

RBI's New Framework for Resolving NPAs

Why in news?

The Reserve Bank of India (RBI) has turned up with a leaner framework for the resolution of non-performing assets (NPA).

How the new framework will look like?

- The new framework, will subsume most existing stressed asset schemes such as the Strategic Debt Restructuring Scheme (SDR) and the Scheme for Sustainable Structuring of Stressed Assets (S4A).
- It would give primacy to the Insolvency and Bankruptcy Code (IBC) of 2016.
- It will also disband the concept of a Joint Lenders' Forum (JLF), the Joint Lender's Forum is a dedicated grouping of lender banks that is formed to speed up decisions when an asset (loan) of more Rs 100 crore or more turns out to be a stressed asset.
- With the JLF out of the way, the new RBI guidelines demand that banks identify stressed accounts as soon as they go into default.
- The banks are supposed to categorise them as special mention accounts, report to the RBI and start the resolution process straight away.

What is the prime focus of the new framework?

- A focus on timely identification of bad loans and the speedy resolution of such assets has been roped in.
- The central bank has toughened the reporting of default to the central repository by making it a monthly, instead of a quarterly, requirement.
- All borrower entities in default with an exposure of more than Rs 50 million have to be reported on a weekly basis.
- RBI made it clear that default in the borrower entity's account with any lender all banks, singly or jointly shall initiate steps to address it, which makes the banks to start the resolution process.

- The RBI has laid clear timelines, not exceeding 180 days from March 1, for the resolution process to yield results, failing which insolvency proceeding will have to commence within 15 days.

What is the significance of the new framework?

- The new framework will obviously lead to short-term pain for many banks and may throw up challenges for borrowers.
- For example, the strict timelines to come up with a resolution plan could mean that a larger number of accounts will go into insolvency.
- The condition that a restructuring plan must be agreed upon by all banks involved in large accounts may be difficult to implement as experience shows such a thing rarely happens.
- Over the long term, however, the revised framework should work well as the process still provides over one year to resolve a stressed assets problem initial 180 days to implement the resolution plan and then another 270 days under the IBC.

Source: Business standard

Medical Council of India (MCI)

Topic: Statutory, regulatory and various quasi-judicial bodies.

Medical Council of India (MCI) proposal to amend the Screening Test Regulations 2002 has been approved by Health Ministry. It is now mandatory to qualify NEET to pursue foreign medical course.

What's the issue?

- A common National Entrance Exam viz. National Eligibility cum Entrance Test has been made mandatory for admission to all medical courses in the country.
- Indian students can also pursue medical education abroad and have to qualify a Screening Test called Foreign Medical Graduates Exam (FMGE), for registration to practice in India after obtaining primary medical qualification (MBBS) overseas.
- However, few medical institutions / Universities of foreign countries admit Indian students without proper assessment or screening of the students' academic ability to

cope up with medical education with the result that many students fail to qualify the Screening Test.

- In this regard, Medical Council of India (MCI) had proposed to amend the Screening Test Regulations, 2002, making it mandatory to qualify NEET to pursue foreign medical course.

About MCI:

The Medical Council of India was first established in 1934 under the Indian Medical Council Act, 1933. This Act was repealed and replaced with a new Act in 1956. Under the 1956 Act, the objectives of MCI include:

- ✓ Maintenance of standards in medical education through curriculum guidelines, inspections and permissions to start colleges, courses or increasing number of seats.
- ✓ Recognition of medical qualifications.
- ✓ Registration of doctors and maintenance of the All India Medical Register.
- ✓ Regulation of the medical profession by prescribing a code of conduct and taking action against erring doctors.

Why reform the MCI?

Like a license-raj permit controller, MCI has for long focused too much on licensing of medical colleges and stipulating impractical conditions, while ignoring its other mandate of maintaining ethical conduct in the profession. It has failed to stop the sale of medical seats in private colleges for capitation fees going up to Rs.50 lakh.

Over the years, it has emerged as a single, all-powerful agency heavily influenced by corporate hospitals to provide accreditation to institutions and assess their quality, ignoring blatant conflicts of interest.

Defence Acquisition Council

Topic: Statutory, regulatory and various quasi-judicial bodies.

Defence Acquisition Council has cleared a plan to procure some much-needed fire-power for the armed forces, expected to cost Rs. 15,935 crore. The list includes light machine guns, assault rifles and sniper rifles.

Defence Acquisition Council (DAC)

What is it?

To counter corruption and speed up decision- making in military procurement, the government of India in 2001 decided to set up an integrated DAC. It is headed by the Defence Minister.

Objective:

The objective of the DAC is to ensure expeditious procurement of the approved requirements of the Armed Forces, in terms of capabilities sought, and time frame prescribed, by optimally utilizing the allocated budgetary resources.

Functions:

The DAC is responsible to give policy guidelines to acquisitions, based on long-term procurement plans. It also clears all acquisitions, which includes both imported and those produced indigenously or under a foreign license.

Virtual Reality

- The school children in United States experience exotic field trips through the virtual reality headsets.
- The definition of 'virtual' is near and reality is what we experience as human beings. So the term 'virtual reality' basically means 'near-reality'.
- Virtual reality is the term used to describe a three-dimensional, computer generated environment which can be explored and interacted with by a person.

Global Theatre Olympics

- The Vice President of India will inaugurate the 8th Global Theatre Olympics in New Delhi.
- The theatrical extravaganza is being hosted for the first time in India by the National School of Drama under the aegis of Ministry of Culture, Government of India.
- The theme of the 8th Theatre Olympics is "**Flag of Friendship**".
- It aims to bridge borders and bring people of different cultures, beliefs and ideologies together through the medium of theatrical art.
- The Theatre Olympics was established in 1993 at Delphi, Greece.

Strategic Petroleum Reserves

- Abu Dhabi National Oil Company (ADNOC) will send ships carrying crude oil to fill half of the 1.5 million tonne strategic oil reserves India has built at Mangaluru.
- Indian Strategic Petroleum Reserves Ltd has built 5.33 million tonnes of strategic crude oil storage at three locations — **Padur (Kerala) and Mangaluru** on the western coast and **Visakhapatnam** on the eastern coast

- The oil stored in the underground rock caverns at the three locations is to be used in an emergency.

Dakota DC3 Aircraft

- IAF recently received a restored World War-II DC3 Dakota aircraft from an IAF veteran.
- The DC3 Dakota aircraft christened as “Parashurama” will be part of the IAF’s vintage fleet.
- This military transport aircraft has played a crucial role in the 1947 India-Pakistan War.
- The plane, which underwent a six-year-long restoration in the UK, will soon join the IAF.
- It is the world’s first successful commercial airliner, readily adapted to military use during World War II.

Senior Citizen’s Welfare Fund

- Insurance regulator IRDA has asked all insurers to transfer the deposits of policyholders that have been laying unclaimed for over 10 years to the Senior citizen’s welfare fund.
- The corpus of the Senior Citizens Welfare Fund comprise of any credit balance in any of the accounts under the small savings like Post Office Saving Schemes, Banks, etc. remaining unclaimed for 7 years from date of declaration as an inoperative account.
- The nodal Ministry for the administration of the Fund shall be the Ministry of Social Justice and Empowerment.
- The Fund shall be utilized for such schemes that are in line with the National Policy on Older Persons and the National Policy on Senior Citizens.

Wetlands International

- Wetlands International coordinates the International Water bird census of which Asian Water bird census is an integral part.
- It is a global not-for-profit organization dedicated to the conservation and restoration of wetlands.
- It is one of the International Partner Organizations of the Ramsar Convention.
- It was formerly known as International Waterfowl & Wetlands Research Bureau (IWRB) and their scope included the protection of wetland areas.

Source: The Hindu, Business Standard and PIB.

Merger of PSU non-life insurers

Topic: *Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.*

Finance minister Arun Jaitley had proposed a merger of these three PSU general insurers in the Union Budget on February 1.

The proposed merger of three public sector insurance firms may be completed by early 2019.

The three public sector general insurance companies to be merged are —
National Insurance (NIC),
Oriental Insurance (OIC)
and United India Insurance (UII).

Purpose:

- ✓ There are a lot of operational advantages and savings that will accrue from this proposed merger.
- ✓ The trigger for central government to go for merger of three general insurers is mainly to boost up their solvency ratio and divest part of its holding in the market.
- ✓ Merger will also stop the unhealthy competition between the government-owned insurers. It is hoped that this merger will make companies stronger.
- ✓ There is also a concern that post merger, there will be unhealthy competition between two government-owned general insurers – New India Assurance and the new company that emerges out of the proposed merger. Also, it will be a big task to build the brand equity for a new entity in a highly competitive market.

Way forward:

Few experts are of the view that the government should go one step further and merge all the four public sector general insurers.

Comprehensiveness in Forests Restoration

What is the issue? 'India State of Forest Report 2017', which was released by Environment Ministry, shows that there have been some positives.

- We must refine the strategy to further revive forests in totality – which requires moving away from monoculture plantations.

What is the cause for concern?

- The environmental policy that envisions raising forest cover to 33% of the geographical area in the long term has yielded some dividends.
- Based on satellite imagery, 'India State of Forest Report 2017', and shows that 24.4% of India's land area is under some form of forest or tree cover.
- This means that the forest and tree cover together registered a 1% rise over the previous estimate two years ago.
- However, these estimates are mere remote sensing data don't really provide deep insights into the integrity of the green areas.
- Notably, the qualitative difference between "very dense, moderately dense, and scrub forests" needs further scientific pondering.
- Also, mere tree cover is not the same as having biodiversity, and mono-culture plantation cater more to commercial industrial needs than to nature.
- Recreating forests akin to the previously undisturbed assemblage of plants, trees and animals, is what would constitute a comprehensive revival.

What are the glitches in the present approach to development?

- **Economics** - Some have come to regard the calculation of national income accounts (GDP), wealth generation and development as weak.
- This is because the degradation of forests and the consequent loss of their natural services such as climate moderation aren't accounted for.
- Notably, forest degradation erodes the gains made by many communities, because lost natural capital eventually contributes to material losses.
- Hence, developmental activities need to be environmentally sensitive.
- **Compensating Losses** - The Ministry's report has calculated a cumulative loss of forests in Mizoram, Nagaland and Arunachal of nearly 1,200 sq km.

- The impact of such a terrible loss must be seen against the backdrop of the Northeast representing a global biodiversity hotspot.
- Hence, remediation programmes elsewhere, like in Odisha, or Himachal cannot adequately compensate for biodiversity losses in the Northeast.

What is the way forward?

- India must move away from monoculture plantations that are presently favoured by even forest development corporations in many States.
- Scientific reviews to bring true natural forests with its biodiversity intact are needed, which is more than merely increasing the number of trees.
- Presently, more than 300,000 sq km of area is open forest with a tree canopy of 10-40%, which can be capitalised to drive the revival program.
- Such actions, combined with a policy against open cast mining, and efforts to protect the precious Northeast forests can bring about a forest renaissance.

Source: The Hindu

Facts for Prelims:

- ✓ Report shows that three states – Andhra Pradesh, followed by Karnataka and Kerala – have shown the maximum increase in forest cover. On the other hand, forest cover in states like Mizoram, Nagaland, Arunachal Pradesh, Tripura and Meghalaya has decreased in 2017 as compared to 2015.
- ✓ The report notes that there was an increase of 2,647 sq km in the extent of water bodies over the decade (2005-15) with all states and Union Territories (UTs) showing an increase except Arunachal Pradesh, Uttar Pradesh and Haryana. Maharashtra, Gujarat and Madhya Pradesh figure as the top three states reporting maximum increase in areas of water bodies including lakes and wetlands.
- ✓ Madhya Pradesh has the largest forest cover of 77,414 sq km in the country in terms of area, followed by Arunachal Pradesh and Chhattisgarh. In terms of percentage of forest cover with respect to the total geographical area, Lakshadweep with (90.33%) has the highest forest cover, followed by Mizoram (86.27%) and Andaman & Nicobar Island (81.73%).

RBI norms to spur increase in NPAs'

The Reserve Bank of India's new norms directing banks to start insolvency proceedings on accounts, if stress is not resolved in 180 days, could result in an increase in bad loans.

- The RBI said that for accounts where a bank's exposure exceeds Rs 2,000 crore, a resolution plan must be implemented within 180 days from the date of first default, and in case a resolution is not implemented, lenders should file an insolvency petition within 15 days of the expiry of the 180 days.
- The RBI had sent two lists of firms against which insolvency proceedings could be taken at the National Company Law Tribunal. Banks have to make a 50% provision in respect of accounts that are subject to insolvency proceedings. In comparison, the provisioning norm for sub-standard assets is 15-20%.

The RBI norms, announced entail proactive resolution of stressed assets with lenders needing to finalise the resolution plan as an account slips into special mention account category. SMA category indicates the time period over which repayment on a loan has not been made.

- Banks' gross NPAs and standard restructured advances were estimated at 12.6% as on September 30, 2017.
- The RBI had estimated SMA 2 advances (where repayment is not made for more than 60 days) to be 3.5% of gross advances.

While in the short-term this will increase the pain for the borrowers as well the lenders... early identification of stress and resolution will prevent future evergreening of loans and ensure a good financial health for the banking system in the long-term.

Centre plans to merge small savings, PPF laws

In a bid to consolidate the legislations pertaining to small savings schemes, the government is proposing a merger of the various laws into a Government Savings Promotion Act.

- In order to remove existing ambiguities due to multiple Acts and rules for small saving schemes... [the government] has proposed merger of Government Savings Certificates Act, 1959 and Public Provident Fund Act, 1968 with the Government Savings Banks Act, 1873." "All existing protections have been retained while consolidating PPF Act under the proposed Government Savings Promotion Act.

- No existing benefits to depositors are proposed to be taken away through this process. The main objective in proposing a common Act is to make implementation easier for the depositors as they need not go through different rules and Acts.

INTERNATIONAL

ANC orders Zuma to step down

South Africa's ruling party ordered Jacob Zuma to step down as head of state after marathon talks over the fate of a leader whose scandal-plagued years in power darkened and divided Nelson Mandela's post-apartheid 'Rainbow Nation'.

- Leading members of the African National Congress (ANC) now want new party leader Cyril Ramaphosa to replace Mr. Zuma as president.

The ANC party can "recall" the head of state, but the process is a party-level instruction and Mr. Zuma is under no constitutional obligation to obey.

Despite the damning decision to order Mr. Zuma's "recall" — party speak for 'removal from office' — domestic media said the 75-year-old might yet defy the party's wishes, forcing it into the indignity of having to unseat him in Parliament.

South Africa's economy has stagnated during Mr. Zuma's nine-year tenure, with banks and mining companies reluctant to invest because of policy uncertainty and rampant corruption.

Since becoming President in 2009, Mr. Zuma has been dogged by scandal. He is fighting the reinstatement of 783 counts of corruption over a 30 billion-rand (now \$2.5 billion) government arms deal arranged in the late 1990s when he was Deputy President.

Pakistan to take over JuD assets

The Pakistani government is set to take over the assets of the Jamaat-ud-Dawa (JuD) and its subsidiary, Falah-e-Insaniyat Foundation (FIF), which are linked to Hafiz Saeed, following a presidential decree to rein in the UN-declared terrorist outfits.

- The JuD and the FIF were banned by the UN, but they got a reprieve from the Lahore High Court. Saeed, the alleged mastermind of the 2008 Mumbai terror attack, was jailed for months last year

Kim stresses need to boost inter-Korea talks

North Korean leader Kim Jong-un said that he wants to boost the “warm climate of reconciliation and dialogue” with South Korea after his high-level delegation returned from a visit.

- Mr. Kim gave instructions for measures aimed at more inter-Korean engagement after his younger sister Kim Yo-jong led a three-day visit to the Pyeongchang Winter Olympics.

The U.S. appeared to endorse deeper post-Olympics engagement between the two Koreas that could lead to talks between Pyongyang and Washington.

- The South's President, Moon Jae-in, said that the U.S. was open to talking with North Korea.

STATE-TELANGANA

IT Congress to bring world's first robot citizen to city

An unlikely guest speaker will share the dais with national and international leaders at the World Congress on Information Technology, 2018 (WCIT-2018).

- The guest to address the congregation alongside Prime Minister Narendra Modi, Sri Lankan premier Ranil Wickramasinghe, is none other than Sophia, the first humanoid robot to be granted citizenship of any country.
- She has been prominently featured among speakers on the web page of the NASSCOM's WCIT-Nasscom India Leadership Forum 2018, and is scheduled to speak on February 20.

Already popular for the sophisticated use of Artificial Intelligence in the making of her, Sophia also boasts of looks like Hollywood celebrity Audrey Hepburn.

- She is the work of Hong Kong-based Hanson Robotics in 2015, manufactured to be media-savvy with exceptional conversational skills.
- In 2017, the robot was granted Saudi Arabian citizenship, and made the United Nations Development Programme's Innovation Champion for Asia and the Pacific.
- Equipped with face and voice recognition, and visual data processing features, Sophia can not only answer simple questions on predetermined

topics, but also has the inherent capabilities to process the interactions, and progressively improve on her conversational skills.

- Endowed with 62 kinds of human-like expressions/emotions, she has also been given the gift of mobility at the start of this year.
- Albeit her maiden visit to the city, this is by no means Sophia's first to the country. She had earlier made a sari-clad appearance at IIT-Bombay's annual techfest in December last years, where she called for collaborative coexistence between humans and robots.

Shamshabad airport bags award

GMR Hyderabad International Airport Ltd. (GHIAL), which operates Rajiv Gandhi International Airport, at Hyderabad, has won the prestigious 'Golden Peacock Award for Corporate Social Responsibility' for 2017 in the transportation sector under the 'Aviation' category.

- Former chief justice of India M.N. Venkatachaliah handed over the award at the 39th Golden Peacock Awards presentation ceremony during the Institute of Directors, India & 12th International Conference on Corporate Social Responsibility'.

The Golden Peacock Awards, constituted by the Institute of Directors (IOD), India, is regarded as a benchmark of corporate excellence worldwide.