

Foreign Exchange Management Act (FEMA)

- The Reserve Bank of India (RBI) recently released a draft 'Licensing Framework for Authorised Persons (APs)' under the Foreign Exchange Management Act (FEMA), 1999.

❖ About Foreign Exchange Management Act (FEMA)

- ❑ The Foreign Exchange Management Act, 1999 also known as FEMA is an enactment which deals primarily with the provisions relating to cross-border trade and payments thereof.
- ❑ It defines the procedures, formalities, dealings of all foreign exchange transactions in India.
- ❑ FEMA has been introduced as a replacement for earlier Foreign Exchange Regulation Act (FERA) 1973, because it didn't fit in with post-liberalisation policies

❖ Structure

- ❑ FEMA head office is known as Enforcement Directorate and is situated in the heart of the city of Delhi.
- ❑ There are 5 zonal offices in Delhi, Mumbai, Kolkata, Chennai, and Jalandhar, each office is headed by a Deputy Director.
- ❑ Every 5 zones are further divided into 7 sub-zonal offices headed by Assistant Directors and 5 field units headed by Chief Enforcement Officers.

❖ Objectives

- ❑ The main objective of FEMA was to help facilitate external trade and payments in India ; but also has following secondary objectives: -
 - To help orderly development and maintenance of foreign exchange market in India.
 - To facilitate transactions involving foreign exchange or foreign security and payments from outside the country to India only through an authorised person.
 - To encourage dealings in foreign exchange under the current account through an authorised person and to keep restrictions with the help of the Central Government, based on public interest.
 - To authorise Reserve Bank of India to subject the capital account transactions to a number of restrictions.
 - To carry out transactions in foreign exchange by residents of India, foreign security or to own or hold immovable property abroad if the currency, security or property was owned or acquired when a resident was living outside India, or when it was inherited by that resident from someone living outside India.

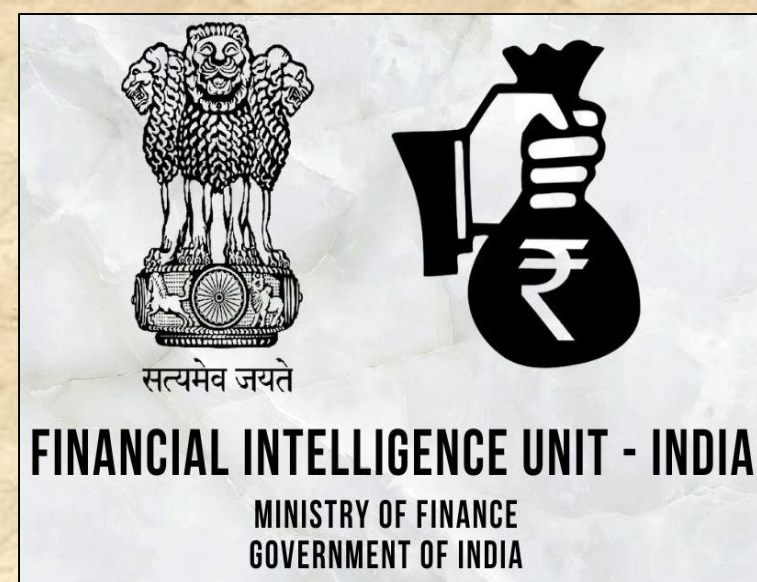


Financial Intelligence Unit - India (FIU-IND)

- Recently, as part of compliance action against the offshore entities, Financial Intelligence Unit India (FIU IND) has issued compliance Show Cause Notices to nine offshore Virtual Digital Assets Service Providers (VDA SPs) under the Prevention of Money Laundering Act, 2002 (PMLA).

❖ About FIU India

- ❑ FIU India is the central national agency responsible for receiving, processing, analysing and disseminating information relating to suspect financial transactions.
- ❑ It was set up on 18th November 2004.
- ❑ It is an independent body reporting directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.



❖ About Virtual Digital Asset

- ❑ According to the Finance Act, “virtual digital asset” means any information, code, number or token (not being Indian currency or foreign currency), generated through cryptographic means or otherwise and can be called by whatever name.
- ❑ Digital assets are electronic representations of value used in financial transactions, investments, and as a store of value or unit of account.
- ❑ They can be transferred, stored, and traded electronically, encompassing various forms, including cryptocurrencies.
- ❑ Non-fungible tokens and; any other token of similar nature are included in the definition.

Domestic Systemically Important Banks (D-SIBs)

- The Reserve Bank of India (RBI) has retained State Bank of India, HDFC Bank and ICICI Bank as Domestic Systemically Important Banks (D-SIBs).

❖ Key Highlights

- ❑ While ICICI Bank continues to be in the same bucketing structure as last year, SBI and HDFC Bank move to higher buckets – SBI shifts from bucket 3 to bucket 4 and HDFC Bank shifts from bucket 1 to bucket 2.

❖ About D-SIBs

- ❑ D-SIBs are those interconnected entities, whose failure can impact the whole of the financial system and create instability.
- ❑ Systemically important banks attract closer supervision and regulation from the country's central bank as these entities are considered to be too-big-to-fail banking companies.
- ❑ Central banks worldwide began to look at 'too-big-to-fail' banking institutions closely after the 2008 global financial crisis.
- ❑ The D-SIB framework requires the Reserve Bank to disclose the names of banks designated as D-SIBs starting from 2015 and place these banks in appropriate buckets depending upon their Systemic Importance Scores (SISs).
- ❑ Depending on the bucket in which a D-SIB is placed, an additional common equity requirement [**Common Equity Tier 1 (CET1)**] is applicable to it.
 - **Tier 1** capital (measured by the capital adequacy ratio (CAR)) is the core measure of a bank's financial strength from a regulator's point of view.
 - It means that these banks have to earmark additional capital and provisions to safeguard their operations.
- ❑ The Reserve Bank had announced SBI and ICICI Bank as D-SIBs in 2015 and 2016. Based on data collected from banks as on March 31, 2017, HDFC Bank was also classified as a D-SIB, along with SBI and ICICI Bank.
- ❑ G-SIB: The Financial Stability Board (FSB), in consultation with the Basel Committee on Banking Supervision (BCBS) and national authorities, has identified Global Systemically Important Banks (G-SIBs) since 2011.

DOMESTIC SYSTEMICALLY IMPORTANT BANKS (D-SIBS)



The list of D-SIBs is as follows:

Bucket	Banks	Additional Common Equity Tier 1 requirement as a percentage of Risk Weighted Assets (RWAs)
5	-	1%
4	State Bank of India*	0.80%
3	-	0.60%
2	HDFC Bank*	0.40%
1	ICICI Bank	0.20%

* The higher D-SIB surcharge for SBI and HDFC Bank will be applicable from April 1, 2025. Hence, up to March 31, 2025, the D-SIB surcharge applicable to SBI and HDFC Bank will be 0.60% and 0.20% respectively.

Financial Stability Report (FSR)

- The gross non-performing assets (GNPA) ratio of Indian banks continued to decline to a multi-year low of 3.2% in September 2023, the Reserve Bank of India (RBI) said in its financial stability report on December 28.
- The net non-performing assets (NNPA) ratio declined to 0.8 per cent, the report said.
- FSR highlighted that resilience of the non-banking financial companies (NBFCs) sector has improved.
 - Capital-to-risk weighted assets ratio (CRAR) has improved.
 - Gross Non-Performing Asset (GNPA) ratio is on a downward trajectory.
 - Credit growth in the post-pandemic period has accelerated.



❖ About FSR

- ❑ FSR is a **bi-annual report**.
- ❑ It reflects the collective assessment of the Sub-Committee of the Financial Stability and Development Council (FSDC) on risks to financial stability and the resilience of the financial system.

❖ Financial Stability and Development Council (FSDC)

- ❑ It is the **apex level forum** set up by the Government in **December 2010**.
- ❑ Its objective was to strengthen and institutionalize the mechanism for maintaining financial stability, inter-regulatory coordination and promoting financial sector development.
- ❑ **The Finance Minister** is the Chairman of FSDC.
- ❑ **RBI Governor** is the Chairperson of FSDC subcommittee.
- ❑ Its members include **heads of financial regulators - RBI, SEBI, PFRDA, IRDA & FMC, Finance secretary and/or Secretary (DEA), Secretary (Department of Financial services) and Chief Economic Adviser**.
- ❑ **Side Note** : Global Financial Stability Report is released by the IMF.

Minimum Support Price for Copra

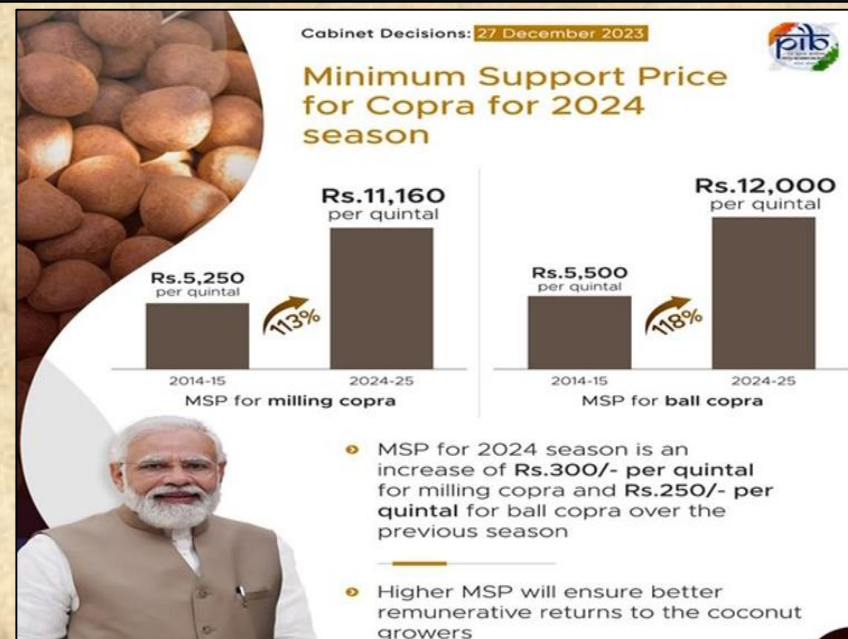
- The Cabinet Committee on Economic Affairs, has approved the Minimum Support Prices (MSPs) for copra for the 2024 season.

❖ Key Highlights

- ❑ The move aims to provide better returns to coconut growers, encourage copra production, and meet the growing demand for coconut products.
- ❑ Copra is the dried, white flesh of the coconut. It's a major cash crop and is valued for the coconut oil that can be extracted from it.

❖ About MSP

- ❑ The MSP is a **minimum price guarantee** that acts as a safety net or insurance for farmers when they sell particular crops.
- ❑ These crops are **procured by government agencies** at a promised price to farmers and the MSP cannot be altered in any given situation.
- ❑ **A total of 23 crops are procured under MSP.**
- ❑ The MSP is set by the central government for select crops, based on **recommendations it receives from the Commission for Agricultural Costs and Prices (CACP).**
- ❑ MSP based on a calculation of **at least one-and-a-half (1.5) times** the cost of production incurred by the farmers.
- ❑ The **present MSP** has been calculated based on the A2+FL method.
 - **A2+FL=** It covers actual **paid-out costs plus an imputed value of unpaid family labor.**
 - **1.5 times MSP Formula** = 1.5 times the A2+FL costs
- ❑ **C2 Formula**
 - Farm unions are demanding that a comprehensive cost calculation (C2) must also include **capital assets and the rentals and interest forgone on owned land** as recommended by the National Commission for Farmers.
- ❑ **As of now, CACP recommends MSPs of 23 commodities**, which comprise
 - 7 cereals (paddy, wheat, maize, sorghum, pearl millet, barley and ragi).
 - 5 pulses (gram, tur, moong, urad, lentil)
 - 7 oilseeds (groundnut, rapeseed-mustard, soyabean, seasmum, sunflower, safflower, niger seed).
 - 4 commercial crops (copra, sugarcane, cotton and raw jute).

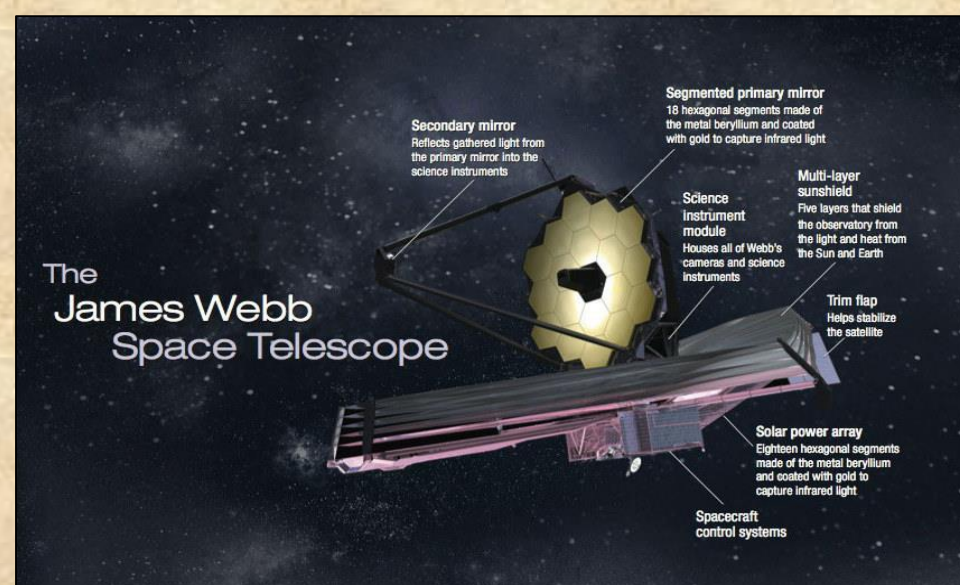


James Webb Space Telescope (JWST)

- After its first full calendar year of operation, astronomers are using the James Webb Space Telescope (JWST) to look for life on thousands of newly discovered planet

❖ About JWST

- ❑ The telescope has been developed under an international partnership between **NASA**, the European Space Agency (**ESA**) and the Canadian Space Agency (**CSA**).
- ❑ It was launched aboard a rocket on December 25, 2021.
- ❑ It headed to an outpost 1.5 million kilometers (9,30,000 miles) from Earth.
- ❑ It is currently at a point in space known as the Sun-Earth **L2 Lagrange point**.
 - L2 is approximately 1.5 million km beyond Earth's orbit around the Sun.
- ❑ It is a successor of the **Hubble Telescope**.
- ❑ The telescope will study the **atmospheres of a wide diversity of exoplanets**
- ❑ It will also **search for atmospheres similar to Earth's**, and for the signatures of key substances such as **methane, water, oxygen, carbon dioxide**, and **complex organic molecules**, in hopes of finding the building blocks of life.



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