



Current Affairs of the Day

Cryptos are a threat to financial stability: Das

1. RBI Governor Shaktikanta Das said that cryptocurrencies were a threat to the country's financial stability and had no underlying value.
2. Investors in cryptocurrencies, when they are investing, should keep in mind that whatever they are investing is at their own risk. They should also keep in mind that cryptocurrencies have no underlying [asset], not even a tulip.
3. The tulip reference is to a 17th-century market bubble when investors bet on the price of tulip bulbs.
4. Private cryptocurrency or whatever the name you call [it by] is a big threat to our macroeconomic and financial stability.
5. The RBI was working carefully to introduce its own Central Bank Digital Currency (CBDC).



With plans to standardise ESG rating, India's market regulator takes a step towards sustainable finance

- The Securities and Exchange Board of India (SEBI) has released a consultation paper, in which it has suggested standards for environmental, social and governance (ESG) rating providers.
- Globally, there is an increased demand for corporates to have clear environmental, social and governance (ESG) reporting and investors are visibly interested in this as well.



- SEBI's efforts are aimed to bring standardisation in the process of ESG rating and indicates the seriousness with which corporate India is looking at the process.
- As the threat of climate change grows, there is a push for climate finance globally. This was highlighted during the COP26 climate conference as well.



New trends:

1. There are two emerging trends visible in the Indian capital market for the past couple of years. The first is the sharp increase in the number of retail investors and the second is the increasing demand for sustainable finance.
2. In line with these trends, there is an emerging market of rating companies that assess environmental, social, and governance (ESG) risks and opportunities of investments, not only in India but also globally.
3. Aligned with this global trend, the Securities and Exchange Board of India (SEBI) has come up with suggestions to regulate ESG Rating Providers (ERPs).



Need for regulation of ESG rating providers:

1. The Indian market regulator has published a consultation paper on its website with a proposed framework to regulate ERPs for securities markets and is seeking suggestions over its proposals.
2. The paper raises questions such as who should be accredited as ERPs and what should be the condition of giving this accreditation? It also includes ERPs infrastructure, products, transparency, rating process, prevention of conflict of interest, etc.



3. ESG rating is highly unregulated and there are no uniform methodologies that these rating agencies are using. There are several types of research that highlight the crisis of the existing ESG rating system.
4. SEBI has taken the right steps and it will bring uniformity and transparency to the whole process. This will help investors to understand the value of their investment in terms of ESG standards.

As the challenges related to climate change are increasing, there is also a push for sustainable finance, globally. A KPMG report says that globally 85% of institutional investors are driving interest in ESG. There is a prediction that by 2025 one-third of the total global assets will consider ESG for direction. The trend is visible in India as well.

MAINS DAWP	<p>Q1. What is the Environmental, Social and Governance (ESG) rating? Discuss their role in the promotion of sustainable finance.</p> <p>Q2. State reservation laws based on domicile requirements fail fundamental rights in multiple ways. Give your opinion with reasoned arguments.</p>
MCQs	<p>Q1. Consider the following statements about the requirement of residence within a State for appointment to jobs</p> <ol style="list-style-type: none"> 1. It can be made for both public and private jobs 2. Only parliament can make such laws <p>Which among the following statements is/are correct?</p> <ol style="list-style-type: none"> a. 1 only b. 2 only c. Both 1 and 2 d. Neither 1 nor 2