**History of The Forex Market**

**Ancient times**

Foreign exchange can be traced or dated back to the 1st or 2nd century BC in ancient mesopotamia (Modern day Iraq) where the bartering system was introduced.  
The Bartering system spread to the Babylonians (also in modern-day Iraq) and the Phoenicians in the eastern Mediterranean, and the system continued spreading across different civilizations. After thousands of years of use, the bartering system saw its most significant change with the adoption of gold coins in the 6th century BC.

Gold and other metals became a medium of exchange because they are durable, uniform (a gram of gold is the same as another gram of gold), and divisible. These features made it highly acceptable to different populations.

However, metal-based currencies became challenging to use in international trade because there was no standardized method to determine their value. The way to solve this problem was to use coins produced by a single trusted issuer. The first coin widely accepted for international trade was a silver coin called the **Aegina**  “Sea Turtle” coin, a Greek silver coin minted in **Aegina,** an island off the coast of Greece.

### **Medieval and Later Times**

**13th to 18th Century Europe**

In the 13th century, the Republic of Florence (today, part of Italy) emerged as a major European and Mediterranean power. From 1252 to 1533, Florence minted gold and silver coins, and the gold coin, known as the “Fiorino d’Oro” or “Florin,” had a fixed gold content.

When other European nations followed Florence by minting their own gold coins, the quantities of gold in their coins varied greatly. As a result, the Florin quickly became the standard currency for international trade in Europe and was used as the benchmark to measure the international value of other coins. Many historians consider this an early form of the gold standard in foreign exchange.

**17th century**

As currency usage and the European economy grew larger, in the 17th century, Amsterdam established the first Forex market. It exchanged currencies between Holland and England.

Around this time, Monte dei Paschi, the world’s oldest bank in Tuscany, Italy, standardized its operations in 1624 to facilitate foreign currency transactions.

**After World War II**

The first few decades of the twentieth century saw economic and political strife in the US and other parts of the world, with the US Great Depression and two world wars. In 1944, at the end of World War 2, the US, Canada, several Western European countries, Australia, and Japan signed[the Bretton Woods Accord](https://www.dailyforex.com/forex-articles/bretton-woods-system/178917) to forge economic relations. The agreement allowed their currencies to fluctuate between ±1% from the currency's par exchange rate. The Bretton Woods agreement also resulted in the creation of the International Monetary Fund (IMF) and the World Bank.

In Japan, the Foreign Exchange Bank Law was introduced in 1954, which helped make Tokyo a foreign exchange center.

**Retail Forex trading**

Retail FX trading emerged in the 1970s after the [Bretton Woods system](https://www.babypips.com/forexpedia/bretton-woods-agreement-of-1944), which had pegged global currencies to the US dollar, was dismantled in 1971.

The resulting shift to a floating exchange rate system paved the way for increased currency speculation and the birth of the modern foreign exchange market.

**1990s**

The first retail Forex platforms arrived during the late 1990s, which was made possible by the birth of the internet. Today, retail Forex trading accounts for about 5% of the whole Foreign Exchange market.

**The 2000s and standard regulations**

Initially, retail Forex was evidently unregulated. This led to various backbreaking and unbelieveable practices from certain brokers, such as manipulating prices and outright theft of clients’ deposits. This was unsustainable, and governments began regulating Forex. Even though some aspects of Forex regulations were controversial, the regulations made Forex a much safer market to trade. However, many traders disagreed with regulators’ decisions to limit leverage. Overall, though, regulatory bodies helped the Forex industry to become safer and partially trustworthy, it gave rise to the birth of modern retail Forex.