DAILY CURRENT AFFAIRS

28th JUNE, 2024

S.NO.	TOPIC
1.	SEBI TIGHTENS NORMS ON FINANCIAL INFLUENCERS, EASES RULES FOR DELISTING
2.	ECONOMY ROBUST DESPITE GLOBAL RISKS

POOJA PRADEEP

UPSC

Chetan
Answer

Answer Questions in NOT MORE THAN the Word Limit specified for each in the Parenthesis
(Specimen Answer Booklet - For Practice Purpose Only)

Q National Emergency of 1975 highlighted the loophole of Indian Democracy. Examine (150w. 10M)

5.5/10

The National Emergency declared in India in 1975, lasting untill 1977, indeed brought several critical loopholes and vulnerabilities with Indian Democracy.

Some key Aspects

1. Concentration of Power :- The Emergency showcased how much power could be concentrated in handes of single leader, in this case PM Indira Gandhi, who could effectively by pass parlimentary procedures and checks

2. Suspension of Fundemental Rights :- Fundemental rights that form a basic structure of consitution, was suspend. The govt could easily detain individuals, without trials, curtail freedom of speech. Etc shows how a important rights could be overidden by under ~~democracy~~ emergency.

3. Amendment to Consitution — The emergency period highlights several changes made

in constitution through Article 368, in order to ~~legalise~~ legitimize the action of the govt and to prevent judicial scrutiny. 42nd Amendment act for instance was made in order bring changes in constitution, ~~in~~ which were seen as efforts to strengthen executive power at expense of judiciary and federalism.

4. Judiciary Comparimised - Judiciary independent and integral part of consitution, was seen comprised during this period. The famous Habeas Corpus Case - highlights its inability to protect citizen's right when it was ruled that even Right to life could be suspended during emergency.

Thus, the emergency showed necessity for stronger mechanisms to protect rights of citizens, ensure judicial independence, greater emphasis on democratic accountability ~~and~~, check and balance within political system, resulting in subsequent consitutional amendments and legal reforms aimed in preventing such abuse in future.

Cheetah Answer

NAME : Jyoti Sharma **UPSC** SUBJECT : Polity
BATCH : Freedom DATE : 26/06/2024

55/10

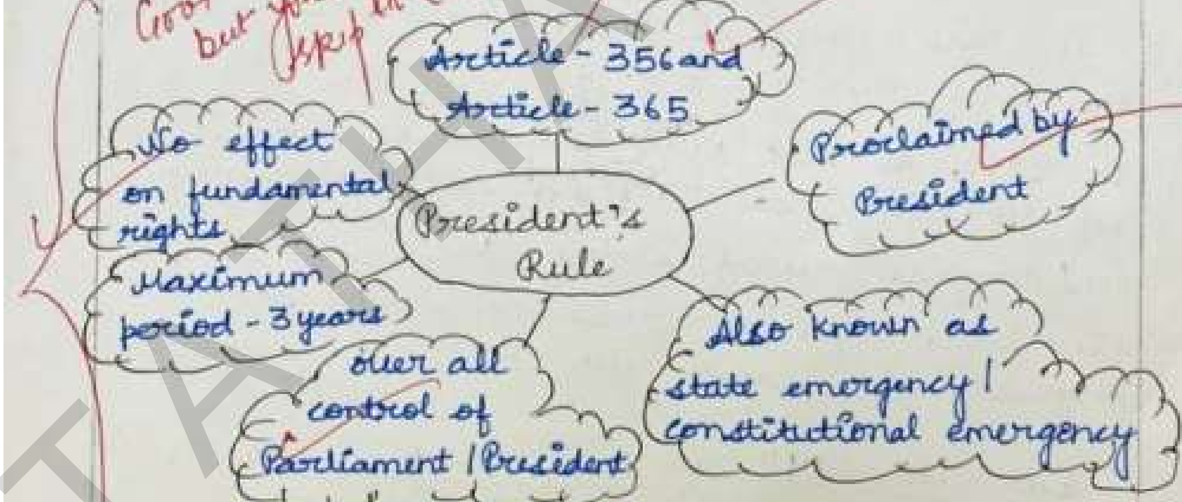
Que- What are the circumstances under which President's rule can be imposed in a state? Has the executive misused these provisions of late? critically examine.

Ans- President's rule is imposed under the provision of the constitution – part – XVIII. to safeguard the sovereignity, unity, integrity and security of the country.

Fair introduction

It is imposed when government of any state is not carried on in accordance with the provisions of the constitution

Good but you can skip it (no) marks



Grounds under which President's rule imposed –

(I.) Under Article – 356, president can imposed state emergency in the case when any state government is not carried on in accordance with the provision of the constitution

(ii) Article - 365 states that a president's rule can be imposed whenever a state government fails to comply with the direction of central government and provision of the constitution.

Executive misuse of these provisions -

According to Department of legal affairs Article - 356 imposed more than 75 times in last 37 years and used in an arbitrary manner for political reasons.

(i) It was imposed in Punjab in 1951 for the first time.

(ii) In 1977, BJP ruled government headed by Morarji Desai imposed state emergency in 9 congress ruled states.

(iii) In 1980, when congress came in power congress did same with BJP led states.

But in 1994, in S.R. Bommai case, to remove the arbitrariness the Supreme court implied that the President's rule will come under the Judicial Review.

very good

very well concluded

SEBI TIGHTENS NORMS ON FINANCIAL INFLUENCERS, EASES RULES FOR DELISTING

SEBI tightens norms on financial influencers, eases rules for delisting

Reuters
MUMBAI

India's markets regulator on Thursday asked brokers and mutual funds to stop using the services of unregulated financial influencers for marketing and advertising campaigns.

A booming Indian stock market has increased the popularity of so-called financial influencers who advise on stocks and other related investments through their channels on YouTube and Instagram and often have a large number of followers.

The decision was taken to address concerns related to 'certain persons, including unregulated entities, inducing investors to deal in securities based on inappropriate claims,' the Securities and Exchange Board of India (SEBI) said in a press statement issued after a board meeting.

It, however, added financial influencers engaged in investor education will be exempt from the new restrictions.

India had 154 million trading accounts as of April, as per SEBI data, a more than four times jump from the 36 million trading accounts in April 2019.

It will be the responsibility of the regulated entity to ensure individuals with whom it is associated do not breach the rules of conduct set by SEBI, including avoiding the promise of assured returns.

Derivative-linked stocks

SEBI also introduced new criteria to decide on stocks that can be linked to derivative products, such as futures and options, as proposed in a discussion paper earlier this month.

The total number of stocks eligible for derivative trading will rise marginally, SEBI Chair Madhabi Puri Buch said.

The SEBI board also approved changes to delisting rules that would make it easier for companies to exit from stock exchanges.

Companies can now offer shareholders fixed prices for shares as an alternative mechanism to delist from stock exchanges.

Currently, delisting is carried out via reverse book-building.

What is SEBI?

- ❖ SEBI is a statutory body established on April 12, 1992 in accordance with the provisions of the Securities and Exchange Board of India Act, 1992.
- ❖ The basic functions of the Securities and Exchange Board of India is to protect the interests of investors in securities and to promote and regulate the securities market.

What are the Powers and Functions of SEBI?

- ❖ SEBI is a quasi-legislative and quasi-judicial body which can draft regulations, conduct inquiries, pass rulings and impose penalties.
- ❖ It functions to fulfill the requirements of three categories –
  - Issuers – By providing a marketplace in which the issuers can increase their finance.
  - Investors – By ensuring safety and supply of precise and accurate information.
  - Intermediaries – By enabling a competitive professional market for intermediaries.

- By Securities Laws (Amendment) Act, 2014, SEBI is now able to regulate any money pooling scheme worth Rs. 100 cr. or more and attach assets in cases of non-compliance.
- SEBI Chairman has the authority to order "search and seizure operations". SEBI board can also seek information, such as telephone call data records, from any persons or entities in respect to any securities transaction being investigated by it.
- SEBI perform the function of registration and regulation of the working of venture capital funds and collective investment schemes including mutual funds.
- It also works for promoting and regulating self-regulatory organizations and prohibiting fraudulent and unfair trade practices relating to securities markets

Question:

Q.1 With reference to the Securities and Exchange Board of India (SEBI), consider the following statements:

1. It aims at regulating the securities market and safeguarding the interests of investors.
2. SEBI is accountable to the Reserve Bank of India.
3. It has judicial power in regulating the securities market.
4. It was established on the recommendations of Rangarajan Committee.

How many of the statements given above are correct?

(a) Only one
(b) Only two
(c) Only three
(d) All four

Answer: (a)

Notes:

Explanation:

- **Statement 1** is correct. SEBI's main objective is to regulate the securities market and safeguard the interests of investors. It aims to maintain the stability of the securities market, protect investors from fraudulent activities, and ensure the smooth functioning of the market.
- **Statements 2, 3 and 4** are incorrect. SEBI reports to the finance minister and is accountable to the Parliament through the finance minister. The finance minister can issue directives to SEBI on matters of policy, which SEBI is required to follow. SEBI has quasi-legislative powers in regulating the securities market, which means that it can make rules and regulations to implement the provisions of the Securities Contracts (Regulation) Act, 1956, and the Securities and Exchange Board of India Act, 1992. SEBI was established on the recommendations of the Narasimham Committee.

ECONOMY ROBUST DESPITE GLOBAL RISKS

'Economy robust despite global risks'

India's financial system remains resilient with scheduled commercial banks' gross NPA ratio sliding to a multi-year low of 2.8%, RBI says in its Financial Stability Report; lenders' improved balance sheets is enabling sustained credit expansion

Lalatendu Mishra
MUMBAI

The Indian economy and the financial system remain robust and resilient, anchored by macroeconomic and financial stability, the Reserve Bank of India (RBI) said in the 29th issue of the Financial Stability Report (FSR), which was released on Thursday.

With improved balance sheets, banks and financial institutions were supporting economic activity through sustained credit expansion, the RBI said.

According to the FSR, the capital to risk-weighted assets ratio (CRAR) and the common equity tier 1 (CET1) ratio of scheduled commercial banks (SCBs) stood at 16.8% and 13.9%, respectively, as at end-March 2024.

SCBs' gross non-performing assets (GNPA) ratio fell to a multi-year low of 2.8% and the net non-performing assets (NNPA) ratio declined to 0.6% at end-March 2024.

"Macro stress tests for credit risk reveal that SCBs would be able to comply with minimum capital requirements, with the system-level CRAR in March 2025 projected at 16.1%, 14.4% and 13.0%, respectively, under baseline, medium and severe stress scenarios," the central bank said in the FSR.

'Not forecasts'

"These scenarios are stringent conservative assessments under hypothetical shocks and the results should not be interpreted as forecasts," it added.

Non-banking financial companies (NBFCs) remained healthy, with CRAR at 26.6%, GNPA ratio at 4.0% and return on assets (RoA) at 3.3%, respectively, at end-March 2024, it further said.

'Slow disinflation'

The RBI noted in the FSR that the global economy was facing heightened risks from prolonged geopolitical tensions, elevated public debt, and the slow progress being made in the last mile of disinflation.

Despite these challenges, the global financial system had remained resilient, and financial conditions stable, the Reserve Bank added.

Report card

India's financial system is robust and resilient, anchored by macroeconomic and financial stability, says RBI

- Banks' capital to risk-weighted assets ratio (CRAR) and CET1 ratios at 16.8% and 13.9%, respectively, as at end March
- Stress tests for credit risk show that SCBs would be able to comply with minimum capital requirements
- Global economy facing risks from prolonged geopolitical tensions, elevated public debt, slow disinflation

What is the Financial Stability Report?

- Financial Stability Report is released by the RBI twice a year.
- As the name suggests, details the state of financial stability in the country, and it is prepared after taking into account the contributions from all financial sector regulators.
- As part of the FSR, the RBI also conducts a Systemic Risk Survey (SRS), wherein it asks experts and market participants to assess the financial system on five different types of risks – Global, Financial, Macroeconomic, Institutional, General.

Significance:

- Reading the FSR tells us how robust or vulnerable our financial system — especially our banking system — is to the changes in the economy.
- As a corollary, it also tells us whether and to what extent will our banks and other lending institutions (such as Non-Banking Finance Companies and Housing Finances Companies) be able to support future growth.
- For instance, if the FSR reveals that the percentage of NPAs or bad loans in the banking system is high and also shows that the government fiscal deficit is also high then it means that not only will the banks struggle to function effectively (and fund future growth) but also that if banks were to falter then the government may find it tough to bail them out.

What is CRAR?

- CRAR also known as Capital Adequacy Ratio (CAR) is the ratio of a bank's capital to its risk.
- CRAR is decided by central banks and bank regulators to prevent commercial banks from taking excess leverage and becoming insolvent in the process.
- The Basel III norms stipulated a capital to risk-weighted assets of 8%.
- In India, scheduled commercial banks are required to maintain a CAR of 9% while Indian public sector banks are emphasized to maintain a CAR of 12% as per RBI norms.
- It is arrived at by dividing the capital of the bank with aggregated risk-weighted assets for credit risk, market risk, and operational risk.
- RBI tracks CRAR of a bank to ensure that the bank can absorb a reasonable amount of loss and complies with statutory Capital requirements.
- The higher the CRAR of a bank the better capitalized it is.

Question:

Q.2 Consider the following statements:

1. Capital Adequacy Ratio (CAR) is the amount that banks have to maintain in the form of their funds to offset any loss that banks incur if the account-holders fail to repay dues.
2. CAR is decided by each scheduled commercial bank.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

Answer: (a)