



drishti

News Analysis (07 Feb, 2019)

drishtiias.com/current-affairs-news-analysis-editorials/news-analysis/07-02-2019/print

International Financial Services Centres Authority Bill, 2019

The Union Cabinet has approved **International Financial Services Centres Authority Bill, 2019** which seeks to **establish a unified authority** for regulating all financial services in **International Financial Services Centres (IFSCs) in India.**

International Financial Service Centre (IFSC)

- An IFSC caters to customers **outside the jurisdiction** of the domestic economy. Such centres deal with **flows of finance, financial products** and services **across borders.**
- An expert panel headed by former **World Bank economist Percy Mistry** submitted a report on making **Mumbai an international financial centre in 2007.** However, the global financial crisis in 2008 made countries including India cautious about rapidly opening up their financial sectors.
- In India, IFSC has been **defined in SEZ Act, 2005.** As per the act:
 - The **Central Government may approve the setting up** of an International Financial Service Centre in a Special Economic Zone and may prescribe the requirements for setting up and operation of such centre.
 - The Central Government shall approve **only one International Financial Services Centre in a Special Economic Zone.**
- Since India has **many restrictions on the financial sector**, such as **partial capital account convertibility, high SLR (statutory liquidity ratio) requirements and foreign investment restrictions**, an SEZ can serve as a testing ground for financial sector reforms before they are rolled out in the entire nation.

Special Economic Zone (SEZ)

- In India, the Special Economic Zones (SEZs) **Policy was announced in April 2000.**
- The **Special Economic Zones Act, 2005**, was passed by Parliament in May, 2005 and **came into effect in 2006.**
- SEZs addresses the issue of multiplicity of controls and clearances, have world-class

infrastructure, and a stable fiscal regime.

- SEZs focus on economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level, **with the minimum possible regulations.**

GIFT (Gujarat International Finance Tec-City), located in Gandhinagar is India's **first International Financial Services Centre.**

Background

- Currently, the banking, capital markets and insurance sectors in IFSC are **regulated by multiple regulators, i.e. RBI, SEBI and IRDAI.**
- The dynamic nature of business in the IFSCs necessitates a **high degree of inter-regulatory coordination.** It also requires regular clarifications and frequent amendments in the existing regulations governing financial activities in IFSCs.
- The development of financial services and products in IFSCs would **require focussed and dedicated regulatory interventions.** Hence, a need for a **unified financial regulator for IFSCs in India** to provide world class regulatory environment to financial market participants.
- Further, this would also be essential from an **ease of doing business perspective.** The unified authority would also provide the much needed impetus to further development of IFSC in India **in-sync with the global best practices.**

Salient Features of the Authority

- **Composition:** The Authority shall consist of a **Chairperson, one Member each** to be nominated by the **Reserve Bank of India (RBI), the Securities Exchange Board of India (SEBI), the Insurance Regulatory and Development Authority of India (IRDAI) and the Pension Fund Regulatory and Development Authority (PFRDA), two members** to be dominated by the Central Government and two other whole-time or full-time or part-time members.
- **Functions:** The Authority shall **regulate all such** financial services, financial products and Financial Institutions in an IFSC. It may also **recommend to the Central Government** such other financial products, financial services and financial institutions which may be permitted in the IFSCs.
- **Powers:** All powers exercisable by the respective financial sector regulatory (viz. RBI, SEBI, IRDAI, and PFRDA etc.) under the respective Acts shall be **solely exercised by the Authority in the IFSCs** in so far as the regulation of financial products, financial services and FIs that are permitted in the IFSC are concerned.
- **Processes and procedures:** The processes and procedures to be followed by the Authority shall be governed in accordance with the provisions of the respective Acts of Parliament of India applicable to such financial products, services or institutions, as

the case may be.

- **Grants by the Central Govt.:** The Central Govt. may, after due appropriation made by Parliament by law in this behalf, make to the Authority grants of such sums of money as the Central Government may think fit for being utilized for the purposes of the Authority.
 - **Transactions in foreign currency:** The transactions of financial services in the IFSCs **shall be done in the foreign currency** as specified by the Authority in consultation with the Central Govt.
-

Banning of Unregulated Deposit Schemes Bill, 2018

The union cabinet has approved amendments to the **Banning of Unregulated Deposit Schemes Bill, 2018**.

The Banning of Unregulated Deposit Schemes Bill, 2018 provides for a mechanism to ban unregulated deposit schemes and protect the interests of depositors.

Background

- The Finance Minister in the **Budget Speech 2016-17** had announced that comprehensive Central legislation would be brought in to deal with the menace of illicit deposit-taking schemes.
- Recently the country has seen rising instances of people being defrauded by illicit deposit-taking schemes. For Example Rose Valley Scam and Sharada chit fund scam in West Bengal.
- The worst victims of these schemes **are the poor and financially illiterate, and the operations of such schemes are often spread over many States**.

Provisions in the Bill

- **Unregulated Deposit Scheme**
 - In the bill, **Regulated deposits are defined as all deposit-taking schemes which are overseen and regulated by specified regulators** like, the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), the Ministry of Corporate Affairs and state and union territory governments.
 - **A deposit-taking scheme is defined as 'unregulated' if it is not registered with the regulators listed in the Bill.**
- The bill **completely bans the promoting, operating, issuing advertisements or accepting deposits in any Unregulated Deposit Scheme.**
- The Bill defines **"Deposit Taker"** and **"Deposit"** comprehensively:
 - Deposit Takers include **all possible entities (including individuals) receiving**

or soliciting deposits, except specific entities such as those incorporated by legislation

- Deposit is defined in such as an amount of money received through an advance, a loan, or in any other form, with a promise to be returned with or without interest. Such deposit may be returned either in cash or as a service, and the time of return may or may not be specified.
 - **Three different types of offenses:**
 - **running of Unregulated Deposit Schemes,**
 - **fraudulent default in Regulated Deposit Schemes,**
 - **and wrongful inducement in relation to Unregulated Deposit Schemes.**
 - **Severe punishment** and heavy fines to act as a deterrent.
 - **Provision for repayment of deposits** in cases where such schemes manage to raise deposits illegally.
 - **Attachment of properties/assets by the Competent Authority,** and selling off assets for repayment to the depositor.
 - **Clear-cut timelines have been provided for attachment of property and reimbursement to depositors.**
 - Creation of **an online central database,** for collection and sharing of information on deposit-taking activities in the country.
 - **Designation of Courts** to oversee repayment of depositors and to try offenses under the bill.
-

India's First Career Portal

The **Rajasthan government** launched **India's first "career portal"** to address the needs of **secondary and higher secondary students (from class 9th to 12th)** for information on **scholarships and career choices.**

- The portal launched with the **support of United Nations International Children's Emergency Fund (UNICEF)** is expected to help the students take **"informed decisions"** about their **academic and professional pursuits.**
- By enabling the students to choose their career path matching with their aspirations, interest, inclination and aptitude, the portal would reduce dropouts at various stages in schools and improve retention in jobs.
- The portal was **developed by UNICEF** after an assessment of needs, awareness and perspective of students, teachers and system functionaries.
- It will provide **information** on 200 vocational and 237 professional careers, 455 employment avenues, 960 scholarships, 955 competitive examinations and 10,000 institutions of higher education to the students from Classes IX to XII.

Why Rajasthan?

- UNICEF had selected Rajasthan for launching the portal because of its **track record in employment-oriented education**.
- Most of the boys and girls in the State were **keen to join the workforce as soon as they finished Class X or XII**. Besides, the assessment revealed a substantial progress in terms of **gender equality among the students**.
- According to the assessment conducted by UNICEF, **two largest sources of career information** for students are **teachers and family members**. About 69% of students mentioned that they were using Internet for their career-related queries, which indicates that the **adolescents will quickly learn to use the career portal**.
- The establishment of **Rajiv Gandhi Career Counselling Cell** for adolescents and youths was also announced. The cell will link school and college students with skill development programmes and internship opportunities in the pursuit of their career choices.

United Nations International Children's Emergency Fund (UNICEF)

- The United Nations International Children's Emergency Fund was created by the **United Nations General Assembly in 1946**, to provide emergency food and healthcare to children in countries that had been **devastated by World War II**.
- In **1950, its mandate was broadened** to address the long-term needs of children and women in developing countries everywhere. UNICEF became a **permanent part of the United Nations system in 1953**.
- UNICEF is **headquartered in New York, USA**.

Important Facts for Prelims (7th February 2019)

Rashtriya Kamdhenu Aayog

- The Union Cabinet has approved the proposal for the establishment of **Rashtriya Kamdhenu Aayog for Conservation protection and development of cows and their progeny** in pursuance of the announcement in the Union Budget 2019-20.
- Rashtriya Kamdhenu Aayog will lead to **conservation, protection, and development of the cattle population in the country** including the development and conservation of indigenous breeds.
- It will result in **increased growth of the livestock sector** which is more inclusive, benefiting women, and small and marginal farmers.
- The Rashtriya Kamdhenu Aayog will work **in collaboration with Veterinary, Animal Sciences or Agriculture University or departments or organizations of the Central/State Government** engaged in the task of research in the field of breeding and rearing of the cow, organic manure, biogas etc.

Sri Lanka To Re-introduce Death Penalty

- **Sri Lanka has decided to end the country's moratorium on capital punishment** due to an upsurge in drug-related crimes.



- Sri Lanka had imposed a moratorium on the capital punishment penalty in 1976.
- Human rights groups have criticized the decision and said that there is no evidence that carrying out executions would serve as a deterrent to drug use or trafficking.
- **Global Trends**
 - As of October 2018, 170 States have either abolished the death penalty or introduced a moratorium on its use.
 - However, 23 states including India, have carried out at least one execution in the past decade.

Death Penalty Debate

2018 Was the 4th Hottest Year

- According to **U.N.'s World Meteorological Organisation**, report **2018 is set to be the fourth warmest year in recorded history**, stressing the urgent need for action to rein in runaway planetary warming.
- **WMO concluded that average global surface temperature in 2018 was 1°C (1.8°F) above pre-industrial baseline levels.**
- 2016, boosted by a strong El Nino remains the hottest year on record.
- The WMO said that the 20 warmest years in history all occurred within the last 22 years.
- The WMO said heightened temperatures also contributed to a number of extreme weather events such as hurricanes, droughts and flash flooding.

World Meteorological Organization (WMO)

- The **World Meteorological Organization (WMO)** is an intergovernmental organization with a membership of 192 Member States and Territories.
- It originated from the **International Meteorological Organization (IMO)**, which was

established after the 1873 Vienna International Meteorological Congress.

- **Established by the ratification of the WMO Convention on 23 March 1950**, WMO became the specialized agency of the United Nations for meteorology (weather and climate), operational hydrology and related geophysical sciences.
 - WMO is headquartered in **Geneva, Switzerland**.
-