

Non Performing Assets (NPAs)

❖ Context

- After **Writing off** a huge amount of loans worth over Rs 10 lakh crore in the last five years, banks have been able to recover only 13 per cent of it so far.

Key Highlights

- The banking sector reported a **decline in gross NPAs to Rs 7,29,388 crore, or 5.9 per cent** of the total advances, as of March 2022.
- Gross NPAs were **11.2 per cent in 2017-18**.

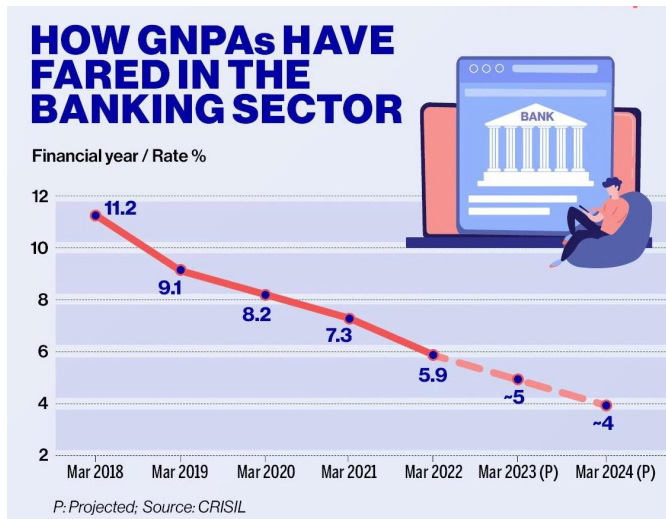
Writing off a Loan

- The **writing off NPAs** is a regular exercise carried by banks to clean up the balance sheet.
- Once a loan is **written off** by a bank, it **goes out from the asset book** of the bank.
- The bank writes off a loan after the **borrower has defaulted** on the loan repayment and there is a very **low chance of recovery**.

- The lender then moves the defaulted loan, or NPA, out of the assets side and reports the amount as loss.

• Significance

- It helps the bank **reduce** not only its **NPAs** but also **taxes** since the written off amount is allowed to be deducted from the profit before tax.



Non Performing Assets (NPAs)

- NPAs are loans or advances made by a financial institution, on which both **principal or interest is unpaid** for a specified period of time.
- Thus, NPAs are those loans that have **ceased to generate income for the bank**.
- A loan becomes an NPA when the principal or interest payment remains overdue for **90 days**.
- **Categories**
 - **Substandard Assets:** These are assets that are not performing for a period less than or equal to 12 months.
 - **Doubtful Assets:** These are assets that are not performing for a period of 12 months or more.
 - **Loss Assets:** A loss asset is one where loss has already been identified by the bank or an external institution, but it is not yet completely written off, due to its recovery value, however little it may be.
- **Gross NPA:** Gross NPA (GNPA) denotes the total of all the loan assets that haven't been repaid by the borrowers within the ninety-day period.
- **Net NPA:** Net NPA (NNPA) is the amount remaining after deducting doubtful and unpaid debts from the GNPA. It is the actual loss suffered by the bank.

Crypto Currency

❖ Context

- According to research paper published in the Bank for International Settlements, **over 73% crypto currency users lost money**.

About Crypto Currency

- A cryptocurrency is an **encrypted data string** that denotes a unit of currency.
- It is monitored and **organized by a peer-to-peer network called a blockchain**, which also serves as a secure ledger of transactions, e.g., buying, selling, and transferring.
- Unlike physical money, **cryptocurrencies are decentralized**, which means they are not issued by governments or other financial institutions.
- Cryptocurrencies are created (and secured) through **cryptographic algorithms** that are maintained and confirmed in a process called **mining**, where a network of computers or specialized hardware such as

Block Chain Technology

- Central to the appeal and functionality of Bitcoin and other cryptocurrencies is blockchain technology.
- Blockchain is essentially a **set of connected blocks or an online ledger**.
- Each block contains a set of transactions that have been independently verified by each member of the network.
- Every **new block generated must be verified by each node** before being confirmed, making it almost impossible to forge transaction histories.



application-specific integrated circuits (ASICs) process and validate the transactions.

- The process **incentivizes the miners** who run the network with the cryptocurrency.
- Cryptocurrencies can be mined or purchased from **cryptocurrency exchanges**.
- The **advantages** of cryptocurrencies include cheaper and faster money transfers and decentralized systems that do not collapse at a single point of failure.
- The **disadvantages** of cryptocurrencies include their price volatility, high energy consumption for mining activities, and use in criminal activities.

- The contents of the online ledger must be agreed upon by the entire network of an individual node, or computer maintaining a copy of the ledger.

- **Significance of Blockchain Technology**

- It can serve multiple industries, such as supply chains, and processes such as online voting and crowdfunding.
- Financial institutions such as JPMorgan Chase & Co. (JPM) are testing the use of blockchain technology to lower transaction costs by streamlining payment processing.

CITES

❖ Context

- For the first time at the **Convention on International Trade in Endangered Species of Flora and Fauna (CITES)**, India did not vote against a proposal seeking to re-open the ivory trade.

Key highlights

- The proposal, to allow a regular form of controlled trade in ivory from **Namibia, Botswana, South Africa and Zimbabwe**, was moved by Zimbabwe and got defeated.
- It was moved, at the 19th meeting of the CITES Conference of the Parties (CoP19) in **Panama City**.

About Ivory Trade

- The ivory trade was **globally banned in 1989** when all African elephant populations were put in **CITES Appendix I**.
- The populations of Namibia, Botswana and Zimbabwe were transferred to Appendix II in 1997 and South Africa's in 2000.
- In 1999 and 2008, Namibia, along with Zimbabwe and, later, Botswana and South Africa, was permitted by CITES to conduct one-off sales of ivory stockpiled from natural elephant deaths and seizures from poachers.

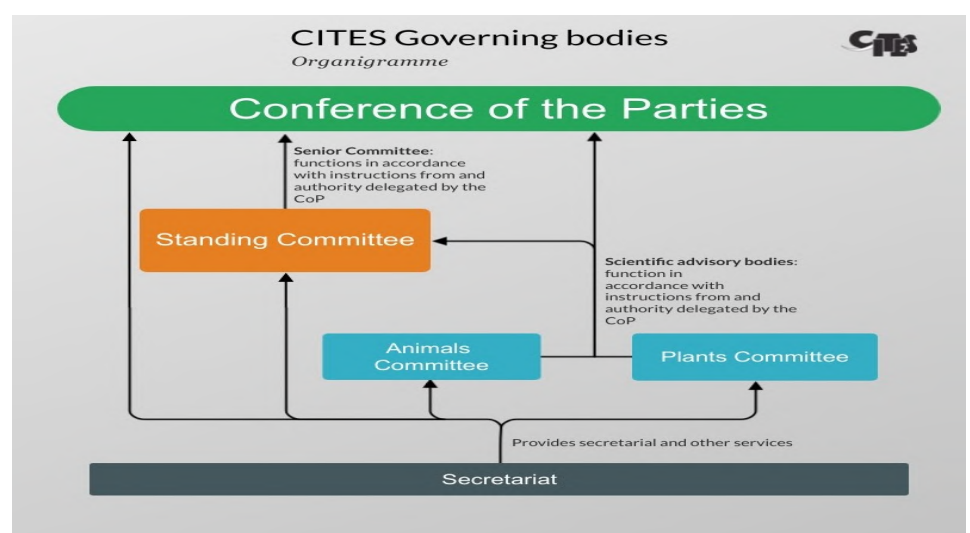
About CITES



IUCN (The World Conservation Union).

- CITES was drafted as a result of a **resolution adopted in 1963** at a meeting of members of

- It was approved on 3 March 1973, and entered into force on **1 July 1975**.
- **Switzerland** is the depository government for the CITES.
- Its aim is to ensure that international trade in specimens of wild animals and plants does not threaten the survival of the species.
- No trade is allowed in species listed in CITES **Appendix I** while trade is strictly regulated in those under **Appendix II**.
- **India joined it in 1976**.
- **India** had designed the **iconic CITES logo** in the form of an elephant in 1981.
- States that join CITES, known as **Parties**, are **legally bound to implement it**.
- However, it does not take the place of national laws. It only provides a framework to be **adopted by the nation in its own domestic legislation**.
- Not all members of the United Nations are Parties to the Convention.



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News in Between the Lines

Central Depositories Services India Ltd (CDSL)



❖ Context

➤ Recently, media reports indicated that **Certain services at CDSL were disrupted due to a suspected cyber attack.**

❖ Key Highlights

- CDSL is a **government-registered share depository**, alongside its other state-owned counterpart **National Securities Depository Ltd (NSDL).**
- CDSL was **founded in 1999.**
- It is **organised by** the Bombay Stock Exchange in collaboration with the State Bank of India, Union Bank of India, Bank of Baroda, Bank of India, and Standard Chartered Bank, among others.
- It is a **Market Infrastructure Institution** that is deemed as a crucial part of the capital market structure.
- It **provides services** to all market participants, including exchanges, clearing corporations, depository participants, issuers and investors.
- **Share depositories**
 - They hold shares in an electronic or dematerialised form.
 - They are an enabler for securities transactions, playing a somewhat similar role to what banks play in handling cash and fixed deposits.

Dark Net



❖ Context

➤ Recently, Home Minister stressed on the need for coordinated efforts to deal with the **challenges posed by the use of dark net** and virtual currencies like cryptocurrency by the terrorists.

❖ Dark Net

- The darknet or dark web or deep web is the **hidden collective of internet sites only accessible by a specialized web browser like Tor, Freenet, I2P and Tails.**
- It is **used for keeping internet activity anonymous and private**, which can be helpful in both legal and illegal applications.
- While some use it to **evade government censorship**, it has also been known to be **utilized for highly illegal activity.**
- The dark web operates in secrecy using the **onion router (ToR).**

Global Goal on Adaptation Framework



❖ Context

➤ Countries at the 27th Conference of Parties (COP27) to the United Nations Framework Convention on Climate Change (UNFCCC) have finally decided on the establishment of a framework for achieving the Global Goal on Adaptation (GGA).

❖ Key Highlights

- The framework will be **considered and adopted at the COP28 in 2023.**
- The **G77-plus-China bloc under the chairperson-ship of Pakistan**, which represents 134 developing countries, had come up with a proposal for a framework on GGA.
- The **Global Goal on Adaptation (GGA)** was established, under the **Paris Agreement**, to provide a collective vision and direction for the international community.

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- However, coming to a common agreement of what the goal should comprise and how it will be measured and reported is still a challenge.
- Where mitigation has clear metrics in emissions levels, **adaptation is context-specific**, and **metrics of progress are difficult to aggregate** globally.
- At COP26, countries, thus, established the two-year **Glasgow-Sharm el-Sheikh work programme on the Global Goal on Adaptation (GlaSS)** to enhance and support adaptation action through a country-driven process.
- Countries plan to achieve the framework through the remaining workshops on GlaSS.

❖ Context

- The Federation of Indian Micro and Small and Medium Enterprises (FISME) has urged the Union Finance Minister (FM) to make surety bonds accessible for making public procurements.

❖ Key Highlights

- The FM in her last budget said bank guarantees will be replaced by surety bonds.

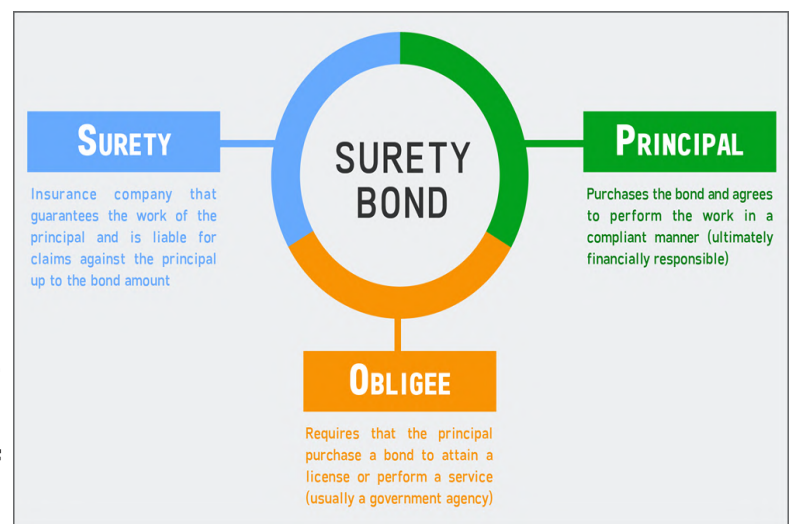
- It was supposed to be issued by insurance companies who have not issued it, as of yet.

- **A surety bond is a promise to be liable for the debt, default, or failure of another.**

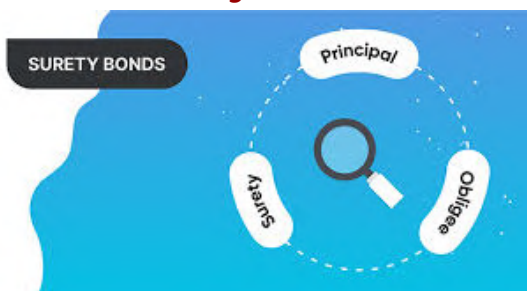
- The three parties in a surety agreement are - Principal, Surety & Obligee.

➤ Benefits

- Increase the competitiveness among MSMEs.
- Reduce indirect costs for suppliers and contractors, as margin money deposited for bank guarantees are very high at 10-30% of the contract value.



Surety bonds



Hwasong-17



❖ Context

- North Korea test fired its massive new Hwasong-17 **intercontinental ballistic missile (ICBM)** recently.

❖ Key highlights

- It is nuclear-armed **North Korea's biggest missile yet**, and is the **largest road-mobile, liquid-fuelled ICBM in the world.**

- It is launched directly from a transporter, erector, launcher (TEL) vehicle.

- The missile reached a **maximum altitude of 6,041 km** and can **travel as far as 15,000 kms.**

- It can also be used for a **multiple independently targetable reentry vehicle (MIRV) system**, potentially allowing a single missile to drop nuclear warheads on different targets.

❖ Context

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Loss & Damage Fund



➤ Countries at the 27th Conference of Parties (COP27) to the United Nations Framework Convention on Climate Change (UNFCCC) have finally agreed to set up a Loss & Damage Fund.

❖ Key highlights

- It was **proposed by the G77 and China (India is part of this group), least developed countries and small island states.**
- The facility is for **vulnerable countries** hit hard by climate disasters.
- Vulnerable countries had stressed that they would not leave COP27 without a loss and damage finance facility.
- Governments also agreed to establish a **'transitional committee'** to make recommendations on how to operationalize both the new funding arrangements and the fund at COP28, to be held in UAE, next year.
- The first meeting of the transitional committee is expected to take place before the end of March 2023.

What is "loss and damage"?

The phrase refers to costs already being incurred from climate-fuelled weather extremes or impacts, like rising sea levels

- Climate funding so far has focused on cutting CO2 emissions, while a third of it went towards helping communities adapt to future impacts

- Loss and damage funding is expected to cover the cost of damage that countries cannot avoid or adapt to

- A report by 55 vulnerable countries estimated that their combined climate-linked losses in the last two decades totalled



\$525 billion, or 20% of their collective GDP. This could go up to \$580 billion per year by 2030

- Vulnerable countries and campaigners argue that rich countries that caused the bulk of climate change with their historical greenhouse gas emissions should pay

Volume cap for players in UPI



❖ Context

➤ The National Payments Corporation of India (NPCI) is in talks with the Reserve Bank of India (RBI) on limiting the volume cap of players in Unified Payment Interface (UPI).

❖ Key highlights

- NPCI runs the UPI digital pipeline.
- **Currently, there's no cap on volume** and Google Pay and PhonePe hold the market share of about 80 per cent.
- NPCI has proposed the deadline of 31 December 2022 for implementation.
- It has proposed to limit the volume cap of players, **third-party app providers (TPAP), to 30%**, in order to avoid **concentration risk**.
- NPCI in 2020 had come up with the directive to cap the share of transactions, effective January 1, 2021. However, the existing TPAPs were given two years more to comply with the orders.

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