

29 July, 2023

AMC Repo Clearing Limited (ARCL) and Corporate Debt Market Development Fund (CDMDF)

Context: Smt. Nirmala Sitharaman inaugurated CDMDF and initiated muhurat trading on ARCL in Mumbai today.

Corporate Debt Market Development Fund (CDMDF)

- The Corporate Debt Market Development Fund (CDMDF) was established as part of the Union Budget 2021-22 to develop India's corporate debt market.
- CDMDF is managed by the Guarantee Fund for Corporate Debt (GFCD), a Trust Fund with a corpus of Rs. 310 crore.
- National Credit Guarantee Trustee Company Ltd. (NCGTC), a wholly owned company of the Department of Financial Services (DFS), manages the GFCD.
- The aim of CDMDF is to provide guarantee cover against debt raised by the fund during market dislocation.
- The guarantee will be available as a standing facility for 15 years, and NCGTC will activate it based on SEBI Board's decision during market disruptions.
- CDMDF is an Alternative Investment Fund (AIF) in the form of a Trust under SEBI (AIF) Regulations.
- It will purchase investment grade debt securities during stressed and normal times to enhance the bond market.
- Asset Management Companies (AMCs) of Mutual Funds (MFs) and specified debt-oriented MF Schemes will subscribe to CDMDF units, addressing concerns of moral hazard.
- CDMDF will buy eligible corporate debt securities during market dislocation and sell them as markets recover, facilitating liquidity in the corporate debt market.

AMC Repo Clearing Limited (ARCL)

- AMC Repo Clearing Corporation Limited, known as Limited Purpose Clearing Corporation (LPCC), has commenced operations to deepen corporate bond markets.
- LPCC's main objective is to facilitate the clearing and settlement of corporate bond repo transactions.
- The establishment of LPCC aims to foster an active repo market, thereby enhancing liquidity in the corporate bond market.
- The institution will create a vibrant corporate bond repo market, enabling market makers to access cost-effective funding for their inventory.
- LPCC will provide an avenue for bondholders to meet short-term liquidity needs without selling their assets.
- It offers an opportunity for entities with short-term surpluses to deploy their funds safely and efficiently.
- The functioning of LPCC will contribute to the overall development and improvement of the corporate bond market in India.

Offer For Sale (OFS)

Context: Institutional investors showed strong interest in the government's offer-for-sale (OFS) of a 5.36% stake in Rail Vikas Nigam Ltd (RVNL).

- Offer-for-Sale (OFS) is a simplified share sale method introduced by SEBI in 2012.
- Its aim was to help promoters meet minimum public shareholding norms.
- Listed companies widely adopted OFS for compliance.
- The government also used OFS to divest its shareholding in public sector enterprises.
- In OFS, promoters sell shares to retail investors, companies, FIIs, and QIBs on an exchange platform.

Features

- Unlike a follow-on public offering (FPO), the OFS mechanism is used exclusively for selling existing shares, not issuing new ones.
- Only promoters or shareholders holding more than 10% of the share capital in a company can utilize the OFS method.
- The OFS facility is available for the top 200 companies based on market capitalization.
- During an OFS, a minimum of 25% of the shares offered are reserved for mutual funds (MFs) and insurance companies.
- No single bidder, other than MFs and insurance companies, can be allocated more than 25% of the offering size.

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- A minimum of 10% of the offer size is reserved for retail investors.
- Sellers have the option to offer a discount to retail investors either on the bid price or final allotment price.
- Companies must inform the stock exchanges about their intention to conduct an OFS at least two banking days prior to the event.

Foreign Institutional Investors (FIIs), also referred to as Foreign Portfolio Investors (FPIs), are entities that invest in financial assets like stocks, bonds, and securities of a country other than their own. These investors are usually large institutions, including mutual funds, pension funds, hedge funds, insurance companies, and sovereign wealth funds, among others.

Ureilite

Context: A team of scientists from Allahabad University and the University of Bern, Switzerland, made a significant discovery, finding that the Dhala crater was formed due to the impact of an extremely rare and ancient meteorite called Ureilite.

About

- Ureilites are an exceptionally rare type of primitive meteorites, forming only a small portion of all meteorites on Earth.
- They are named after the Novo Urei village in Russia, where the first specimen was discovered.
- Ureilites are composed of silicate rock, mainly olivine and pyroxene, with less than 10% carbon (diamond or graphite), metal sulphides, and a few fine-grained silicates.
- These meteorites have elongated cavities that are typically stretched in the same direction.
- Unlike many other stony meteorites, ureilites lack chondrules, which are small, spherical grains that formed in the early solar system.
- Ureilites are considered primitive meteorites because their composition closely resembles the material from which the solar system originated.

Dhala Crater

- The Dhala crater holds the distinction of being India's oldest and largest impact crater.
- It is believed to have formed approximately 2500 million years ago.
- Named after the village Dhala, the crater remains as an eroded remnant of its original impact structure.
- Situated in Madhya Pradesh's Shivpuri district, the crater spans a massive 11 km in diameter, making it the largest in Asia.

Other Impact Craters in India

- **Lunar Crater:**
 - **Location:** Lunar Crater is in the Buldhana district of Maharashtra, India.
 - **Characteristics:** It is a highly saline and alkaline water lake with no outflow, leading to mineral concentration.
 - **Formation:** Created by a meteorite impact around 570,000 to 47,000 years ago.
 - **Geological Feature:** It is a hover-backed protrusion in volcanic rock, forming an endorheic or closed basin.
 - **Wildlife Sanctuary:** Declared a wildlife sanctuary due to its diverse wildlife, including 160 bird species, 46 reptile species, and 12 mammal species like the endangered Asian woolly neck and grey wolf.
- **Ramgarh Crater**
 - **Age:** Ramgarh crater formed around 150 million years ago in Rajasthan's Baran district.
 - **Size:** The crater is about three kilometres in diameter and resulted in a lake measuring one kilometre in length and 250 meters in width.
 - **Discovery:** First found by the Geological Survey of India in 1869, it shows all the signs of an impact crater.
 - **Research:** Geo-scientists from GSI and INTACH conducted additional research on the crater before the COVID pandemic.
 - **Recognition:** Rajasthan's mines and geology department plans to recommend it as an international geo-heritage site to IUGH.

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Full and Fractional Reserve Banking

Context: Economists are currently discussing the merits of Full-Reserve Banking (100% reserve banking) as opposed to Fractional-Reserve Banking.

Full-Reserve Banking

- **Safeguarding Deposits:** Banks are prohibited from lending out demand deposits received from customers, reducing the risk of bank runs.
- **100% Reserve Requirement:** Banks must always hold 100% of these deposits in their vaults, acting merely as custodians.
- **Limited Lending:** Banks can only lend money received as time deposits.
- **Safekeeping Role:** Banks serve as safe keepers of depositors' money and charge fees for this service.

Fractional-Reserve Banking:

- **Expanding Credit and Risk:** The fractional-reserve banking system allows banks to lend more money than the cash they hold in their vaults.
- **Reliance on Electronic Money:** This system relies heavily on electronic money for lending purposes.
- **Central Bank Intervention:** Central banks can provide emergency cash to avert immediate crises in the fractional-reserve banking system.
- **Bank Run Risk:** Bank runs are a potential risk if many depositors simultaneously demand cash.

Reserve Requirements in Indian Banking System

- **Cash Reserve Ratio (CRR):**
 - Portion of total deposits to be maintained as cash reserves with RBI.
 - Used by RBI to control the money supply in the economy.
 - Increase in CRR reduces funds available for lending, decreasing money supply and vice versa.
- **Statutory Liquidity Ratio (SLR):**
 - Mandates banks to hold a certain percentage of NDTL as liquid assets (cash, gold, or approved securities).
 - Acts as a buffer against liquidity risks and ensures banks can meet short-term obligations.
- **Liquidity Coverage Ratio (LCR):**
 - Introduced to enhance banks' resilience to short-term liquidity shocks.
 - Banks required to maintain sufficient high-quality liquid assets to cover net cash outflows for 30 days under stress.
- **Net Stable Funding Ratio (NSFR):**
 - Aims to promote more stable and longer-term funding profiles for banks.
 - Ensures banks have a stable funding base to support assets and operations over a one-year horizon.

NEWS IN BETWEEN THE LINES

Markarian 421



Markarian 421:

- A supermassive black hole emitting high-energy particles towards Earth.
- Classified as a "blazar," a black hole system with jets directed at Earth.
- Located approximately 400 million light-years away in Ursa Major constellation.

Characteristics of Supermassive Black Hole:

- Mass greater than about 50,000 times that of our sun.
- Typically found at the center of galaxies.
- Nearly all galaxies have a supermassive black hole at their core.

Imaging X-ray Polarimetry Explorer (IXPE):

- Collaboration between NASA and the Italian Space Agency.
- Focuses on studying extreme celestial objects like supernova remnants and supermassive black holes.
- First satellite dedicated to measuring polarized X-rays from objects like neutron stars and supermassive black holes, providing new insights into the universe.

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Parkachik Glacier



About Parkachik Glacier:

- Parkachik Glacier is in Ladakh, India, and is one of the largest glaciers in the Suru River valley.
- Rapid ice melt may lead to the formation of three glacial lakes near the glacier.
- This poses risks of glacial lake outbursts and water scarcity in the region.
- Parkachik Glacier's retreat has been significant, with an average rate of about 2 meters per year between 1971 and 1999, increasing to 12 meters per year from 1999 to 2021.
- Field observations from 2015 to 2021 indicate an even higher rate of 20.5 meters per year.
- The study utilized satellite images and ground-penetrating radar to assess the glacier's dynamics.
- The glacier's rapid retreat raises environmental concerns about its impact on downstream water resources and ecosystems.

The Free Movement Regime



About Free Movement Regime:

- The Free Movement Regime (FMR) facilitated movement across the India-Myanmar border without visas or formal permissions.
- It aimed to promote people-to-people contact, trade, and cultural exchanges between the two countries.

Background:

- The FMR was established to address concerns of ethnic communities, especially the Nagas, residing along the Indo-Myanmar border.
- Partition and decolonization divided these communities, leading to a sense of insecurity as they became minorities on both sides of the border.
- The 1826 border demarcation without consent separated people of the same ethnicity.
- The FMR was suspended in 2022 during the Myanmar crisis, resulting in an influx of refugees.
- Myanmar's independence in 1935 and the sub-continent's decolonization in 1947 further divided ethnic communities along the border.

Aeolus Satellite



About Aeolus Satellite:

- Aeolus Satellite is a wind-sensing satellite launched by the European Space Agency (ESA).
- The satellite is named after Aeolus, the guardian of the wind in Greek mythology.
- Aeolus is placed at an altitude of 320 km above the Earth's surface.
- It is part of the Copernicus project, a joint initiative of the European Union (EU) and ESA to track environmental damage and aid disaster relief operations.
- Aeolus is equipped with a single instrument Doppler wind lidar called Aladin, which accurately measures global wind patterns from space.
- Aeolus satellite improves the quality and accuracy of weather forecasting, enhances the understanding of atmospheric dynamics, and contributes to climate change research.

Working of Doppler Lidar:

- The satellite transmits powerful pulses of laser light in the ultraviolet spectrum towards Earth.
- Particles in the air scatter a fraction of the light back, which is then analyzed to determine wind direction, speed and distance traveled.

The Akhil Bharatiya Shiksha Samagam



The Akhil Bharatiya Shiksha Samagam, also known as the All India Education Conclave, is an event organized by the government of India to discuss and deliberate on various aspects of education in the country.

Themes: The conclave featured discussions on access to quality education, equitable and inclusive education, challenges faced by socio-economically disadvantaged groups, National Institute Ranking Framework and internationalization of education.

Significance of NEP 2020: The event coincided with the third anniversary of the National Education Policy (NEP) 2020, which aims to bring transformative changes to the education system.

Platform for Collaboration: Academics, policymakers, industry representatives, teachers and students participated to share insights and best practices for implementing the NEP 2020.

PM SHRI Scheme: The Prime Minister released the first installment of funds under the Pradhan Mantri Schools For Rising India (PM SHRI Scheme) to establish modern and holistic schools nurturing engaged and productive citizens.

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Place in News Quanzhou

Recently, Typhoon Doksuri struck southern China, including Quanzhou, with its violent gusts of wind and heavy rainfall.

Location: Quanzhou, also known as Chinchew, is a prefecture-level port city situated on the north bank of the Jin River, near the Taiwan Strait in southern Fujian, China.

Historical Significance: Quanzhou was a major port for foreign traders during the 11th to 14th centuries. It was known as Zaiton and visited by Marco Polo and Ibn Battuta, who praised its prosperity and glory.

About the Jin River:

- The Jin River, also known as Jin Jiang, is in southern Fujian, China.
- It originates in the Daiyun Mountains and flows southeast into Quanzhou Bay on the Taiwan Strait. Important towns around the river include Chinyan, Chendai, Anhai and Dongshi.

Typhoon Doksuri:

- "Doksuri" has been used to name three tropical cyclones in the Western Pacific Ocean.
- The name was submitted by South Korea and means "eagle."
- It replaced the name "Nabi" after the 2005 typhoon season.
- The three instances of Typhoon Doksuri occurred in 2012, 2017, and 2023.
- Doksuri 2012 made landfall in Guangdong, China.
- Doksuri 2017 affected the Northern Philippines and Central Vietnam.
- Doksuri 2023 is currently active, causing damage in the Northern Philippines and heading towards China and Taiwan.



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