



PIB, THE HINDU Newspaper and Editorial

Current Affairs

Posted at: 07/06/2019

1. **RBI cuts interest rate by 25 bps:**

Why in news?

The benchmark interest rate of the Reserve Bank of India (RBI) fell below 6% for the first time since 2010 as the central bank's monetary policy committee (MPC) cut repo rates by 25 basis points (bps) to 5.75% in order to address growth concerns.

Accommodative policy stance:

- The stance of the policy has also been changed from neutral to accommodative, which means a hike in interest rates is ruled out going forward.
- The decision to reduce interest rate was unanimous among the MPC members.
- The MPC notes that **growth impulses have weakened** significantly as reflected in a further widening of the output gap compared to the April 2019 policy," the RBI said.
- The central bank has **revised GDP growth projection** for the current financial year from 7.2% to 7%.
- Economists expect another rate cut in the August policy review to boost growth as inflation risks are likely to remain muted on a back of a normal monsoon.

Inflation Trend:

- The **headline inflation trajectory** remains below the target even after taking into account the expected transmission of the past two policy rate cuts, RBI Governor Shaktikanta Das said.
- Hence, there is scope to boost aggregate demand, and in particular, private investment activity, while remaining consistent with the mandate of flexible inflation targeting, he said.
- The path of consumer price index-based inflation has been revised downward to 3.4-3.7% in the second half of the current financial year.
- RBI targets 4% CPI inflation over the medium term.
- The governor said banks transmitted only 21 basis points of the cumulative 50 basis points rate cut (in February and April).
- While yield on the 10 year benchmark government bond dropped 9 bps to close at 6.93%, equity indices settled in the negative territory.

Digital Transactions:

- The banking regulator also took steps to boost digital transactions as it decided to waive off the charges for fund transfer by Real Time Gross Settlement System (RTGS) — which is meant for large-value instantaneous fund transfers and the National Electronic Funds Transfer (NEFT) System for other fund transfers.
- In addition, a committee has also been formed to review the charges in transactions in automated teller machines. The rate cut could lead to reduced EMIs on housing, vehicle and personal loans if banks decide to pass on the benefit.

2. Lower leverage ratio may improve lending activity

Why in news?

The Reserve Bank of India's decision to bring leverage ratio for banks in line with Basel-III standards will improve the lendable resources, bankers said.

Policy Mandate:

- In the second bi-monthly policy review, the central bank has **mandated leverage ratio of 3.5%** for all the banks except for the **domestic systemically important banks** (D-SIBs), which will have a 4% ratio.
- Keeping in mind financial stability and with a view to moving further towards harmonisation with Basel III standards, it has been decided that the minimum LR should be 4% for domestic systemically important banks (DSIBs) and 3.5% for other banks," the RBI said, adding instructions in this regard would be issued before the end of June 2019.
- The ratio was indicated to be 4.5% earlier.
- On the regulatory front, the decision to lower the leverage ratio will augment the lendable resources of the banks.
- The **leverage ratio was introduced for banks post the financial crisis of 2008**, as one of the underlying features of the crisis was the build-up of excessive on- and off-balance sheet leverage in the banking system.
- In many cases, banks built up excessive leverage while still showing strong risk-based capital ratios.
- The easing of the leverage ratio requirement will boost bank lending and should serve as the much-needed countercyclical stimulus.

Working group:

- The RBI has also set up an internal working group to review **liquidity management framework** with a view to simplify the current framework.
- The RBI said the objective was also to clearly communicate the objectives, quantitative measures and toolkit of liquidity management by the RBI

- Liquidity is one of the areas where banks pay a lot of attention. Setting up a committee to improve the liquidity management process is indeed a positive signal and aligning the leverage ratio with Basel standards would also help banks considerably.
- The working group is expected to submit its report by mid-July 2019.

D-SIBs:

- D-SIB means that the bank is too big to fail. According to the RBI, some banks become systemically important due to their size, cross-jurisdictional activities, complexity and lack of substitute and interconnection.
- Banks whose **assets exceed 2% of GDP are considered part of this group.**
- The RBI stated that should such a bank fail, there would be significant disruption to the essential services they provide to the banking system and the overall economy.

Advantages:

- The **too-big-to-fail tag** also indicates that in case of distress, the government is expected to support these banks.
- Due to this perception, these banks enjoy certain advantages in funding. It also means that these banks have a **different set of policy measures** regarding systemic risks and moral hazard issues.
- As per the framework, from 2015, every August, the central bank has to disclose names of banks designated as D-SIB.

Classifications:

- It classifies the banks under five buckets depending on order of importance. **ICICI Bank and HDFC Bank** are in bucket one while **SBI falls in bucket three.**
- Based on the bucket in which a D-SIB is, an additional common equity requirement applies.
- Banks in bucket one need to maintain a 0.15% incremental tier-I capital from April 2018. Banks in bucket three have to maintain an additional 0.45%.
- With bucket three being higher than bucket one, SBI has a higher additional requirement than ICICI Bank and HDFC Bank.
- All the banks under D-SIB are required to maintain higher share of risk-weighted assets as tier-I equity.
- According to the central bank, the **additional capital requirement** for these banks started in April 2016 in a phased manner and will be fully effective from April 2019.

Genesis:

- The concept of D-SIB emerged after the **global financial crisis.**
- Whether your bank is in the D-SIB list or not, your fixed deposits are insured up

to Rs1 lakh under the **Deposit Insurance and Credit Guarantee Corporation (DICGC)**.

- This means, in case of default, DICGC will pay you up to Rs1 lakh. Also, so far, there hasn't been an incident where the government has not rescued depositors during a crisis in commercial banks.
- The government has also come to the rescue of large co-operative banks.

Basel III standards:

- Basel III is an internationally agreed set of measures developed by the **Basel Committee on Banking Supervision** in response to the financial crisis of 2007-09.
- The measures aim to strengthen the regulation, supervision and risk management of banks.
- Like all Basel Committee standards, Basel III standards are minimum requirements which apply to internationally active banks.
- Members are committed to implementing and applying standards in their jurisdictions within the time frame established by the Committee.
- Under Basel III, the **minimum capital adequacy ratio that banks must maintain is 8%**.
- The capital adequacy ratio measures a bank's capital in relation to its risk-weighted assets.
- The capital-to-risk-weighted-assets ratio promotes financial stability and efficiency in economic systems throughout the world.

3. RBI waives NEFT/RTGS fee, to review ATM fees:

Why in news?

In a move to encourage digital transactions, the Reserve Bank of India (RBI) has decided to waive off charges for fund transfer via Real Time Gross Settlement System (RTGS) which is meant for large-value, instantaneous fund transfers and the National Electronic Funds Transfer (NEFT) System for other fund transfers. While the charges are levied on banks, they, in turn, pass it to the customers.

ATM charges review:

- Separately, the banking regulator would review the charges levied on customers while operating automated teller machines (ATMs).
- A committee will be set up, under the chairmanship of the chief executive officer, Indian Banks' Association (IBA), 'to examine the entire gamut of ATM charges and fees,' the RBI said.
- At present, customers are charged for using other banks' ATMs beyond a particular number of transactions.
- The Committee is expected to submit its recommendations within two months of

its first meeting.

4. **Keeping close watch on NBFCs:**

Why in news?

A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 engaged in the business of loans and advances, acquisition of shares/stocks/bonds/debentures/securities issued by Government or local authority or other marketable securities of a like nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of agriculture activity, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of immovable property.

A non-banking institution which is a company and has principal business of receiving deposits under any scheme or arrangement in one lump sum or in instalments by way of contributions or in any other manner, is also a non-banking financial company (Residuary non-banking company).

The Reserve Bank of India (RBI) is closely watching developments unfolding in the NBFC sector, which is facing a liquidity crunch, and is committed to see that the sector remains robust and healthy, Governor Shaktikanta Das said during the post monetary policy announcement press conference.

Addressing crisis:

- The recent liquidity crisis faced by NBFCs was triggered by mortgage lender Dewan Housing Finance Corporation Ltd. (DHFL) as it delayed interest payment to its non-convertible debenture investors, causing it to be downgraded to default grade.
- The RBI remains committed that we have a robust, well-functioning NBFC sector. The RBI will not hesitate to take whatever steps are required to ensure financial stability is not adversely impacted in any manner by any development," he said.
- On Tuesday, DHFL said it had delayed repayment to its investors but said will make the payments in the next seven days to avoid default.

IL&FS saga:

- Post the IL&FS crisis in August last year, which faced cash crunch and had a series of defaults, cost of funds for NBFCs have significantly shot up.
- Mr. Das said that the RBI was monitoring major NBFCs and housing finance companies (HFCs).
- **RBI does not regulate housing finance companies.** Nonetheless, banks have significant exposure to the HFCs. The RBI is mandated to look after the financial stability of the entire economy.
- Against that background, we have been closely monitoring the activity and the performance and the developments in the NBFC sector, including the HFCs," he

added.

- NBFCs have demanded the opening up of funding from banks to tide over the liquidity crisis.
- The credit crunch in the NBFC sector had witnessed a corresponding decline in manufacturing and construction activities in the last two quarters of 2018-19.

Draft norms:

- In a separate move, the RBI also announced draft norms for 'on tap' licensing for small finance banks after these entities furthered financial inclusion.
- A review of the performance of small finance banks reveals that they have achieved their priority sector targets and thus attained their mandate for furthering financial inclusion.
- Hence, there is a case for more players to be included to enhance access to banking facilities to the small borrowers and to encourage competition," the RBI said. Ten entities have so far been granted small finance bank licences.
- However, for payments banks, the RBI said 'more time is needed' to review the performance before considering the licensing of this category of banks to be put 'on tap'.

5. AIR may have to power off short wave transmissions:

Why in news?

If Prasar Bharati has its way, All India Radio will have to stop all global short wave (SW) transmissions 80 years after it began international broadcasting in 1939. AIR is resisting the move, arguing that this will curtail its global reach.

Global reach:

- There are about 46 SW transmitters that beam both domestic and external services.
- Of these, 28 are used for external services alone. Barring three that were recently installed, all the others will have to be shut down over the next six months.
- The external services go out to 150 countries in 13 Indian languages and 15 foreign languages.
- Prasar Bharati wrote to AIR in the third week of May asking for a proposal to phase out SW transmitters.

'Whimsical decision:

- A high-ranking AIR official called it a whimsical decision. There will be a huge implication for external services. Short wave is the only effective way to reach any part of the world. FM and other modes don't work.
- Even live streaming on the web can't be a substitute due to varied penetration of Internet connectivity. Any country that wants to scuttle Indian radio can just shut

down our web channel.

- Prasar Bharati CEO Shashi Shekhar Vempati denied that discontinuing SW would impact global outreach.
- He said there would be fresh investments in DD India, AIR World Service and Prasar Bharati's Global Digital Platform.
- Going forward, AIR world service will be primarily a digital service leveraging FM and medium wave capabilities where available and short wave in a limited way for strategic purposes. We will explore hiring air time in transmitters outside India where feasible," he told
- China recently started buying air time on Nepalese radio channels for its programmes. India too may soon follow suit. A study on SW transmitters conducted by Prasar Bharati had revealed that shutting them down would save AIR nearly Rs. 60-70 crore. Most of the transmitters were nearly 25 years old and obsolete, it was found.

6. **Russia willing to drop New START pact:**

Why in news?

President Vladimir Putin said that Russia was prepared to drop a nuclear weapons agreement treaty with the U.S. and warned of "global catastrophe" if Washington keeps dismantling a global arms control regime.

Nuclear Treaty:

- Speaking to heads of global news agencies at an economic forum, Mr. Putin said Washington showed no genuine interest in conducting talks on extending the New START treaty, which caps the number of nuclear warheads well below Cold War limits.
- If no-one feels like extending the agreement New START well, we won't do it then," said Mr. Putin. "We have said a hundred times that we are ready (to extend it)," Mr. Putin said.
- Mr. Putin said the potential implications of letting New START treaty expire would be huge, suggesting its demise could fuel a nuclear arms race.
- If we don't keep this 'fiery dragon' under control, if we let it out of the bottle God forbid this could lead to global catastrophe," Mr. Putin said.

7. **South Asia is top priority: Jaishankar**

Why in news?

Building connectivity in the South Asian region and coordinating economic issues will be top priorities of the External Affairs Ministry, new Minister S. Jaishankar said.

Neighbours First:

- Mr. Jaishankar, who leaves for Bhutan, his first destination abroad a week after he took office, indicated that the government had chosen to invite leaders of BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) rather than leaders of SAARC (South Asian Association for Regional Cooperation) because there was a higher likelihood of making progress with BIMSTEC, as it did not include Pakistan.
- SAARC has certain problems which are known to all. Even if you put the terrorism issue aside, there are trade and connectivity issues.
- BIMSTEC leaders were invited for the swearing-in ceremony because we see today an energy and a possibility in BIMSTEC and a mindset which fits in with that very optimistic vision of economic cooperation that we want," Mr. Jaishankar told.
- He spoke on need for more coordination between the External Affairs and economic Ministries.
- He said he had spent a substantial part of his first week in office dealing more with Finance Minister Nirmala Sitharaman and Commerce Minister Piyush Goyal.
- The comments reflect the economic challenges the government faces immediately, given the U.S. decision to withdraw India's 'GSP' preferential trade status, and the emerging costs of replacing Iranian oil after sanctions.
- Mr. Jaishankar will receive U.S. Secretary of State Mike Pompeo on June 25 and 26, where many of the trade issues, including data localisation and Washington's push to have Chinese telecom major Huawei banned by friendly countries, are likely to be raised.
- In a veiled reference to the Huawei issue, Mr. Jaishankar said it showed that the line between economics and politics was "vanishing".

Bhutan visit:

- The Ministry announced on Thursday that Mr. Jaishankar would visit Thimphu on June 7 and 8 to meet with the King of Bhutan, Prime Minister Lotay Tshering, and Foreign Minister Tandi Dorji.
- Hinting at a possible visit by Prime Minister Narendra Modi in the near future to Bhutan, the Ministry, in a statement, said the two sides would discuss "upcoming high-level exchanges, economic development and hydro-power cooperation".
- Mr. Jaishankar emphasised the need for more regional exchanges, saying India needed to "incentivise cooperation in the neighbourhood" by being "generous" to its smaller neighbours.

8. A policy on AI, cyber security on the cards:

Why in news?

The Niti Aayog has come up with a policy on artificial intelligence and cyber security

and it would be taken up by the Union Cabinet soon, disclosed V.K. Saraswat, member of Niti Aayog.

data protection:

- Speaking at the seminar, he said the policy announcement was delayed owing to the recent elections.
- At a time when the government promoted the digitisation programme and India emerged the second country with most Internet access, the protection of data becomes crucial be at home, workspace or institutions.
- Dr. Saraswat also emphasised the need for giving access to **National Knowledge Network** for setting up centres of excellence for research on AI for which funding would be provided by the Union Government.
- Digitisation has brought in enormous data and like oil, it will impact the economies of the world. Thus, data protection becomes crucial.

Cyber security:

- A global data protection and regulation Act is coming up and, in this context, thus cyber security becomes important too," he said.
- Communication is digitised in every sector and the C.R. Rao Advanced Institute has been focusing on cyber security, which is undergoing paradigm changes due to induction of AI and ML, he explained.
- This disruptive technology is used by various sectors, including agencies for crime control. The market to provide cyber security cover runs into billions of dollars," he said.
- He said those itching to cause harm are also becoming smarter with AI necessitating 24x7 protection of the entire command and control of data network. But the main challenge to use AI is to get highly trained manpower.
- We have to skill our people in AI, machine learning, augmented reality and others. The C.R. Rao Institute, by collaborating with University of Hyderabad, is striving to bring skilled manpower into the area, he said.

9. New Ministers join NITI Aayog:

Why in news?

Prime Minister Narendra Modi approved the reconstitution of the NITI Aayog.

Constitution:

- Rajiv Kumar will continue as its Vice-Chairman, and V.K. Saraswat, Ramesh Chand and V.K. Paul as members.
- Bibek Debroy, who is the Chairman of the Prime Minister's Economic Council, is no longer a member of the think tank, an official statement said.
- NITI Aayog will have Union Ministers Amit Shah, Rajnath Singh, Nirmala

Sitharaman, and Narendra Singh Tomar as ex-officio members.

- Ministers Nitin Gadkari, Thaawar Chand Gehlot, Piyush Goyal and Rao Inderjit Singh will be special invitees.
- The announcement comes ahead of the first meeting of the governing council of the organisation after the election.
- The statement did not mention Amitabh Kant, Chief Executive Officer, whose term is ending on June 30.

10. **Modi-Khan meeting unlikely in Bishkek:**

Why in news?

There is no confirmation of a meeting between Prime Minister Narendra Modi and his Pakistan counterpart, Imran Khan, on the sidelines of the summit of the Shanghai Cooperation Organisation (SCO), the External Affairs Ministry said.

Next foreign stops:

- The clarification comes just a day before Mr. Modi begins his first round of foreign trips with stops in the Maldives and Sri Lanka where sports diplomacy and counter-terror will be on the agenda.
- To the best of my knowledge, I am not aware of any bilateral meeting being set up or organised, between PM Modi and Prime Minister Imran Khan at Bishkek.
- Both the leaders are scheduled to travel to Bishkek, Kyrgyz Republic for the SCO summit of June 13 and 14.

Pulwama and after:

- There has been a series of developments that indicate ongoing efforts to continue with de-escalation of the tension that erupted after the terror attack at Pulwama and the Balakot counter-terror strike.
- Despite the lack of confirmation on a meeting with Pakistan, Foreign Secretary Vijay Gokhale said India would emphasise the importance of the "Neighbourhood first" policy as Mr. Modi would travel to the Maldives and Sri Lanka during June 8 and 9.

Male visit:

- During his Male visit, Mr. Modi will hold a consultation with Maldivian President Ibrahim Mohammed Solih, former President Mohammed Nasheed and others.
- India expects agreements on customs, white shipping and training of civil service to be sealed during the visit, Mr. Gokhale said.
- The diplomat highlighted the importance of sports as an element in the visit. He said that a ferry service between Kochi and the Maldives is under consideration.

Sports diplomacy:

- President Solih had expressed interest in training for the Maldivian cricketing team.
- Among his requests under active consideration are a cricket stadium which we expect to build under a Line of Credit that will be given, and training.
- A team from the BCCI has visited the Maldives for training of the Maldivian cricket team.
- India is expected to give cricketing assistance to the Maldives as it did for Afghanistan some years ago
- The Foreign Secretary announced that Mr. Modi would fly to Colombo, where he will be the first foreign head of government to visit since the Easter bombings.
- Mr. Gokhale said that India was aware of alleged activities of the terror group IS in different parts of South Asia and it would help when governments request for support.
- Naturally the demand and the kind of cooperation they desire has to come from them and on receipt of this request our government will be happy to cooperate," he said.

11. **Ai-Da, the robot, charms with her art:**

Why in news?

Billed as "one of the most exciting artists of our time", Ai-Da differs from generations of past masters in one inescapable way: she is a robot.

Humanoid artist:

- Ai-Da is the brainchild of Aidan Meller, who claims she is the **world's first ultra-realistic humanoid artist**, able to draw creatively thanks to in-built artificial intelligence (AI) technology.
- The 46-year-old art dealer recently unveiled Ai-Da dressed in a brown wig and period-style painter's blouse in Oxford, ahead of an exhibition of her first works opening next week in the English university city.
- As he spoke, an occasionally blinking Ai-Da, built with cameras for eyes and a robotic arm to draw with, worked on a sketch of him from behind a desk. Forty-five minutes later, a delicate expressionist drawing of Mr. Meller, comprising deft pencil strokes, emerged.

Pencil sketches:

- Several dozen of Ai-Da's other works adorned the nearby walls. They include similarly styled pencil sketches of historical figures from Leonardo da Vinci to Alan Turing.
- There are also colourful paintings and sculptures based on her initial sketches, completed by human assistants.
- Ai-Da can currently only hold certain hard tools like pencils, not brushes.

- AI has already been deployed by art pioneers elsewhere to create new work, but Mr. Meller said that his project represented “genuine innovation”.

Tribute to Lovelace:

- Mr. Meller, also an art gallery director, first dreamed up Ai-Da named after Ada Lovelace, the English mathematician and writer often called the world’s first computer coder eight years ago.
- With the help of British robotics company Engineered Arts, and researchers at both Leeds and Oxford universities, Ai-Da was finally completed in April.
- Mr. Meller was eager for her to adopt a female persona because he argued the art and coding worlds need more women represented.
- She can move, allowing what Mr. Meller calls “performance art” which features in several videos at the upcoming exhibition.
- Despite technology’s paramount role in the work produced by Ai-Da, Mr. Meller is adamant it is also the fruit of a “highly creative” process.

12. Ecologists have 596 reasons to cheer:

Why in news?

Scientists and taxonomists have documented 596 new species of flora and fauna from India in the year 2018. The details of the discoveries were made public by the Botanical Survey of India (BSI) and the Zoological Survey of India (ZSI) in the publications Plant Discoveries 2018 and Animal Discoveries 2018.

New discoveries:

- Of the 596 species, 372 come under fauna (311 invertebrates and 61 vertebrates). The newly identified 224 plant species include seed plants, pteridophytes, bryophytes, fungi and lichen.
- About 31% of the plant species were discovered in the Himayalas. In the case of animals, the Western Ghats remained a biological hotspot from where about 50% of the species were found.
- The plants discovered this year includes close wild relatives of many potential horticulture, agriculture, medicinal and ornamental plants.
- The discoveries include plants belonging to groups Amomum (wild cardamom), Cycads, Rubus (raspberry), Syzygium (wild jamun), Terminalia, Balsams, Zingibers and also seven trees and 10 orchids,” said A.A. Mao, director of BSI.
- He added that the BSI has placed emphasis on molecular DNA technology and phylogeny to confirm the discoveries.

Taxonomic tools:

- Kailash Chandra, director of ZSI, said that modern taxonomic tools, like DNA analysis, helped in the discovery of frogs and reptiles

- Of the 61 species of vertebrates discovered this year, reptiles dominate (30 species), Mr. Chandra said.
- 21 species of fishes, nine species of amphibians, and one mammalian sub-species were also found.
- **Kerala recorded the highest number of discoveries** with 59 species. West Bengal, a state with both Himalayan and coastal ecosystems, recorded 38 and Tamil Nadu recorded 26.
- With these new discoveries, the updated list of animal species in India has risen to 1,01,681 which is about 6.49% of all the species in the world, Mr. Chandra said.
- Other than the discoveries, 139 species of animals were added to the fauna of India as new records. In terms of plants, 193 taxa of plants were added to flora of India as new records.
- Last year, 539 new species of plants and animals were discovered, which included 300 species of animals and 239 species and sub-species of plants.



SAHAYA IAS
www.sahayaias.com