In finance, an exchange rate is the rate at which one currency will be exchanged for another currency. Currencies are most commonly national currencies, but may be sub-national as in the case of Hong Kong or supra-national as in the case of the euro.

The exchange rate is also regarded as the value of one country's currency in relation to another currency. For example, an interbank exchange rate of 141 Japanese yen to the United States dollar means that ¥141 will be exchanged for US$1 or that US$1 will be exchanged for ¥141. In this case it is said that the price of a dollar in relation to yen is ¥141, or equivalently that the price of a yen in relation to dollars is $1/141.

Each country determines the exchange rate regime that will apply to its currency. For example, a currency may be floating, pegged (fixed), or a hybrid. Governments can impose certain limits and controls on exchange rates. Countries can also have a strong or weak currency. There is no agreement in the economic literature on the optimal national exchange rate policy (unlike on the subject of trade where free trade is considered optimal). Rather, national exchange rate regimes reflect political considerations.

In floating exchange rate regimes, exchange rates are determined in the foreign exchange market, which is open to a wide range of different types of buyers and sellers, and where currency trading is continuous: 24 hours a day except weekends (i.e. trading from 20:15 GMT on Sunday until 22:00 GMT Friday). The spot exchange rate is the current exchange rate, while the forward exchange rate is an exchange rate that is quoted and traded today but for delivery and payment on a specific future date.

In the retail currency exchange market, different buying and selling rates will be quoted by money dealers. Most trades are to or from the local currency. The buying rate is the rate at which money dealers will buy foreign currency, and the selling rate is the rate at which they will sell that currency. The quoted rates will incorporate an allowance for a dealer's margin (or profit) in trading, or else the margin may be recovered in the form of a commission or in some other way. Different rates may also be quoted for cash, a documentary transaction or for electronic transfers. The higher rate on documentary transactions has been justified as compensating for the additional time and cost of clearing the document. On the other hand, cash is available for resale immediately, but incurs security, storage, and transportation costs, and the cost of tying up capital in a stock of banknotes (bills).