

Currency - what next?

Currency share in the world market is a key indicator of the country's dominance and its economic health.

Today world power is split and controlled between US, EU and China, as against Japan earlier, largely this also gives an indication of the country's strength and trade flow happening in the world. Japan as an economy and also as a currency has seen lower growth, by devaluation of currency it has brought competitiveness in the market, other countries are also now following it, is there a lesson to learn? With China innovating in its financial handling of market along with strength in trade has really helped it to be one of the largest traded currency in the world today. Every country and bank wants a pie in its success, what does it do for other currencies?

Today's status on currency

Today, as per SWIFT around 44% of transactions are in USD, 28% in EUR, 8% in GBP, 2+% in JPY and CNY. This also shows the influence of the countries on the rest of the world and also the financial power of the country.

Today trading and movement of currency is in trillions of dollars a day, this is on the increase with expanding GDP. Increase in currency dominance is also fairly directly proportional to the growth of the country economy.

The movement of funds, Foreign Exchange reserves as currency as being the safe heaven and alternate for holding fund and trading opportunity with free convertibility of the currency has helped countries to increase their share of the currency.

Where do we go from here and how can currencies dominate other currencies?

Today largely trade and movement of currencies happen as cross-border with the exception of Euro, with EU forming a block on its own, the usage of currency has increased and continue to be a dominant force in terms of number of transactions happening between these two countries. Even though, as an economy, EU's growth is fairly low.

This is a good learning for rest, today most payments when trade or remittance are sent, this is only handled as cross-border transactions. However, with cross-border there is an increase in hand off and also restriction around currency being sent out.

What is needed?

- Economic block, allowing free trade and free currency convertibility like what we have between Brazil and US, and a bit more
- Lesser restriction and documentation in movement of funds/goods
- Creating a clearing zone for real time money movement

- Aligning mobile wallets and clearing to help movement of money faster
- Stronger control on Sanctions and greater governance by regulators on flow – Ref <http://goo.gl/c4x0E9>
- Stronger KYC and Tax regulation to help improve transparency and parallel economy – Ref <http://goo.gl/iiEQbd>
- Clear tax laws and preventing of double taxation

These are some of the key aspects needed, these should help countries to be a step ahead of its competitors

With drag in economic activity, with so much at stake and competition among 5 top countries are on the increase, increase in hedging activity and also few regional players trying to innovate within will make this space more exiting in the coming days and years ahead.

Will Africa come out with its own currency to help trade between its countries and be more innovative unlike EU to give more flexibility and avoid challenges like we had in Greece?

Challenging and exciting time ahead!