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Friday



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Current Affairs of the Day

Govt. sets up 'bad bank' to clear the NPA mess

Paving the way for a major clean-up of bad loans in the banking system, the Cabinet cleared a ₹30,600 crore guarantee programme for securities to be issued by the newly incorporated 'bad bank' for taking over and resolving non-performing assets (NPAs) amounting to ₹2 lakh crore.

Highlights:

1. The Reserve Bank of India is in the process of granting a licence for the National Asset Reconstruction Company Limited (NARCL), following which toxic assets worth ₹90,000 crores that banks have already fully provided for will move to the NARCL.
2. Under the mechanism, the NARCL will acquire assets by making an offer to the lead bank. Private sector asset reconstruction firms (ARCs) may also be allowed to outbid the NARCL.
3. Separately, public and private lenders would combine forces to set up an India Debt Resolution Company (IDRC) that would manage these assets and try to raise their value for final resolution.

Govt. sets up 'bad bank' to clear the NPA mess

Cabinet approves ₹30,600 crore guarantee programme

SPECIAL CORRESPONDENT
NEW DELHI

Paving the way for a major clean-up of bad loans in the banking system, the Cabinet on Wednesday cleared a ₹30,600 crore guarantee programme for securities to be issued by the newly incorporated 'bad bank' for taking over and resolving non-performing assets (NPAs) amounting to ₹2 lakh crore.

The Reserve Bank of India is in the process of granting a licence for the National Asset Reconstruction Company Limited (NARCL), following which toxic assets worth ₹90,000 crore that banks have already fully provided for will move to the NARCL, Financial Services Secretary Dattatraya Prasad said.

Finance Minister Nirmala Sitharaman said the Cabinet's decision, to extend a five-year guarantee for NARCL-issued security receipts to banks, completed the entire cycle of cleaning up India's banking system that began with the recognition of the extent of bad loans in 2008.

Under the mechanism, the NARCL will acquire assets by making an offer to the lead bank. Private sector

With this, the entire cycle of cleaning up the public sector banks that began with the recognition of the extent of bad loans in 2008, is over. We have resolved the twin balance sheet problem that caused a lot of stress in a holistic way.

NIRMALA SITHARAMAN
FINANCE MINISTER



and public and private lenders would combine forces to set up an India Debt Resolution Company (IDRC) that would manage these assets and try to raise their value for final resolution.

"Back-stop arrangement"

A 1% cash payment would be made to the banks based on some valuation and the rest will be given as security receipts. For those to hold on and have their value intact, there is a need for the government to give a back stop arrangement and that is why this ₹30,600 crore has been cleared by the Cabinet," Ms. Sitharaman said.

Once the NARCL and the IDRC have finally resolved the assets, preferably as a 50-

50% held as security receipts would be given to the banks. While there are ARCs in the private sector, she said there was a need for government-backed receipts for long-term resolution.

"The government back-stop will come in only as much as to join the gap between the realised value and the face value of these receipts and this will hold good for only five years," she explained.

"The whole idea is to ensure that these assets for which this whole set-up is being created, and the value that is locked in the assets is realised and comes back to the banks; they use it as a growth capital and the banking system becomes more

What it means, and how it works

Finance minister Nirmala Sitharaman on Thursday announced measures that paved way for operationalisation of the bad bank, which was originally announced in Union Budget 2021-22

₹30,600 cr

In guarantees to be provided by Centre to buy bad loans from banks over a period of 5 years

WHO WILL PURCHASE THESE BAD LOANS AND HOW?

The National Asset Reconstruction Company Ltd (NARCL) has been incorporated under the Companies Act and has applied to RBI for licence as an asset reconstruction company. It will purchase bad loans at a discounted value from banks under a 15-85 structure, where it will pay up to 15% of the value in cash and issue security receipts for the rest

WHAT WILL THIS COVER?

NARCL is intended to resolve stressed loan assets above ₹500cr which together amount to:

₹2,00,000cr worth bad loans

HOW WILL THIS HELP?

This will enable speedy disposal of stressed assets and clean balance-sheets of banks

"[The structure] will incentivise quicker action on resolving stressed assets helping in better value realisation... This approach will also permit freeing up of personnel in banks to focus on increasing business and credit growth."

- NIRMALA SITHARAMAN, Finance minister





17.09.2021 Friday



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Packed agenda for GST Council today

With well over a dozen weighty issues for its consideration, including the extension of tax relief granted for COVID-19 related essentials and initiating talks on bringing petroleum products under the GST regime.

Highlights:

1. The council, which will hold its first physical meeting since the onset of the pandemic, is also likely to consider levying GST on food delivery apps and take up a proposed rejig of tax rates on items such as footwear and textiles that have been kept on hold for over a year.
2. The demand of some States, including the host State Uttar Pradesh, to introduce a new tax system for industries such as brick kilns, gutkha and paan masala, and sand mining, based on production capacity instead of actual output, may also be taken up at least for one or two of these sectors. Instances of tax evasion in these sectors have been quite rampant.
3. Some states, including Kerala, are expected to seek an extension of the five-year compensation period for implementing GST that expires next June and raise concerns about their revenue constraints since the tax was introduced in 2017.

Packed agenda for GST Council today

Some States expected to seek an extension of five-year compensation for implementing new regime



Weighty issues. The council is expected to discuss levying GST on food delivery apps and other items.

The Goods and Services Tax (GST) Council has a packed agenda ahead. It is expected to discuss a range of issues, including the extension of tax relief granted for COVID-19 related essentials and initiating talks on bringing petroleum products under the GST regime. The council, which will hold its first physical meeting since the onset of the pandemic, is also likely to consider levying GST on food delivery apps and take up a proposed rejig of tax rates on items such as footwear and textiles that have been kept on hold for over a year.

Some States, including Kerala, are expected to seek an extension of the five-year compensation period for implementing GST that expires next June and raise concerns about their revenue constraints since the tax was introduced in 2017.

‘Immediate action needed to limit global warming

1. A new climate change report shows that limiting global warming to 1.5 degrees Celsius will be impossible without immediate, largescale emissions cuts, the UN chief said
2. The ‘United in Science 2021’ report, published by a range of UN agencies and scientific partners just weeks before the COP26 climate summit, said that climate change and its impacts were accelerating.
3. A temporary reduction in carbon emissions caused by the COVID-19 pandemic had done nothing to slow the relentless warming, the report found.

‘Immediate action needed to limit global warming’

AGENCE FRANCE PRESSE

A new climate change report out on Thursday shows that limiting global warming to 1.5 degrees Celsius will be impossible without immediate, largescale emissions cuts, the UN chief said. The ‘United in Science 2021’ report, published by a range of UN agencies and scientific partners just weeks before the COP26 climate summit, said that climate change and its impacts

were accelerating. And a temporary reduction in carbon emissions caused by the COVID-19 pandemic had done nothing to slow the relentless warming, the report found. United Nations Secretary-General Antonio Guterres said the report’s findings were “an alarming appraisal of just how far off course we are” in meeting the Paris goals. COP26 will be held in Glasgow from October 31 to November 12.





Madras HC stays key clause: 'May rob media of its independence'

'DISSENT IN DEMOCRACY IS VITAL'

➤ Bombay HC stays Rule 9 (1) and 9 (3) of the IT (Guidelines For Intermediaries And Digital Media Ethics Code) Rules, 2021

➤ Says they seek to regulate something the IT Act does not. Adds dissent in democracy vital

➤ Rule 9 (1) says: A publisher shall adhere to the code of ethics and norms of conduct for

journalists under the Press Council guidelines and Cable TV code

➤ Rule 9 (3) set outs a 3-tier structure to deal with complaints against publishers. Level I is self-regulation by publishers, level II is self-regulation by the self-regulating bodies of the publishers, and level III is an oversight mechanism by the Centre

This is the second instance of a High Court citing the right to freedom of speech while staying the same provision in the IT Rules. Earlier, the Bombay High Court had stayed Rule 9(1) and 9(3), saying they are, "manifestly unreasonable and go beyond the IT Act, its aims and provisions."

Oversight mechanism:

- 1. Underlining the right to freedom of speech and expression as critical in a democracy, the Madras High Court stayed the operation of a key provision of the Information Technology Rules, 2021, enacted in May, that set up an oversight mechanism by the Central government to regulate social media and digital media platforms.*
- 2. Prima facie, there is substance to the petitioner's grievance that the oversight mechanism to control the media by the Government may rob the media of its independence and the fourth pillar of democracy may not at all be there*
- 3. Rule 9 of the IT Rules prescribe a grievance redressal mechanism and sub-Section 1 establishes a portal to be set up by the Ministry of Information and Technology for receiving complaints against media platforms while under sub-Section 3, an acknowledgement of every complaint is generated*



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within 24 hours of receiving the complaint, which is then referred to the media platform concerned and the IT ministry for the record.

- The indeterminate and wide terms of the Rules bring about a chilling effect qua (regarding) the right of freedom of speech and expression of writers/editors/publishers as they can be hauled up for anything if the authorities so wish.

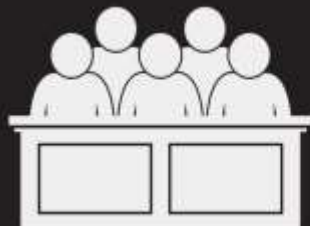

The Rules enacted under Section 69 of the IT Act requires all social media platforms to set up grievance redress and compliance mechanisms, which include appointing a resident grievance officer, chief compliance officer and nodal contact person.

UNCONSTITUTIONAL!



**INTERNET
FREEDOM
FOUNDATION**

The Bombay High Court stays Rules 9(1)
and 9(3) of the IT Rules 2021

**MAINS
DAWP**

What are factors affecting the telecom sector growth and future prospects? Discuss recent reform package. Argue if it would suffice.



PRACTICE MCQ

Q. Consider the following statements

1. Compulsory Licensing is compliant with the Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) of the World Trade Organization (WTO)
2. Compulsory Licencing is regulated under the Indian Patent Act, 1970

Which of the above statements is/are correct?

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2