

spinning products and yarn and allow to increase the quality of linen fabrics produced by RUPTE "Orsha Linen Mill."

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SPECIFICS OF FUNCTIONING OF CENTRAL BANKS IN THE USA AND BELARUS: COMPARATIVE DISCRPTION

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The Central Bank has a special place in the monetary system of the country. It is the main institution, which executes the monetary policy and performs other essential governmental functions.

The Federal Reserve System is significantly different from most central banks in the world. The Federal Reserve System, also known as the «The Fed», is an independent U.S. government agency. Its most important function is to manage the country's supply of money and credit.

The National Bank of the Republic of Belarus (hereinafter referred to as the "National Bank") is the central bank and a government agency of the Republic of Belarus. The main objectives of the National Bank are: protecting the Belarusian ruble and ensuring its stability, including its purchasing power and the rate of exchange relative to foreign currencies; maintaining the stability of the banking system of the Republic of Belarus and ensuring efficient, reliable and secure functioning of the payment system. Profit making is not the main objective of the National Bank [2].

The Federal Reserve System includes 12 regional Federal Reserve Banks and 25 Federal Reserve Bank branches. All nationally chartered commercial banks are required by law to be members of the Federal Reserve System; membership is

optional for state-chartered banks. In general, a bank that is a member of the Federal Reserve System uses the Reserve Bank in its region in the same way that a person uses a bank in his or her community. The Federal Reserve System is administered by the Federal Reserve Board of Governors, a group of seven individuals who are appointed by the President of the United States and serve overlapping 14-year terms. Although the Federal Reserve System is directly responsible to Congress, the governors are, by law, independent of political pressure from either Congress or the President. The board is expected, however, to coordinate its policies with those of the administration and Congress. Additionally, the Federal Reserve does not rely on Congress for funding; it raises all of its own operating expenses from investment income and fees for its own services. When a conflict arises between making a profit or serving the public interest, however, the Fed is expected to choose the latter [1, p. 127].

The National Bank operates exclusively in the interests of the Republic of Belarus. The National Bank operates independently. The National Bank is accountable to the President of the Republic of Belarus. The National Bank comprises the main office and organizational units in every region of the country. The management body of the National Bank is the Board of the National Bank, a collective body that establishes key areas of activity of the National Bank and administers and governs it. The Chairman and members of the Board of the National Bank are appointed by the President of the Republic of Belarus, with the consent of the Council of the Republic of the National Assembly of the Republic of Belarus for 5-year terms [2].

Monetary policy of the central bank is the process by which the central bank controls the supply of money, the amount of credits, interest rates and other indicators of money circulation and financial markets.

The Federal Reserve has three main tools for maintaining control over the total supply of money and credit in the economy. The first is the discount rate, or the interest rate that commercial banks pay to borrow funds from Reserve Banks. By raising or lowering the discount rate, the Fed can promote or discourage borrowing and, thus, alter the amount of revenue available to banks for making loans [1, p. 128].

Interest rate policy, as one of the most important tools of monetary policy, due to changes in the value of borrowings provided by the National Bank allows the National Bank to affect the level of credit resources demand and supply, the volume and structure of the money supply, the level of bank liquidity, etc. This policy is reflected in the establishment and periodic review of the official refinancing rate and interest rates on its main financial market operations.

The second is the reserve requirement. These are percentages of deposits, set by the Federal Reserve, that commercial banks must set aside either as currency in their vaults or as deposits at their regional Reserve Banks. These percentages cannot be used for loans. In 1980 the Federal Reserve gained the authority to set reserve requirements for all deposit-taking institutions [1, p. 129].

Reserve requirement policy which is held by the National Bank (the proportion of total assets that banks must hold in reserve with the central bank), is used to influence the liquidity of banks and to regulate credit expansion.

The third tool, which is probably the most important in the USA, is known as open market operations. It is the buying and selling of government securities. When the Federal Reserve buys government securities from banks, other businesses or individuals, it pays for them with a check (a new source of money that it prints) drawn on itself. When this check is deposited in a bank, it creates new reserves—a portion of which can be lent or invested—further increasing the money supply [1, p. 129].

The National Bank's open market operations are limited due to lack of development of the Belarusian stock market. But they are the main instrument for regulating banking system liquidity. They are presented in Belarus mainly by transactions in government securities and securities of the National Bank.

These tools allow both the Federal Reserve and the National Bank to expand or contract the amount of money and credit in economy, and regulate the liquidity of the commercial banks.

Considering specifics of functioning of Central Banks in the USA and Belarus we can make the following conclusions:

1. Due to the relatively short period of development of the Belarusian financial system, as well as the objective possibility of centralization of certain management functions in this area, the National Bank focuses on the main objectives on the ensuring stability of the Belarusian ruble and secure functioning of the payment system (The highest authority of the United States which is in charge of calculation across the country, is a special Interdistrict Settlement Fund in Washington).

2. Specifics of governance structure of the US central bank are the result of a long historical development of the banking sector, a complex interlacement of political and socio-economic factors. Formation of the National Bank structure was based on the best management practices mainly of the Western European central banks.

3. Methods and tools of monetary policy used by the US and the Belarusian central banks, their objectives are mainly similar. Individual differences are due to different approaches to following the market economy laws and, as a consequence, to the economic situation.

References

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