Risks in Foreign Exchange

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**Risks in foreign exchange influenced by technology**

The integration of technology in the foreign exchange market has led to the transaction of the function of foreign exchange and has created news risks to this field. The introduction of new electronic trading method and technologies has added another layer of risk to forex trading. The volatility of electronic exchanges accrued with it a reputational risk in which the publicity of the financial institutions charged with handling foreign exchange may experience affecting existing relationships and making it difficult to form new ones. Legal risk has also increased due to the introduction of technology in the foreign exchange market. Legal risks have been created due to the challenge of the market participants having limited knowledge on the customer requirement as well as the distribution chains of the transactions (Snyder, 2005). The fact that there are multiple intermediaries in online foreign exchange transactions creates an additional challenge that of ensuring legal compliance with set regulations. The movement of foreign currencies in the online platform makes it difficult to monitor as well (Saunders & Cornett, 2003). The rise of cryptocurrencies and their unregulated impact on the market possess a threat to the foreign exchange market as the future may see a move from currency to cryptocurrency weakening the foreign exchange market.

References

Saunders, A., & Cornett, M. M. (2003). *Financial institutions management: A risk management approach*. Irwin/McGraw-Hill.

Snyder, M. (2005). The role of the Foreign Exchange Committee. *Profit & Loss Forex Network Conference.* Retrieved from <https://www.newyorkfed.org/medialibrary/microsites/fxc/files/2005/fxc051117.pdf>