



TM  
**INDIA 4 IAS**

*For success in a changing world*

## **DAILY CURRENT AFFAIRS 01-08-2024**

### **GS-2**

1. Cultural Property Agreement

### **GS-3**

2. Liquidity Coverage Ratio (LCR)

3. What is Capital gains?

4. Caller ID spoofing

5. Asian Disaster Preparedness Centre (ADPC)

# Cultural Property Agreement

**Syllabus:** GS-2: Bilateral Relations – India-USA.

## **Context:**

- *India and the US signed a deal on cultural property on July 26, 2024.*

## **Purpose of the Agreement**

*The Cultural Property Agreement between the United States and India aims to:*

1. **Justice:** *Ensure the return of cultural items that belong to India.*
2. **Cultural Exchange:** *Promote global understanding of Indian culture and highlight its significance to human history.*

## **Signatories and Background**

- **Signatories:** *U.S. Ambassador Eric Garcetti and Indian Union Culture Secretary Govind Mohan.*
- **Witness:** *Gajendra Singh Shekhawat, Minister of Culture.*
- **Background:** *The agreement was signed after nearly two years of negotiations between experts from both countries.*

## **International Framework**

- **UNESCO Convention of 1970:** *The agreement aligns with this convention, which aims to prevent the illegal export and import of cultural property.*
- **U.S. Bilateral Agreements:** *The U.S. has 29 bilateral agreements on cultural property, demonstrating its commitment to protecting global cultural assets.*

## **Statements of Commitment**

- **Ambassador Garcetti:** *Emphasized the importance of the agreement for justice and cultural understanding. Reaffirmed the U.S. commitment to preserving global cultural heritage and promoting Indian culture.*

## **Significance**

- **Collaboration:** *The agreement is a significant step toward collaborative efforts to combat the illegal trade of cultural items.*
- **Protection and Honor:** *Aims to protect and honor cultural history for future generations.*

## Liquidity Coverage Ratio (LCR)

**Syllabus: GS-3; Economy**

### **Context**

- Reserve Bank of India's (RBI) proposed new norms tightening **LCR (Liquidity Coverage Ratio)** may lead to a short-term slowdown in credit growth and a cut in Net Interest Margins(NIM), according to two credit rating agencies.

### **More information**

- The RBI's draft changes in LCR, refers to the maximum limit of high-quality liquid assets (HQLA) banks must hold to pay off short-term liabilities.
- The LCR in Q4 FY24 was 130%. This would drop to 113% to 116% when the norms kicked in, observed ICRA.
- The order is likely to become effective from April 1, 2025.
- The change would mean banks would have to shore up more to compensate for the cut in deposits.
- In the long run, however, the norms would likely raise banks' resilience.

### **About**

- The Liquidity Coverage Ratio (LCR) is a global standard designed to ensure that financial institutions maintain an adequate level of unencumbered, **high-quality liquid assets (HQLA)** that can be converted into cash to meet their liquidity needs for a 30-calendar day liquidity stress scenario.
- This ratio is a key component of the Basel III regulatory framework established by the **Basel Committee on Banking Supervision (BCBS)** in response to the 2008 financial crisis.

### **Objective**

- The primary objective of the LCR is to promote the short-term **resilience of a bank's liquidity risk profile**.
- By ensuring that banks have a sufficient stock of high-quality liquid assets, the LCR aims to reduce the risk of a bank run or liquidity crisis.

### **Components of LCR**

- **High-Quality Liquid Assets (HQLA):** These are assets that can be easily and quickly converted into cash with little or no loss of value. HQLA are divided into two categories:
  - **Level 1 Assets:** These include cash, central bank reserves, and government securities. They are highly liquid and can be easily converted into cash.

- **Level 2 Assets:** *These include certain corporate bonds and covered bonds. They are subject to haircuts and limits to ensure their liquidity.*
- **Total Net Cash Outflows:** *This is the total expected cash outflows minus total expected cash inflows over the next 30 calendar days. The calculation of outflows and inflows is based on specific stress scenarios defined by the regulator.*

## Implementation and Phases

*The implementation of the LCR was phased in gradually:*

- *2015: Initial implementation with a requirement of 60% compliance.*
- *2016 to 2018: Incremental increases in compliance requirement by 10% each year.*
- *2019 onwards: Full implementation with a 100% compliance requirement.*

## Importance and Benefits

- **Enhances Liquidity Risk Management:** *By holding sufficient liquid assets, banks can manage their liquidity risk more effectively.*
- **Promotes Stability:** *The LCR helps prevent liquidity crises that can lead to bank runs and broader financial instability.*
- **Boosts Confidence:** *Ensuring that banks can meet their short-term obligations enhances the confidence of depositors and investors.*
- **Harmonization:** *It provides a standardized measure of liquidity risk across different jurisdictions, promoting global financial stability.*

## Challenges and Criticisms

- **HQLA Availability:** *Some banks may struggle to maintain sufficient HQLA, particularly in less developed financial markets.*
- **Profitability Impact:** *Holding high levels of liquid assets, which typically yield lower returns, can impact a bank's profitability.*
- **Operational Complexity:** *The LCR requires sophisticated risk management systems and processes, which can be complex and costly to implement.*

## Conclusion

- *The Liquidity Coverage Ratio is a critical regulatory measure designed to ensure that banks maintain adequate liquidity to withstand short-term stress scenarios.*
- *By promoting better liquidity risk management and enhancing the stability of the financial system, the LCR plays a vital role in safeguarding the global economy against future financial crises.*
- *However, its implementation does pose certain challenges, which need to be managed effectively by financial institutions and regulators.*

## What is Capital gains?

**Syllabus: GS-3; Economy**

### **Context**

- *Capital gains is the fastest growing income class, can be taxed higher: Finance Secretary TV Somanathan*

### **About**

#### **Definition**

- **Capital gain** is the profit realized when an asset is sold for more than its purchase price.
- **Capital asset** is any property held by an individual, not for personal use, but for investment or business purposes.

#### **Types of Capital Gains**

- **Short-term capital gain:** Profit from assets held for one year or less.
- **Long-term capital gain:** Profit from assets held for more than one year.

#### **Taxation of Capital Gains**

- Generally, long-term capital gains are taxed at a lower rate than short-term capital gains.
- Tax rates vary depending on the country and individual income.

#### **Key Terms**

- **Realized gain:** Profit made from the actual sale of an asset.
- **Unrealized gain:** Potential profit if the asset were sold at the current market price but hasn't been sold yet.
- **Capital loss:** Loss incurred when an asset is sold for less than its purchase price.

#### **Know more**

- Capital gains are typically taxable income.
- Some countries offer tax exemptions or deductions for specific types of capital gains.
- Understanding the tax implications of capital gains is crucial for investment planning.

## Caller ID spoofing

**Syllabus: GS-3; Science & Technology**

### **Context**

- *A Lancaster County Police Department is warning the public about an ongoing caller ID spoofing scheme.*

### **About**

- **Caller ID spoofing is a deceptive practice where a caller deliberately falsifies the information displayed on the recipient's caller ID to disguise their true identity.**
- *This allows scammers to manipulate the caller ID to appear as a trusted source, such as a bank, government agency, or a familiar phone number.*

### **How it works**

- **Display manipulation:** *The caller uses technology to alter the information sent to the recipient's phone system, causing the caller ID to show a different number or name.*
- **Social engineering:** *Scammers often exploit trust by impersonating legitimate entities to gain personal information or induce actions like money transfers.*

### **Risks**

- **Phishing scams:** *Scammers may trick victims into revealing sensitive information like passwords, bank details, or credit card numbers.*
- **Financial loss:** *Victims can suffer significant financial losses due to unauthorized transactions or fraudulent activities.*
- **Identity theft:** *Stolen personal information can be used to create fake identities and commit further crimes.*
- **Harassment and stalking:** *Spoofed calls can be used to harass or stalk individuals.*

### **Protection**

- **Be cautious:** *Avoid answering calls from unknown numbers or suspicious callers.*
- **Verify information:** *If you receive a call claiming to be from a trusted source, verify the information independently before taking any action.*
- **Use call screening:** *Many phones offer call screening features to identify and block unwanted calls.*
- **Keep software updated:** *Ensure your phone's operating system and apps are up-to-date with the latest security patches.*

## Asian Disaster Preparedness Centre (ADPC)

---

## **Syllabus: GS-3: Disaster Management.**

### **Context:**

- *India will lead the Asian Disaster Preparedness Center (ADPC) from 2024 to 2025, taking over from China on July 25, 2024, in Bangkok, Thailand.*

### **Significance of India's Leadership**

- **Global and Regional Importance:** *India's leadership in the ADPC highlights its growing influence in disaster management efforts at both global and regional levels.*
- **Commitment to DRR:** *Under Prime Minister Narendra Modi, India has intensified its focus on disaster risk reduction (DRR) and climate resiliency, solidifying its position as a key player in these areas.*

### **The Coalition for Disaster Resilient Infrastructure (CDRI)**

- **Initiative by India:** *Launched by Prime Minister Modi, the CDRI aims to enhance the resilience of infrastructure to disasters.*
- **Global Leadership:** *This initiative underscores India's proactive role in promoting disaster-resilient communities globally.*

### **About the Asian Disaster Preparedness Centre (ADPC)**

- **Capacity Building and Training:**
  - **Scope:** *ADPC operates in 14 Asian countries.*
  - **Objective:** *To enhance disaster resilience through comprehensive training and capacity-building programs.*
  - **Focus:** *Equipping local governments, communities, and organizations with the skills and knowledge to manage disaster risks effectively.*
- **Technological Integration and Early Warning Systems:**
  - **Emphasis on Technology:** *Promotes the use of technology to improve early warning systems.*
  - **Impact:** *Ensures accurate and timely information dissemination during crises, enabling better disaster response and reducing disaster impacts.*