

Mindanao island

Multi-pronged approach



Residents push a makeshift raft carrying a motorcycle through floodwaters on southern Mindanao island in the Philippines on Friday. AFP

- **Mindanao is the second-largest island in the Philippines, after Luzon, and seventh-most populous island in the world.**
- **Located in the southern region of the archipelago, the island is part of an island group of the same name that also includes its adjacent islands, notably the Sulu Archipelago.**



Luang Prabang

- **Landlocked Laos doesn't have the famous beaches of its neighbours to attract tourists, but instead relies on the pristine beauty of its mountains and rivers and historical sites to bring in visitors.**
- **The crown jewel is Luang Prabang, a UNESCO World Heritage Site where legend has it that Buddha once rested during his travels.**
- **It brings all the elements together, with its mix of historic Laotian and French colonial architecture on a peninsula at the confluence of the Mekong and the Nam Khan rivers.**
- **The Nam Khan is a river in Laos that is a major tributary of the river Mekong, with which it joins at Luang Prabang.**





- But a multibillion dollar dam project underway 25 kilometers upstream has prompted concerns that it could result in the city losing its UNESCO status, and broader questions about what the government's ambitious plans to build multiple dams across the Mekong will do to the river, the lifeblood of Southeast Asia.

About Luang Prabang

- Luang Prabang, the ancient capital of Luang Prabang Province in northern Laos, lies in a valley at the confluence of the Mekong and Nam Khan rivers.
- Inhabited for thousands of years, it was the royal capital of the country until 1975.
- It's known for its many Buddhist temples, including the gilded Wat Xieng Thong, dating to the 16th century, and Wat Mai, once the residence of the head of Laotian Buddhism.



Ancient rites



Marking the year: Purepecha's Indigenous people carry incense during a three-day ceremonial procession in Michoacan State, Mexico. Every year, they celebrate the 'Fuego Nuevo Purepecha', a fire lighting ceremony to mark the start of the new year. AFP

The Purépecha

- The Purépecha were an ancient civilization in western Mexico that inhabited the area of the Mexican state of Michoacán.
- They were also known as the Tarascan civilization.
- Their name comes from the Nahuatl word which means "place of fish masters."
- Every year, they celebrate the 'Fuego Nuevo Purepecha', a fire-lighting ceremony to mark the start of the new year.



- The Reserve Bank of India's (RBI) January 31 action directing Paytm Payments Bank Ltd. (PPBL) to cease all new business transactions by February 29 and settle all pipeline transactions by March 15, was triggered by major irregularities in the bank's compliance with Know Your Customer (KYC) norms, thus exposing customers, depositors and

wallet holders to grave risk, said people aware of the developments.

The Hindu

Why Paytm unit ban?

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Multiple issues

RBI action against Paytm Payments Bank said to have been triggered by irregularities in its compliance with KYC norms

- Auditors found PAN validation failures in lakhs of accounts, with a single PAN used by thousands of customers
- Bank seen to have enabled transactions worth crores in prepaid instruments, raising money laundering concerns
- An unusually high number of dormant accounts were found to have been used as 'mule accounts' to facilitate transactions



Payments Bank

- Payments banks are a new model of banks, conceptualized by the Reserve Bank of India (RBI), which cannot issue credit.
- These banks can accept a restricted deposit, which is currently

limited to ₹200,000 per customer and may be increased further.

- Payments banks can issue ATM cards or debit cards and provide online or mobile banking. These banks cannot issue loans and credit cards.
- Both current account and savings accounts can be operated by such banks. Payments banks can issue ATM cards or debit cards and provide online or mobile banking. Bharti Airtel set up India's first payments bank, Airtel Payments Bank.

Indian local currency government bonds (LCGBs) to be listed by JP Morgan

- In September 2023, J.P. Morgan unveiled its plan to include Indian local currency government bonds (LCGBs) in its Government Bond Index Emerging Markets (GBIEM) Global index suite, set to become effective from June 2024.
- This announcement heightened expectations across the Indian financial landscape, prompting anticipation from other influential index providers such as Bloomberg Barclays and FTSE Russell..
- Several observers have also pointed out that opening local bond markets would facilitate the financing of current account and fiscal deficits

by engaging institutional investors with long term investment horizons.

- Furthermore, it is argued that the cost of public borrowing would decline as the influx of funds into LCGBs lowers domestic interest rates.
- It is also expected that these funds would relieve the balance sheets of local financial institutions holding LCGBs, thereby increasing lending and private investment.
- A key benefit of opening local bond markets to foreign investors emphasised by the mainstream, relates to the so-called “original sin” problem that is, the inability of emerging economies to borrow internationally in their own currencies.
- Unlike local currency debt, external debt denominated in reserve currencies exposes debtors to the exchange rate risk.
- By opening bond markets and borrowing in local currency, the exchange rate risk is passed onto international lenders. However, this does not come free.
- It needs to be compensated. Furthermore, since these bonds are generally subject to domestic jurisdiction, lenders also face an additional default risk.
- This also needs to be compensated.

- Thus, local currency bonds need to offer higher returns than forex bonds issued under foreign jurisdiction in higher interest rates and/or capital gains.
- As the adage suggests, everyone is a long-term investor until they recognise the impending end.

Loss of autonomy, greater risks

- The internationalization of bond markets in emerging economies also entails a significant loss of autonomy in controlling long term rates and exposes them to greater interest rate risks.
- When global risk appetite and liquidity conditions deteriorate, and access to international capital markets is impaired, domestic bond markets too can get crippled due to adverse spillovers.
- There is a misconception among proponents that foreign portfolio inflows into local currency bond markets (LCBM) provide stable and long term funding.
- Unlike sovereign bonds of main reserve currency countries such as the U.S. Treasuries, local currency sovereign debt of emerging economies is not held by central banks as international reserves, but fickle investors, primarily money managers from advanced economies, holding liabilities in their home currencies.
- When apprehensions emerge regarding short-term capital losses, be it due to rising interest rates, local currency depreciation, or a combination of both, stability tends to dissipate swiftly.
- As per the October 2022 report from the IDG of the RBI, the opening of the LCBM to foreign investors and the inclusion of Indian LCGBs in global bond indices represent just one facet of the broader effort to internationalise the Indian rupee.
- Another crucial element involves permitting banking services in the rupee INR outside the country.
- The case of settling trade with Russia in the Indian rupee for crude oil resulted in an accumulation of the rupee in Russian banks.
- Additionally, as reported by Bloomberg, the RBI has granted authorization to 17 banks to settle trade in the Indian rupee across 18 countries and establish 65 offshore deposit accounts.
- This effectively creates an offshore INR market and introduces new avenues for speculation and potential instability, in addition to opening the LCBM to foreign investors.

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