

# **Legal Regulation of Foreign Exchange Transactions (Forex Trading)**

## **Abstract**

This thesis deals with the legal regulation of foreign exchange transactions (commonly referred to as forex trading), which constitute a significant part of the financial market. The aim of the thesis is to analyze the current state of legal regulation in this area, with particular emphasis on its fragmentation across multiple legal regimes. The focus is primarily on cashless foreign exchange transactions, examining whether the existing fragmentation corresponds to the needs of financial market regulation or whether it creates room for legal gaps.

The first part of the thesis presents the theoretical foundations of trading on the foreign exchange market. It begins by defining the foreign exchange market and placing it within the broader context of the financial market. It then describes the structure of the market, including the identification of its key participants. Finally, it outlines the basic types of foreign exchange operations. The aim of this section is to provide the reader with the theoretical background necessary to understand the legal regulation of forex trading.

The second part addresses the historical development of foreign exchange regulation in the Czech Republic. It starts by defining the concept of foreign exchange law and introducing its key legal institutes. The chapter then analyzes the historical development of legal rules governing foreign exchange transactions. Special attention is given to the gradual integration of previously standalone foreign exchange legal norms into current legal regimes – specifically, the inclusion of spot (prompt) foreign exchange transactions under the regime of payment services and the classification of currency derivatives trading under investment services. The aim of this part is to provide historical context essential for understanding the current regulatory approach.

The third part of the thesis focuses on the current legal framework for foreign exchange transactions. It first analyzes transactions regulated as payment services, followed by those considered investment services. The objective is to clearly distinguish when a foreign exchange transaction constitutes a payment service and when it qualifies as an investment service, and to answer the research question of whether this division meets the needs of financial market regulation – particularly with regard to the protection of weaker counterparties and regulatory obligations imposed on service providers. Finally, selected legal aspects of the wholesale interbank foreign exchange market are examined, as this area remains partially outside the

scope of direct financial regulation and raises specific concerns in terms of legal certainty and market integrity.