

**DAILY  
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ANALYSIS**



LAKSHYA ACADEMY®

**30 SEPTEMBER 2023**

# 1 – SEBI:

## GS II

### Topic → Statutory and Non Statutory Bodies

- **About:**

- The Securities and Exchange Board of India (SEBI) was established on April 12, 1992, in accordance with the Securities and Exchange Board of India Act, 1992. (a non-constitutional organisation created by a Parliament).
- Promoting and overseeing the securities market as well as defending the rights of investors in securities are among SEBI's main duties.
- Mumbai serves as SEBI's administrative centre. Delhi, Chennai, Kolkata, and Ahmedabad house SEBI's regional offices.

- **Background:**

- The Capital Issues (Control) Act of 1947 gave the Controller of Capital Issues, the regulating body, jurisdiction prior to the creation of SEBI.
- As per an Indian government decree, the SEBI was founded in April 1988 to serve as the nation's capital markets' regulator.
- At first, SEBI was a non-statutory organisation with no statutory powers.
- It was given autonomy and legal standing by the SEBI Act of 1992.

- **What is the organization's structure?**

- The chairman of the SEBI Board is joined by a number of other full- and part-time members.
- When required, SEBI also appoints a number of committees to look into the most crucial issues at hand.
- To protect the rights of organisations who believe SEBI's ruling violated their rights, the Securities Appellate Tribunal (SAT) has also been established.
- A Presiding Officer and two additional Members make up SAT.
- It has the same authority that a civil court would have. Additionally, the Supreme Court will hear any appeals from anybody who believe they were wronged by the SAT's decision or order.

- **What are SEBI's responsibilities and authority?**

- Being a quasi-legislative and quasi-judicial body, SEBI has the power to establish regulations, conduct inquiries, make decisions, and impose penalties.
- It fulfils the requirements of three categories:
  - Issuers: By offering them access to a market where they can raise more money.
  - Investors: By providing up-to-date information that is both accurate and safe.
  - This enables a competitive professional market for intermediaries.
- The Securities Laws (Amendment) Act of 2014 gave SEBI the authority to regulate money pooling schemes with a minimum value of Rs. 100 crore and to recover assets in the event of non-compliance.
- "Search and seizure activities" may be authorised by the SEBI Chairperson. The SEBI Board may also request information from anyone regarding any securities transaction that it is investigating, such as phone logs.
- SEBI registers and oversees the operations of venture capital funds, collective investment plans, and mutual funds.
- It also helps to support and regulate self-regulatory organisations and to make unfair and dishonest commercial practises in the securities markets illegal.

Source → *The Hindu*

## 2 – Credit Rating Agencies:

### GS III

#### Topic → Indian Economy

- **How do credit scores function?**
  - An assessment of a borrower's creditworthiness, either generally or in respect to a particular debt or financial obligation, is known as a credit rating.
  - A credit rating can be issued to any organisation seeking to borrow money, whether it's a person, corporation, state or local government, or sovereign nation.
- **What Are Credit Rating Agencies?**
  - A credit rating agency (CRA) is a business that assigns credit scores. These scores assess a debtor's ability to repay a loan by making timely principal and interest payments as well as the likelihood of default.

- There are six credit rating firms registered with SEBI: CRISIL, ICRA, CARE, SMERA, Fitch India, and Brickwork Ratings.
- Essentially, CRAs assign a probability of default to a certain instrument by offering unbiased information and a research-based assessment of the issuer's capacity and motivation to meet its debt service commitments.
- Credit rating is far from a simple mathematical calculation because determining an instrument's creditworthiness involves both qualitative and quantitative factors.

- **Importance:**

- Credit ratings provide information on the creditworthiness of the person or firm borrowing the money as well as the risk associated, which helps investors make smarter investment decisions. By analysing this, they can make a wiser investment decision.
- A high credit score ensures that the money will be safe and will be repaid on time with interest.
- Fast Loan Approval: Banks are ready to approve loan applications from borrowers with good credit ratings in a short amount of time.
- Credit ratings have promoted a culture of fiscal responsibility, improved the efficiency of capital allocation by accurately estimating risk, and promoted financial innovation. Independent benchmarks for pricing debt will be possible thanks to credit ratings.

- **Issues:**

- Absence of uniformity among Indian rating agencies: The typical Indian investor is unable to understand the numerous credit ratings that are in use in India since there is no uniformity among the credit rating organisations.
- The lack of uniformity in rating and in the fee structure for rating agencies is one of the primary issues in India.
- One of the major flaws in Indian credit ratings is their inability to distinguish between equity instruments and mutual funds.
- Credit ratings are unreliable in India. Even businesses in India with excellent credit ratings have failed, and there is no fix for this. As an example, neither SEBI nor the RBI were able to protect the investors when CRB Capital Markets, which had an A credit rating and an annual income of Rs. 1,000 crores, failed.
- The Indian credit rating agency lacks transparency.
- The nation has experienced stock fraud and the demise of CRB Capital Markets since the creation of credit rating agencies. This merely puts doubt on the effectiveness of credit rating agencies.
- Credit rating agencies must take all reasonable steps to inform the relevant authorities of any weaknesses and drawbacks of the companies they are analysing.

- A conflict of interest results from the "issuer-pays" model, in which the issuer pays the CRA's fees directly. Investor-pays must be incorporated into the model. Comparison of prices and issues of choice.
- Due to the low number of credit rating agencies (CRAs) and high entry barriers, there is no competition in India.
- There is no mechanism to hold CRAs accountable by asking them "who will assess the rating agency".
- **How to Proceed:**
- In order to minimise conflicts of interest, CRAs should avoid delivering consulting services to the rated corporations directly or through subsidiaries. SEBI may look at this as part of its regulatory processes for protecting investors.
- Rating agencies should refrain from issuing ratings based on incomplete information, even if doing so means avoiding that obligation.
- To reduce subjectivity and cognitive bias, CRAs should operate under a defined fee structure that limits competition to quality rather than pricing and increases the objectivity of rating models.
- Government should create a surveillance plan that demands stringent supervision of a perfect score.
- Improve CRA responsibility to better protect clients; Sebi intervention is necessary here by tying some monetary or commercial consequences. For example, preventing a particular CRA from re-rating a business that defaulted over a certain threshold and for a certain period of time.

*Source → The Hindu*

### **3 – RTI:**

#### **GS II**

#### **Topic → Government Policies and Interventions**

- **Historical Perspective:**
- After the International Declaration of Human Rights was ratified in 1948, everyone gained access to knowledge and ideas via any media, regardless of where they were located.

- Everyone has the right to freedom of expression, which includes the ability to access and disseminate information and ideas of all kinds, according to the 1966 International Covenant of Civil and Political Rights.
- Thomas Jefferson believed that knowledge is the "currency of democracy" and is crucial for the establishment and growth of a functioning civil society. The Indian Parliament did however create the Right to Information Act, 2005 in an effort to provide people with a useful framework to secure information as a matter of right.
- According to the Supreme Court's ruling in the 1986 case of Mr. Kulwal v. Jaipur Municipal Corporation, citizens cannot fully use the freedom of speech and expression guaranteed by Article 19 of the Constitution. This was the beginning of the RTI law.

- **Objectives:**

- to increase the people's power.
- to encourage accountability and openness.
- so as to avoid corruption.
- to increase the participation of citizens in the democratic process.

- **Why did the Information Act pass into law?**

- corruption and scandals.
- Widespread action and pressure.
- The information society and modernization.

- **How the Act functions:**

- Section 1(2): Except for Jammu and Kashmir, it is applicable to the entirety of India.
- Any material, regardless of its format, is referred to as "information" in Section 2(f), including documents such as memoranda, emails, press releases, circulars, orders, logbooks, contracts, reports, papers, samples, and models. In conformity with any other law now in effect, it also contains information about any private body that may be accessible by a public authority.
- "Right to Information" refers, in accordance with Section 2(j), to the legal right to access information that is maintained by or under the control of any public body and is made accessible pursuant to this Act. You have the right to inspect any work, record, or document, make notes about it, extract it, have a certified copy produced of it, and receive certified samples of the items you wish to examine thanks to this privilege. Accessing information on diskettes, floppies, tapes, video cassettes, or in any other format is similarly protected by this right.

- **Public Authority:**

- Any institution of self-government that has been created or created is a "public authority":
- By the Constitution; by any other law enacted by the federal or state legislatures; or by any other law.
- By declaration or order made by the relevant government, which also includes any body it controls, heavily finances, or owns. This includes non-governmental organisations.

*Source → The Hindu*

## 4 – Vulture Conservation in India:

### GS III

#### Topic → Environmental Conservation

- **About:**

- It belongs to one of the 22 species of large carrion-eating birds, most of which are located in tropical and subtropical areas.
- They play a vital part in keeping the environment free of waste by acting as nature's garbage collectors.
- Also, vultures play a significant part in controlling animal diseases.
- The nine vulture species that can be found in India are the Oriental white-backed, Long-billed, Slender-billed, Himalayan, Red-headed, Egyptian, Bearded, Cinereous, and Eurasian Griffon.
- The bulk of these nine species face extinction.
- The Bearded, Long-billed, Slender-billed, and Oriental White-backed bird species are all listed as being protected under Schedule 1 of the Wildlife Protection Act of 1972. Rest periods are protected by Schedule IV.

- **Threats:**

- Poisoning from diclofenac, a drug used to treat animals.
- Habitat destruction brought on by human activity.
- Food contamination and scarcity.
- Persons electrocuted by power lines.

- **Efforts for conservation:**

- The Vulture Action Plan 2020–25 was unveiled by the Ministry for Environment, Forestry, and Climate Change with the goal of vulture conservation in the country.
- Diclofenac usage would be kept to a minimal, and cow carcasses—the main source of food for vultures—would not be contaminated.
- In order to look into the causes of vulture deaths in India, the VCC was founded in Pinjore, Haryana, in 2001.
- Later in 2004, the VCC was enlarged to create the first Vulture Conservation and Breeding Center in the nation (VCBC).
- There are currently nine Vulture Conservation and Breeding Centers (VCBC) in India, three of which are directly managed by the Bombay Natural History Society (BNHS).

*Source → The Hindu*



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