The price of gold has been largely influenced by a weaker US dollar index (DXY), as the Fed slowed interest rates hike to 25 basis points at the February 2023 meeting, from the previous 50 bps in December 2022 and 75 bps in November 2022, signalling slowing monetary tightening.

The dollar has benefited from the uncertain macroeconomic environment, with concerns about high inflation, the prospect of recession, slowing growth in China and the impact of the Russia-Ukraine war prompting investors to sell other assets in favour of holding the greenback.

The DXY, which measures the dollar's performance against a basket of other currencies, peaked at 114.68 on 28 September – its highest level since April 2002.

The Fed has hiked interest rates seven times in 2022 to combat soaring inflation, with the latest softer hike of 25 bp increase on 1 February 2023. The US central bank is likely to maintain but slow its rise in borrowing costs, as indicated by the minutes from the mid-December meeting. The Consumer Price Index (CPI) eased to 6.5% year-on-year in December 2022, marking the sixth month of consecutive decline in inflation. The CPI is the most well-known indicator of inflation and measures the percentage change in the price of a basket of goods and services consumed by households.

The correlation between the dollar and gold is quite complex and dynamic, and depends on many factors. The main factor is that gold and the dollar are the two key assets of the world economy.

Usually, when the dollar rises against other currencies, the price of gold can fall because gold becomes more expensive for those using other currencies. Conversely, when the dollar weakens, the price of gold can rise as gold becomes cheaper for those using other currencies.

However, there are many other factors that can affect the correlation between the dollar and gold, such as geopolitical events, inflation, interest rate levels, the general state of the economy, and more.

For example, when inflation rises, the price of gold may rise because gold is considered an inflationary store of value. At the same time, when the economy is stable, or when interest rates are high, investors can switch to other assets with higher returns, which can reduce the demand for gold. So, while the correlation between the dollar and gold can be dynamic and change over time, these two assets remain important players in global markets.

Additionally, the correlation between the dollar and gold can vary depending on whether the market is bullish or bearish. During market downturns, when investors are typically looking for safe haven assets, gold can become more attractive for investment because it is considered a risk-free asset. This could lead to an increase in the price of gold, regardless of how the correlation with the dollar develops. On the other hand, during

periods of market growth, when investors seek higher yielding assets, the correlation between the dollar and gold can become more significant. At this point, a rising dollar can lead to a decrease in the price of gold as it becomes more expensive for those using other currencies, while a falling dollar can lead to an increase in the price of gold.

It is important to note that the correlation between the dollar and gold can be volatile and unpredictable and should not be used as the sole factor in investment decisions. Investors should analyze other factors such as geopolitical risks, interest rate levels, inflation, technical analysis and fundamental factors to get a complete picture and make informed decisions.

Could recession support gold?

The economists at the Fed noted that the current dynamics in the bond markets, particularly the inverted yield curve - an event when interest rates on long-term bonds are lower than those of short-term bonds - has historically preceded recession. Yet they said that it could also mean that investors expect the nominal interest rate to fall as inflation eases.

A recession would be supportive to gold prices, but the sharp increase in interest rates being used to tackle inflation has so far been limiting the upside for the precious metal. As noted by the German firm Heraeus:

“A recession is not necessarily bad news for gold. Typically, precious metal prices decline during recessions, including gold. In the 1980 recession, the gold price did decline (by 6%) but that was partly because it had just reached a record price at the start of 1980 and the Fed had finally pushed interest rates above inflation.

“However, in subsequent recessions the gold price has fallen less and recovered more quickly than the other metals. The gold price tends to be slightly higher at the end of a recession than at the start.”

In July 2022 the World Gold Council, the market development organisation for the gold industry, predicted that the commodity could face two key headwinds. The

council's mid-year gold outlook outlined the following negative factors that could exert downward pressure on gold:

- Higher nominal interest rates
- A potentially stronger dollar

However, the council also noted that the potential negative effects from the above may be offset by other, more supportive factors, including:

- High, persistent inflation with gold playing catch-up to other commodities
- Market volatility linked to shifts in monetary policy and geopolitics
- The need for effective hedges that overcome potentially higher correlations between equities and bonds

Macroeconomic implications for gold

Gold is both a consumer good and an investible asset. As such, our analysis shows that its performance is driven by four key factors and their interactions:

- Economic expansion – positive for consumption
- Risk and uncertainty -- positive for investment
- Opportunity cost – negative for investment
- Momentum – contingent on price and positioning

A challenging combination of reduced but still elevated inflation and softening growth demands vigilance from investors. The likelihood of recession in major markets threatens to extend the poor performance of equities and corporate bonds seen in 2022.

Inflation: disinflation ahead

While inflation may indeed come down next year, there are several important considerations that impact the gold market.

First, central bankers have inflation targets and while a lower inflation rate is necessary, it is insufficient for central bankers to withdraw their hawkish policies. Inflation needs to get to target or below for that to happen. This raises the risk of an overshoot, in our opinion.

Second, our analysis suggests that the retail investor segment appears to care more about inflation than institutional investors, given a lower level of access to inflation hedges (Figure 2). They also care about the level of prices. Even with zero inflation in 2023, prices will remain high and are likely to impact decision-making at the household level.

Lastly, institutional investors often assess their level of inflation protection through the lens of real yields. These rose over the course of 2022 creating headwinds for gold.

In 2023 we could see some reversal of the dynamics at play in 2022, which were high retail investment demand but weak institutional demand.

Indeed, any sign of yields moving down could encourage more institutional interest in gold. On balance however lower inflation should mean potentially diminished interest in gold from an inflation hedging perspective.

Fundamentally, the use of a main reserve currency has its flaws, namely the volatile nature of fiat currencies and the snowballing effect this could have on the wider economy.

For example, an appreciation of the US dollar means that its trading partners must pay more to import, thus creating a bigger burden on those economies. Hence, fluctuations in currencies can often destabilize economies inadvertently, and worse yet, plant the seed of a future economic crisis.

On the other hand, gold is relatively stable and has remained a trustworthy asset since it began trading publicly in 1971. During times of economic and political turmoil,

the metal has proven its resilience, and to this day, it remains the go-to safe haven for investors.

From recent experience, we've seen that gold is one of few assets that has maintained its value since the war started in Europe, as well as during the pandemic.

Therefore, it is highly likely that gold will continue to dominate as a major currency and asset. Given all the current macroeconomic and inflationary risks, investors and central banks will continue to accumulate gold reserves in various forms. It is not possible to predict the price of gold at the moment because there are too many factors at play, but gold will continue to fulfill its role as a monetary unit regardless of all new types of money such as cryptocurrencies and virtual assets due to the insufficient capacity of these markets at the moment. Taking into account the experience of many financial institutions and the history of gold as a monetary unit, we can safely assume that gold will continue to play a leading role in global financial and economic relations

Unfortunately, there is no easy way of predicting the future price as gold is subject to multiple different factors that affect its price. Right now, in an environment where central banks are increasing interest rates, it is hard to see gold making significant gains in the short to medium term. Events such as the coronavirus pandemic and Russia's invasion of Ukraine are also recent reminders of how quickly the status quo can be shaken.

Gold has endured numerous conflicts and crises and is now so embedded in our financial system that it will still be a benchmark price that people seek out on a daily basis many years into the future.

Place of Ukraine in the global market of gold

The process of formation of a free internal market for gold and precious metals in Ukraine began with the transition of the country to market transformations, when reforms were initiated with the abolition of the state monopoly on transactions with precious

metals. Therefore, even today, the process of its formation cannot be considered complete, in particular due to a number of gaps in the regulatory and legal framework. Today, the gold market in Ukraine is characterized by such general features as youth, underdevelopment, lack of transparency, etc. The subjects of the gold market in Ukraine can be divided into two levels: the first is the state and the National Bank of Ukraine, the second is banking institutions. The state directly regulates the gold market through various regulatory acts. The National Bank of Ukraine has the right to monopolize management of gold and currency reserves, which include gold. Banking institutions of Ukraine can carry out operations with gold if they have the appropriate license from the National Bank of Ukraine. In Ukraine, there is a rather high interest of banking institutions in carrying out transactions with gold, caused by the possibility of making investments in gold, thereby diversifying their risks.[35]

Over the past few years, Ukraine has changed its strategy for managing gold and foreign reserves, focusing on increasing the volume of gold mining according to its needs. According to the plans of the National Bank of Ukraine, the amount of gold and currency reserves in the country should increase in the future.

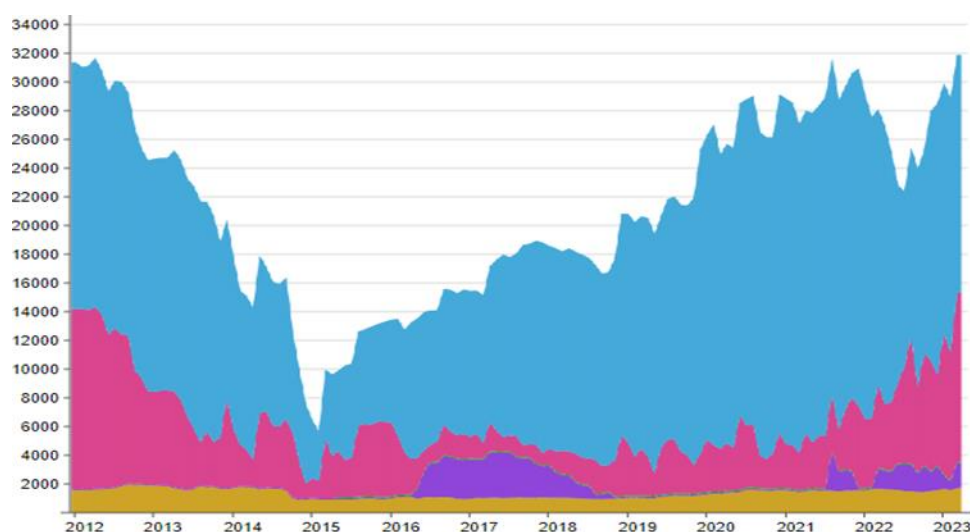
It is important to note that Ukraine's gold and currency reserves may change depending on the situation on international markets, in particular, on changes in currency rates and gold prices. Also, the stability of gold and foreign exchange reserves may be disturbed in the event of an economic crisis, which may lead to a decrease in the number of foreign investments and a decrease in the volume of foreign trade.

There are several ways to invest money in gold: purchase of coins and bars, deposits, etc. Buying precious coins is the easiest way to invest in gold. Its advantage is exemption from payment of value added tax, but on the other hand, the cost of its production and minting is included in the value of the coin. In the conditions of high volatility of currencies and rising prices, investments in national and foreign currency are less and less effective and do not bring the investor the desired income. Investing in real estate, the value of which is too high, is also quite risky. One of the most reliable ways to protect savings is investing in bank metals, because they are the universal equivalent of

well-being. The constant growth of demand for gold on the world market, as well as the stability and reliability of this metal leads to a constant increase in its price in Ukraine as well.

National gold reserves of Ukraine

The graph shows the dynamics of changes in the gold and foreign exchange reserves of Ukraine by months 2012-2023



- -Securities
- ----- -Foreign currency deposits
- ----- -Special Drawing Rights (SDRs) - International Monetary Fund
- - Monetary Gold

Graph : Structure of Ukraines gold and currency reserve by months

Source: NBU , Ministry of finances of Ukraine

The most popular collectible coins on the market of Ukraine are primarily domestic coins of the NBU, mints of Australia and New Zealand, Great Britain, Canada and others. Today, the main volume of sales is provided by coins of the middle price segment at a price of up to UAH 400. A smaller share of sales is provided by coins priced from UAH 400 to UAH 2,200. and coins of the third segment - that is, more expensive than UAH 2,000, which are bought by people who especially value them, that is, to replenish their own gold fund. In general, the potential of the coin market remains relatively small, as coins are rarely used as an investment instrument in Ukraine. They are mainly bought as gifts and for numismatic purposes.

The advantages of investing in non-cash banking metals are, firstly, their high liquidity, which consists in the possibility of their sale within 24 hours on the client's behalf at a market or fixed price; hedging against price increases on foreign and domestic markets, protection against inflationary processes, the possibility of receiving bank metals in physical form for a certain premium, which consists of the production price and the bank's commission. The investment process related to banking metals, along with its advantages, also has its disadvantages, which are that there are restrictions on the amount of the transaction, namely: at least 500 troy ounces for gold, platinum and palladium and at least 10,000 troy ounces for silver.

Transactions with gold in Ukraine

Today, transactions with gold and other precious metals are not only transactions with physical gold, but also non-cash transactions on the international market of precious metals. All of them are accompanied by the establishment of competitive prices, low interest rates for loans in bank metals, high rates for deposits in precious metals, high speed and quality of customer service and allow the Ukrainian "golden banking" business to integrate into the world.

Bank metals, which are the object of purchase and sale on the foreign exchange market of Ukraine, exist in the form of standard and measured ingots and coins produced from precious metals.

Bankable metals are subject to mandatory certification through the issuance of a quality certificate — a written document or stamp of a recognized refiner, certifying the name of the metal, its sample (the number of parts of chemically pure precious metal per 1000 parts of the ligature weight) and serial number, as well as the name of the manufacturing company.

Trade in bankable metals is carried out within the limits of the rights granted by the current legislation of Ukraine, the following currency market participants: the National Bank of Ukraine, the Ukrainian Interbank Currency Exchange, authorized banks and authorized financial and credit institutions based on the license of the National Bank of Ukraine for the right to carry out relevant transactions with currency values.

Trade in bank metals is divided into wholesale and retail. Wholesale trade in bankable metals is carried out at the UMEB, and retail trade is carried out by authorized banks and authorized financial and credit institutions that have received a license from the National Bank of Ukraine for the right to carry out transactions with bankable metals, directly through their own cash desks in the operating rooms of authorized banks and financial and credit institutions with physical persons — residents and non-residents. Wholesale trade includes the purchase and sale of more than 100 grams of gold, platinum or metals of the platinum group or 1000 grams of silver in bars or coins in the amount of more than 10 gold, platinum or silver coins under one agreement or with one counterparty during a business day.

Retail trade includes purchase and sale operations under one agreement or with one counterparty during a working day of no more than 100 grams of gold, platinum or metals of the platinum group or 1000 grams of silver in bars or coins in the amount of no more than 10 gold, platinum or silver coins .

Retail trade in banking metals is carried out in accordance with regulatory acts, in particular the instructions of the National Bank of Ukraine on the organization of issue and cash operations in the institutions of banks of Ukraine.

The market of banking metals in Ukraine is the youngest segment of the national currency market and, accordingly, the financial market. It began its activity as an organized market in 1998 with the relevant resolution of the NBU "Regulations on the organization of trade in bankable metals on the foreign exchange market of Ukraine", which established the rules for the activity of banks with bankable metals. In the world, banks work mainly with non-cash metals, because it does not require extra costs for transporting and storing the metal. But the Ukrainian market of banking metals is mainly cash in nature. A significant part of the Ukrainian market of banking metals, as in the whole world, traditionally belongs to gold.

Modern tendencies of gold trading in Ukraine

Today, there is a tendency to increase the number of banks willing to work with bankable metals, and this indicates a considerable potential for the development of this market and the opportunity to benefit from operations on it for both banks and customers. Almost all metal supplied to Ukraine is of foreign production. This is due to the so-called non-recognition of Ukrainian refiners on the world market. In general, Ukrainian banks buy ingots of banking metals in Germany. All imported gold that appears on the Ukrainian market, in one way or another, passes through the London metal market. The price of gold on the London Stock Exchange is formed based on the results of "fixing" twice a day in US dollars per troy ounce. Fixing is the establishment of a target price of gold, taking into account which deals are concluded. It is difficult for a Ukrainian entity to buy gold at London market prices. There are a number of obstacles, including paying taxes on gold purchased abroad; obtaining an individual license to import gold into Ukraine, etc. The main problem of the Ukrainian banking metals market remains the insignificant demand for gold from investors and the jewelry industry. Out of the total significant number of global operations with gold, Ukrainian banks perform the simplest ones:

- lending secured by metal;
- rental of deposit boxes for storing bank metal;

- transfer of a bank of metal for storage;
- sale of gold coins and bars to individuals;
- placement of cash bank metals on a bank deposit (the rate on such a deposit is 2-6% depending on the term of the deposit, interest can be paid depending on the client's wishes - in "metal" or cash).[36]

The development of the gold market and the increase in the types and volumes of operations with gold can contribute to the increase in the profits of banks, the improvement of their performance indicators and thus the increase in the competitiveness of the banking system of Ukraine.

Consequently, the world has developed a 24-hour international market mechanism, which is an effective means of managing international financial flows. Market prices, quotations, exchange rates, interest rates and other currency and financial conditions of international operations are reproduced on the monitors of special information agencies in real time, regardless of the place of their implementation. It is worth noting that the countries with the largest gold reserves own approximately 75% of the world's gold. There are 10,787.1 tons of gold within the European zone. Ukraine ranks 48th in terms of gold reserves. On the way to economic growth, Ukraine needs to follow the experience of foreign countries in increasing its gold reserves. Summing up, it should be noted that in Ukraine, investing in gold ranks third among other types of investment. Despite the decrease in the gold rate in 2013, its value on the financial market shows a positive trend of growth and reliability. To stabilize the monetary system, Ukraine needs further development of the gold market and a number of innovative measures in this area.

Perspectives of development of gold mining in Ukraine

Ukraine occupies a fairly modest place in the global gold market compared to other countries such as China, Russia, the USA, Australia, Canada and South Africa. However, Ukrainian land has significant potential for gold mining.

In 2020, Ukraine mined 1.4 tons of gold, which is less than 1% of the total world gold production. However, Ukrainian gold producers are actively working on increasing the volume of gold mining and improving mining technologies, which can lead to an increase in their share in the global market.

The largest sources of gold in Ukraine are the Dnipropetrovsk and Kirovohrad regions. In 2020, the largest producer of gold in Ukraine was the company "Poltava Mining and Ore Plant" (PGOK), which produced more than 500 kilograms of gold. Also, among the largest producers of gold in Ukraine are the companies "Volynzoloto", "Ingulets Mining and Ore Plant" and "Mezhyrichensky Mining and Ore Plant".

Ukraine has significant potential for gold mining, especially in the Carpathian region. In this region there are rich deposits of gold, such as Muzhievsk, Shakhtarske and others. However, currently the development of this sector in Ukraine is significantly limited due to a number of problems, such as low level of investment, lack of powerful technical bases and insufficient financing of science and innovation. In order to increase the volume of gold extraction and increase competitiveness on the international market, reforms are being carried out in Ukraine in the mining industry, in particular in the field of licensing and regulation of the mining sector. Also, new companies have appeared that invest in gold mining projects in Ukraine. “However, it should be noted that the gold mining industry has a significant impact on the environment and can cause water and land pollution. Therefore, it is important to develop this sector taking into account environmental norms and standards”.

Ukraine has the potential to increase the volume of gold mining and increase its share in the global gold market. However, for this, it is necessary to solve problems

related to the reduction of bureaucracy and corruption, attraction of investments and implementation of environmentally friendly technologies.

Conclusion

There are many different monetary systems in the world, but gold always remains one of the most stable and long-lasting forms of monetary relations. Research conducted in this thesis has shown that gold has unique properties that make it an ideal medium of exchange and store of value.

1) One of the main advantages of gold as world money is that it is independent of any particular government or central bank. Gold can be used as a reserve currency and stored in international reserve funds, which allows maintaining the stability and security of international financial systems.

2) The research also showed that gold has some disadvantages, such as high mining and processing costs, and the possibility of artificially depressing the price of gold through market manipulation. However, the advantages of gold outweigh the disadvantages, making it one of the most stable and reliable means of monetary relations in the world.

3) So, we can conclude that gold as world money is an important component of international financial systems. It provides stability and security on a global scale, allowing the storage and transfer of significant values over many years.

4) Gold is also a source of investment opportunities and protection against inflation. Its price can fluctuate depending on economic and political factors, which makes it possible to profit from buying and selling on the gold market. In addition, gold can be used as a store of value in personal portfolios and investments. Studies have shown that gold can be used as a vehicle for economic development, in particular by providing long-term investments and financing projects using gold bonds and other instruments. This can contribute to job creation and increased economic development.

5) Moreover, gold is essential to international financial systems and its unique properties make it an ideal medium for exchanging, storing and investing value. Despite some shortcomings, gold continues to retain its importance as world money, which allows

to ensure the stability and security of international financial systems and to promote the development of the economy.

6)Gold will be an important asset in the global financial and economic spheres because it has a number of unique properties that cannot be completely replaced by other assets. gold is a relative asset that can hold its value for a long time. This makes it an ideal vehicle for storing wealth and protecting against inflation. This asset is highly liquid, meaning it can be quickly and easily exchanged for cash or other assets. This makes it attractive to investors looking for a store of value that can be easily converted to cash when needed.Also, gold is a universal asset that is accepted in all countries of the world. This makes it an ideal medium for international trading and currency exchange, as it can be easily and quickly converted into any other currency.

7)Continuing, we can add that gold is a stable asset that can act as protection against geopolitical turbulences and financial crises occurring in the world. It allows for the stability and security of international financial systems, so it will continue to be used as a means of storing and protecting value.

Therefore, gold will continue to be an important asset in the global financial and economic spheres because it is immaterial, liquid, a versatile and sustainable asset that can provide protection against inflation and financial crises. In addition, gold is used in industry, medicine and electronics, as well as a medium for international trade and currency exchange, so its demand will continue to grow.

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36. mof.gov.ua – Ministry of Finances of Ukraine

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16% Джерела з Інтернету

683

Сторінка 63

173% Джерела з Бібліотеки

75

Сторінка 69

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Вилучення цитат вимкнено

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