

**19**



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**RAPID REVISION SERIES (RRS)**

**500 HIGH PROBABLE  
TOPICS FOR UPSC  
PRELIMS 2020**

**TOPIC 291-305**



**YouTube Initiative**



**IASbaba's**

**Session 19**

**Rapid Revision Series  
of  
500 HIGH PROBABLE TOPICS  
for  
PRELIMS 2020**



# TOPICS TO REVISE

291. Yield Curves
292. Capital to Risk (Weighted) Assets Ratio (CRAR)
293. Countercyclical Capital Buffer
294. External Benchmark-based Lending
295. Facility to Avail Liquidity for Liquidity Coverage Ratio (FAL-LCR)
296. Prompt Corrective Action (PCA) framework
297. RBI's revised framework for the resolution of stressed assets
298. Insolvency and Bankruptcy Code, 2016
299. National Company Law Appellate Tribunal (NCLAT) and National Company Law Tribunal (NCLT)
300. Debts Recovery Tribunals
301. PM Kisan SAMPADA Yojana
302. Pradhan Mantri Matsya Sampada Yojana (PMMSY)
303. Agriculture Infrastructure Fund
304. Model Code of Conduct
305. Buddhist site at Phanigiri



# Corrections and Clarifications

1. Session 18 --> Topic 279 --> NITI Aayog's SDG Index
2. Session 17 --> Topic 261 --> 1000 Springs Initiative



# Topic 291: Yield Curves

## Key points:

1. What is yield curve?
  - graphical representation of yields over different time horizons
2. Why is yield curve important?
  - Tells the future health of the economy
  - Tells whether the markets expect interest rates to rise or fall in future
  - government's yield curve also sets the floor for all other borrowers
3. Upward sloping yield curve
4. Flat yield curve
5. Inverted yield curve



# Topic 292: Capital to Risk (Weighted) Assets Ratio (CRAR)

## Key points:

1. It is the ratio of a bank's capital to its risk-weighted assets and current liabilities
2. It is decided by central banks and bank regulators
3. It is measured as - Capital Adequacy Ratio =  $(\text{Tier I} + \text{Tier II} + \text{Tier III (Capital funds)}) / \text{Risk weighted assets}$
4. The risk weighted assets take into account credit risk, market risk and operational risk.
5. The Basel III norms stipulated a capital to risk weighted assets of 8%.
6. Commercial Banks are mandated to maintain minimum 9% capital adequacy ratio (CAR) plus a capital conservation buffer of 2.5%. (PSB banks to maintain a CAR of 12%)



# Topic 293: Countercyclical Capital Buffer (CCCB)

## Key points:

1. CCCB is the capital to be kept by a bank to meet business cycle related risks
2. Aim – to protect banking sector against losses
3. Regulations were set forth in Basel III regulatory reforms

## RBI's countercyclical capital buffer (CCCB) framework

1. Envisages credit-to-GDP gap as the main indicator
2. It requires banks to build up a buffer of capital in good times
3. Restricts indiscriminate lending in the periods of excess credit growth



# Topic 294: External Benchmark-based Lending

## Key points:

1. RBI made it mandatory for all banks to link all new floating rate loans to an external benchmark
2. External Benchmark-based Lending - with effect from 1st October 2019
3. Aim : : Faster transmission of monetary policy rates
4. The interest rate under the external benchmark shall be reset at least once every three months

Marginal Cost of Lending Rate	Repo-Linked Loan
Linked to banks' cost of funds	Linked to RBI's lending rate
Takes 4-6 months to move after RBI rate cut	Responds immediately to RBI rate cut
RBI rate cuts not fully passed on to borrowers	Rate cuts are automatically passed on
Resets annually for most banks	Reset every three months
Changes by 5-10 bps	Usually changes 25bps or more
Revised every month	Reviewed bi-monthly
Low volatility	Higher volatility
100bps=1%   Repo - RBI's lending rate to banks	





# Topic 295: Facility to Avail Liquidity for Liquidity Coverage Ratio (FAL-LCR)

## Key points:

1. About LCR - short term liquidity ratio to be maintained by banks in form of HQLA
2. Why LCR? - to survive an acute stress scenario lasting for 30 days
3.  $LCR = \frac{HQLA}{\text{Total net cash outflow over next 30 calendar days}}$  = should be 100%
4. High quality liquid assets (HQLA), as per BASEL III, includes – assets easily and immediately convertible into cash (cash and G-secs)
5. LCR + SLR --> 2 liquidity requirement for banks --> reduce the lending capacity of the banks
6. Therefore, RBI allowed limited portion of G-Secs used to meet the SLR to be recognised as HQLA Level 1 for calculating LCR
7. FALLCR is that part of the G-secs under SLR that can be pledged to raise liquid assets to meet LCR requirement under BASEL III



# Topic 296: Prompt Corrective Action (PCA) framework

## Key points:

1. Framework under which banks with weak financial metrics are put under watch by the RBI
2. PCA framework deems banks as risky if they slip below certain norms – capital ratios, asset quality and profitability
3. It has three risk threshold levels



# Topic 297: RBI's revised framework for the resolution of stressed assets

MINT GRAPHITI

## WHAT HAS CHANGED

RBI has eased the provisions of its controversial 12 February 2018 circular on stressed assets.

### THEN

**BANKS** had to refer borrower to NCLT if it failed to resolve the account within 180 days

**THE** stressed asset norms were applicable only for banks

**DEFAULT** of even one day had to be reported and acted upon

**AGREEMENT** of all lenders was required on the resolution plan



### NOW

**LENDERS** given the choice to initiate legal proceedings for insolvency or recovery

**NORMS** applicable for banks, small finance banks as well as NBFCs

**LENDERS** given 30 days to start working on resolution plan from day of default

**AGREEMENT** of 75% lenders by debt value and 60% lenders by number is needed

## Key points:

RBI's Prudential Framework for Resolution of Stressed Assets

- RBI released updated guideline about resolving stressed assets in June 2019.
- It replaced the previous stressed asset resolution guidelines published in February 2018.
- The main feature of the new Framework is that it relaxes several previous criteria related to stressed asset management under the 2018 version.



# Topic 298: Insolvency and Bankruptcy Code, 2016

## Key points:

1. It provides a time-bound process for resolving insolvency
2. IBC consolidates all laws related to insolvency and bankruptcy and to tackle NPAs
3. Shifts the responsibility to the creditor to initiate the insolvency resolution process against the corporate debtor
4. It covers all individuals, companies, Limited Liability Partnerships (LLPs) and partnership firms
5. Adjudicating authority - National Company Law Tribunal (NCLT) and Debt Recovery Tribunal (DRT)
6. Objectives of IBC



# Topic 299: National Company Law Appellate Tribunal (NCLAT) and National Company Law Tribunal (NCLT)

## Key points:

1. Companies Act, 2002 provides for the setting up of NCLAT and NCLT
2. It replace the existing Company Law Board (CLB) and Board for Industrial and Financial Reconstruction (BIFR)
3. NCLT is a quasi-judicial body that adjudicates issues relating to companies in India
4. Based on Justice Eradi Committee recommendations
5. NCLAT hears appeals against the orders of NCLT
6. No civil court shall have jurisdiction to entertain any suit or proceeding
7. Decision of NCLT --> may be appealed to NCLAT --> further appealed to SC



# Topic 300: Debts Recovery Tribunals

## Key points:

1. Estd. to facilitate debt recovery involving banks and other financial institutions with their customers
2. Goal - recovery of loaned money from borrowers
3. Recovery of Debts due to Banks and Financial Institutions Act (RDBBFI), 1993 empowers the Central government to establish DRTs
4. Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act also provides access to DRTs
5. Appeals against orders passed by DRTs lie before Debts Recovery Appellate Tribunal (DRAT).
6. Powers



# Topic 301: PM Kisan SAMPADA Yojana

## Key Points:

1. Central-sector Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters
2. Allocation of Rs. 6,000 crore for the period 2016-20 --> coterminous with the 14th FC cycle
3. It was approved by the Cabinet Committee on Economic Affairs (CCEA) in 2017
4. Implemented by the Ministry of Food Processing Industries (MoFPI)
5. Schemes implemented under PM Kisan SAMPADA Yojana



# Topic 302: Pradhan Mantri Matsya Sampada Yojana (PMMSY)

## Key Points:

1. Flagship scheme for focused and sustainable development of fisheries sector
2. Estimated investment --> Rs. 20,050 crores (period of 5 years 2020-21 to 2024-25)
3. Out of Rs 20,050cr --> Rs 12340 crores for beneficiary-oriented activities in Marine, Inland fisheries and Aquaculture and about Rs 7710 crores investment for Fisheries Infrastructure
4. Part of AatmaNirbhar Bharat Package
5. Aims:
  - To enhance fish production by an additional 70 lakh tonne by 2024-25
  - To increase fisheries export earnings to Rs.1,00,000 crore by 2024-25
  - Doubling incomes of fishers and fish farmers
  - reducing post-harvest losses from 20-25% to about 10%
6. 'Cluster or Area based approaches' and creation of Fisheries clusters





# Topic 303: Agriculture Infrastructure Fund

## Key Points:

1. New Central Sector Scheme --> medium - long term debt financing facility --> AIF of Rs. 1 Lakh Crore
2. It will support farmers, PACS, FPOs, Agri-entrepreneurs, etc.
3. Focus - building community farming assets and post-harvest agriculture infrastructure
4. Duration --> FY2020 to FY2029 (10 years)
5. Provision of loans with interest subvention of 3% per annum and credit guarantee coverage under CGTMSE scheme; Moratorium for repayment
6. Managed and monitored through an online Management Information System (MIS) platform



# Topic 304: Model Code of Conduct

## Key Points:

1. MCC --> powerful instrument --> set of norms laid down by the Election Commission of India
2. MCC is not statutory
3. It comes into force when the ECI announces election dates
4. It comprises directions to government functionaries, political parties and candidates
5. MCC comes into force on the announcement of the poll schedule and remains operational till the process is concluded
6. Article 324 of the Constitution
7. In case of any electoral offences, EC takes action against violators. Anyone can report the violations to the EC or approach the court.



# Topic 305: Buddhist site at Phanigiri

## Key points:

1. Life-sized stucco sculpture --> @Phanigiri (Telangana)
2. Biggest stucco sculpture found in the country so far
3. Represents one of Bhodhisattva in Jathaka Chakra
4. Mahastupa, apsidal chaitya grihas, votive stupas and pillared congregation halls were also found
5. Belong to Satavahana period from the first century BC
6. Mahastupa is considered as Paribhogika stupa which contains the personal belongings of Buddhist monks
7. About Bodhisattva



## TREASURE TROVE

► The Buddhist site is located on a hillock, which is in the shape of a snake-hood called Phanigiri in Sanskrit

► Located 40 km away from Suryapet and 125 km from Hyderabad

► Phanigiri yields rich treasure of structures and antiquities and lies on the left bank of Aleru, a Musi river tributary

► The hill-top, with an extent of 10 acres, once flourished as a Buddhist site during Satvahana and Ikshuvaku periods

## OTHER FINDINGS THIS SEASON

► A moon-shaped stone called Chandrashila

30  
vihara  
cells

A six-pillared mandapa

50 lead coins with elephant symbol on the obverse and Ujjaini symbol on the reverse

► Six circular Potin coins with elephant symbol on the obverse and Ujjaini symbol on the reverse

► One Mahatalvara coin in square shape with Horse symbol on obverse and Ujjaini symbol on reverse

► Iron objects such as nails, terracotta beads, fragments of stucco floral figures associated with black ware

► Pottery of different shapes used for different purposes