

# Reserve Currency

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A **Reserve Currency** is a large quantity of currency maintained by central banks and other major financial institutions to prepare for investments, transactions, and international debt obligations, or to influence their domestic exchange rate. A large percentage of commodities, such as gold and oil, are priced in the **Reserve Currency**, causing other countries to hold this currency to pay for these goods.

- A **Reserve Currency** is a large amount of currency held by central banks and major financial institutions to use for international transactions.
- A **Reserve Currency** reduces exchange rate risk since there's no need for a country to exchange its currency for the reserve currency to do trade.
- **Reserve Currency** helps facilitate global transactions, including investments and international debt obligations.
- A large percentage of commodities are priced in the reserve currency, causing countries to hold this currency to pay for these goods.

Source: <https://www.investopedia.com/terms/r/reservecurrency.asp>

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