The global financial system is the worldwide framework of legal agreements, institutions, and both formal and informal economic actors that together facilitate international trade and investment. The international Fisher effect is a hypothesis in international finance that suggests differences in nominal interest rates reflect expected changes in exchange rates. It is sometimes referred to as Fisher's open hypothesis, which posits that differences in nominal interest rates are a result of expected changes in exchange rates. These concepts are integral to understanding the dynamics of global financial markets and the functioning of the international monetary system.