1. Discuss the main function of the IMF. Explain and compare the gold standard Bretton woods systems.
   Ans: IMF performs the following functions.
   (i) Providing short terms credit to member countries for meeting temporary difficulties due to adverse balance of payments.
   (ii) Reconciling conflicting claims of member countries.
   (iii) Providing a reservoir of currencies of member-countries and enabling members to borrow on another's currency.
   (iv) Promoting orderly adjustment of exchange rates.
   (v) Advising member countries on economic, monetary and technical matters.
   The Bretton Woods system is often refer to the international monetary standard that was being used from the end of World War II until 1971. The origin of the name is taken from the venue of the conference in 1944 that had established the International Monetary Fund (IMF) and World Bank. According to the history, the Bretton Woods system was the first instance of monetary standard that had been fully negotiated in order to control currency relations among fully independent states. The standard was created to combine binding legal obligations with multilateral decision-making conducted through an international organization -- the IMF, endowed with limited supranational authority. During the running of the scheme, it was highly depended on the United States’ preferences and policies.
   The International Monetary Fund was officially established on 27th December 1945, when the 29 nations who had participated in the conference of Bretton Woods signed the Articles of Agreement. It commenced its financial operations on 1st March 1947. The IMF is an international organization, which consists of 183 member countries nowadays. The objectives of the IMF are to promote international monetary cooperation by establishing a global monitoring agency that supervises, consults, and collaborates on monetary problems. It facilitates world trade expansion and thereby contributes to the promotion and maintenance of high levels of employment and real income. Furthermore, the IMF ensures exchange rate stability to avoid competitive exchange depreciation. It eliminates foreign exchange restrictions and assists in creating systems of payment for multilateral trade. Moreover, member countries with disequilibrium in their balance of payments are provided with the opportunity to correct their problems by making the financial resources of the IMF available for them.
   On the other hand, World Bank is the most significant source of financial aid for developing nations in the world. It provides approximately $16 billion of loans to its client countries per year. It utilizes its financial resources, highly trained staff, and extensive knowledge base to help each developing country to move towards the path of stable, sustainable, and equitable growth in the order to fight against poverty. Its goals are to eliminate the worst forms of poverty and to improve living standards. It supports the restructuring process of economies and provides capital for productive investments. Furthermore, it encourages foreign direct investment by making guarantees or accepting partnerships with investors. The World Bank's aims are to keep payments in developing countries balanced and to foster international trade. It is active in more than 100 developing economies. It forms assistance strategies by cooperating with government agencies, non-governmental institutions and private enterprises. It offers financial services, analytical, advisory, and capacity building.

2. (a) Discuss the Forex Market structure in India.
   Ans: Like other forex markets in the world, the forex in India consists of several stakeholders. The main stakeholders in this market are:
   - Traders
   - Banks/Authorized dealers
   - The Reserve Bank of India
   The three actors mentioned above play different roles in the trade. Traders are generally all individuals in the public who are also corporate customers of the banks. These customers use the banks as authorized dealers to access the forex market. There are traders of different kinds but all of them are able to access the market only through dealers. This is much like elsewhere in the world where brokers are the intermediaries between the forex and ordinary traders.
   The banks, on the other hand, are the legally authorized institutions to handle currency. In India, banks exist in different tiers and there are clear laws that determine which institution is categorized as a financial institution. From these legal institutions, all those who want to trade can create accounts, access the market and choose products that they would like to trade in. The trading landscape has changed a lot over the years especially since the 1990's when the Indian regulatory authorities liberalized this market.
   Lastly, the Reserve Bank of India (RBI) is the central financial institution which is responsible for the monetary policy in India. This institution has been instrumental in shaping the trading landscape in India. Before 1993, the Indian Rupee had a fixed value which was determined by the RBI. This meant that the currency only attracted a certain exchange rate even though the market dynamics were changing. In 1993, though, the RBI repealed the prevailing law at the time to allow for an exchange rate determined by the market itself. Since then, the Rupee's value has changed a lot in relation to different currencies.

(b) Evaluate the developments in the Forex Market in India.
   Ans: The Indian forex market owes its origin to the important step that RBI took in 1978 to allow banks to undertake intra-clay trading in foreign exchange. As a consequence, the stipulation of maintaining “square” or “near square” position was to be complied with only at the close of business each day. During the period 1975-1 to 1992, the exchange rate of rupee was officially determined by the RBI in terms of a weighted basket of currencies of India’s major trading partners and there were significant restrictions on the current account transactions. The initiation of economic reforms in July 1991 saw significant two-step downward adjustment in the exchange rate of the rupee on July 1 and 3 1991 with a view to placing it at an appropriate level in line with the inflation differential to maintain the competitiveness of exports. Subsequently, following the recommendations of the High Level Committee on Balance of Payments (Chairman: Dr C. Rangarajan) the Liberalised Exchange Rate

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