



IAS/PCS/PCS(J)

**Estd :1988**

**Daily Current Affairs – 2019**

**(25<sup>th</sup> May)**

**Resources: The Hindu / PIB**

**Topic: For Prelims and Mains**

**'Facebook plans to launch its own cryptocurrency next year'**

**Why in news?** Facebook has been in contact with **U.S. and British financial regulators** with a view to launching **its own cryptocurrency next year**, the BBC reported on recently.

**About:**

- Cryptocurrencies are in **news for many reasons**. The **price of bitcoins** has been rising continuously for some time now.
- The **price of cryptocurrency has surged rapidly**, trespassing several thresholds one after the other.
- **In recent years cryptocurrency is fastly becoming the part of global economic system.**

**What is cryptocurrency?**

Cryptocurrency is a digital currency for which **encryption techniques (Encryption is the process of converting information or data into a code, especially to prevent unauthorized access)** are used to regulate its use and generate its release. Unlike, fiat currencies like **INR, USD, EUR** etc – cryptocurrency is **not regulated** or controlled by any **bank, government** or

centralized financial authorities. Instead, it relies on the power of internet to **guarantee its value** and confirm transactions.

### **Some important cryptocurrencies:**

1. Bitcoins
2. Litecoin
3. Namecoin
4. Swiftcoin
5. Bytecoin
6. Gridcoin

### **India's stand on cryptocurrencies :**

- In India the creation, trading or usage of **cryptocurrencies including Bitcoins**, as a medium for **payment are not authorised** by any **central bank or monetary authority**.
- **On December 5, 2017, the RBI reiterated** its warnings in wake of significant spurt in valuation of bitcoins.
- RBI stated that “Attention of members of public is drawn cautioning users, holders and traders of Virtual Currencies including Bitcoins regarding the potential **economic, financial, operational, legal, customer protection and security related risks** associated in dealing with such currencies”.

### **Risks associated with the use of cryptocurrencies:**

- Digital currencies, being in electronic format, **are prone to losses arising out of hacking**, loss of password etc.
- Lack of any authorized central agency to regulate the **payments or to turn to for redressal of grievances**.
- There is **no underlying of asset for Cryptocurrencies**, making the value a matter of speculation.
- The exchanges are located in various parts of the world, making the law enforcement a tricky thing for the multiple jurisdictions available.
- Trading may subject the user to **illicit and illegal activities** since the cryptocurrencies, can easily be **used for illegal activities anonymously**.

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## Topic: For Prelims and Mains

### SEBI panel moots changes to FPI rules :

**Why in news?** As part of its attempts to streamline the regulations to encourage **foreign inflows in the Indian market**, the Securities and Exchange Board of India (SEBI) has proposed fast track on-boarding procedure for such investors, apart from a simplified registration process.

#### Main Recommendations of the panel :

- The group has also recommended **pension funds** to be considered for Category I **FPIs registration**, removal of opaque structure and the review of broad-based conditions for appropriately regulated entities.
- The committee has further proposed a liberalised investment cap under a review of prohibited sectors for **foreign investment for FPIs, restriction on Sovereign Wealth Funds (SWFs)** for investment in corporate debt securities, and permitting FPIs for off-market transactions.
- The committee has also proposed alignment of regulations for FPIs and **Alternate Investment Funds (AIFs)** and the harmonisation between investment restrictions in FPI regulations and **Foreign Exchange Management Act (FEMA)**.

#### Related terms:

##### What is a Sovereign Wealth Fund (SWF)?

- A **sovereign wealth fund (SWF)** is a state-owned investment fund or entity which comprises of pools of money derived from a country's reserves. Reserves are funds set aside for investment to **benefit the country's economy and its citizens**.
- The funding for an SWF comes from central bank reserves which **accumulate because of budget and trade surpluses**, official foreign currency operations, **money from privatizations**, governmental transfer payments and revenue generated from the exporting of natural resources.

## Alternative Investment Funds (AIFs) :

- The Alternative Investment Funds industry includes hedge funds, **private equity, venture capital and real estate funds.**
- Assets in hedge funds are mostly domiciled offshore or structured as **limited partnerships in the US.**
- Key domiciles for hedge funds outside of **Europe are the US, Cayman, Australia and Brazil.**
- The key domiciles in **Europe are Ireland, Sweden, Netherlands, Guernsey, Luxembourg, France, UK, Finland and Jersey.**

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## Topic: For Prelims and Mains

### RBI mulls liquidity buffer for shadow banks:

**Why in news?** The Reserve Bank of India (RBI) on recently proposed introducing a **liquidity coverage ratio (LCR)** for large **non-banking finance companies (NBFC)** to help tackle liquidity problems in the sector.

- It planned to implement LCR, a liquidity buffer, **“in a calibrated manner”** over four years starting from April 2020.
- The LCR is proposed for all deposit taking NBFCs, and non-deposit taking NBFCs with an asset size of **50 billion rupees (\$720 million) and above.**
- NBFCs will have to maintain minimum high quality liquid assets of **100% of total net cash outflows over the following 30 calendar days.**

## What is the Liquidity Coverage Ratio – LCR?

- **The liquidity coverage ratio (LCR)** refers to the proportion of highly liquid assets held by **financial institutions, to ensure their ongoing ability to meet short-term obligations.**
- This ratio is essentially a generic stress test that aims to anticipate market-wide shocks and make sure that financial institutions possess suitable capital preservation, **to ride out any short-term liquidity disruptions that may plague the market.**

## What is a Non-Banking Financial Company (NBFC)?

- A NBFC is a financial institution that provides banking services without meeting the legal definition of a bank, i.e. one that **does not hold a banking license**.
- It is established as a company registered under the **Companies Act, 1956** but its operations are often still covered under a country's banking regulations.
- NBFCs may be engaged in the business of **loans and credit facilities**, savings products, investments and money transfer services.
- The Reserve Bank of India is entrusted with the responsibility of regulating and supervising the Non-Banking Financial Companies by virtue of powers vested under **Reserve Bank of India Act, 1934**.

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## Facts for Prelims:

### ❖ SpaceX Launches 60 Starlink Satellites:

- SpaceX just took a giant leap toward making global internet coverage a reality as **its fifth Falcon 9 rocket of the year took flight** on recently **evening (May 23)**, sending **60 internet-beaming** satellites into space.

### About the Falcon 9 :

- Falcon 9 is a two-stage-to-orbit medium lift launch **vehicle designed and manufactured by SpaceX in the United States**.
- It is powered by Merlin engines, also developed by **SpaceX**, burning **liquid oxygen (LOX) and rocket-grade kerosene (RP-1) propellants**. Its name is from the Millennium Falcon and the nine engines of the rocket's first stage.

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