



Daily Current Affairs



To The Point by Dhananjay Gautam

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1 RBI Retains SBI, HDFC, ICICI as Domestic Systemically Important Banks (D-SIBs) in 2024

Context: The Reserve Bank of India (RBI) has once again classified State Bank of India (SBI), HDFC Bank, and ICICI Bank as Domestic Systemically Important Banks (D-SIBs) for 2024. This means these banks are considered "Too Big To Fail", with their stability being critical to the financial system. If any of these institutions were to fail, the consequences would be severe, potentially leading to widespread economic disruption.

What Are Domestic Systemically Important Banks (D-SIBs)?

D-SIBs are banks that are deemed so significant to the economy that their failure could create widespread financial instability. These banks are highly integrated into global and local financial systems and hold complex financial structures. Therefore, their operational continuity is vital for ensuring **economic stability** and **public confidence** in the financial system.

Key Characteristics of D-SIBs:

- **High Integration:** These banks are involved in a range of **cross-jurisdictional activities** and have a broad impact on both local and global financial markets.
- **Government Support:** D-SIBs are expected to receive **government bailouts** during financial crises to prevent catastrophic disruptions in the financial system. This "Too Big to Fail" status can result in these banks facing fewer risks in the funding markets but also creates moral hazard, encouraging excessive risk-taking.

The RBI Framework for D-SIBs:

To manage the risks associated with D-SIBs, the RBI issued a **framework** in **July 2014**, with the following goals:

- **Annual Disclosure:** The list of D-SIBs is disclosed annually, with specific **capital requirements** and **risk regulations** to mitigate systemic risks.
- **Systemic Importance Score (SIS):** The banks are categorized into **buckets** based on their SIS, which determines the **additional capital** they must maintain. The higher the SIS, the higher the capital surcharge.

Capital Requirements for D-SIBs:

To safeguard against potential financial distress, D-SIBs must hold additional **Common Equity Tier 1 (CET1)** capital. This requirement ranges from **0.20% to 0.80%** of their **Risk-Weighted Assets (RWAs)**, depending on their assigned bucket.

- **SBI (Bucket 4): 0.80%** additional CET1 capital
- **HDFC Bank (Bucket 3): 0.40%** additional CET1 capital
- **ICICI Bank (Bucket 1): 0.20%** additional CET1 capital

These capital buffers help ensure that these banks have the financial resilience to absorb shocks and continue operations during financial stress.

Two-Step Process for Assessing D-SIBs:

The RBI uses a two-step process to evaluate the systemic importance of banks:

1. **Bank Selection:** Only large banks (those whose size exceeds 2% of the country's GDP) are considered for evaluation. Smaller banks are excluded from this assessment.
2. **Score Calculation:** Various financial and operational indicators are used to calculate a **composite score** for each bank. If a bank surpasses a predefined threshold, it is classified as a D-SIB and placed in one of the buckets.

Which Banks are Classified as D-SIBs in 2024?

The RBI has reaffirmed SBI, HDFC Bank, and ICICI Bank as D-SIBs for 2024, continuing their inclusion from the previous year. Here's a breakdown of their positions:

- **SBI:** Placed in **Bucket 4** (highest risk category)
- **HDFC Bank:** Placed in **Bucket 3**
- **ICICI Bank:** Placed in **Bucket 1**

These banks have been classified as D-SIBs for several years, with:





- **SBI** being first designated in **2015**
- **ICICI Bank** in **2016**
- **HDFC Bank** in **2017**

International Considerations: G-SIBs and India:

Foreign banks operating in India that are classified as **Global Systemically Important Banks (G-SIBs)** are also subject to additional CET1 capital requirements, proportional to their **Risk-Weighted Assets (RWAs)** in India. Notable **G-SIBs** for 2023 include **JP Morgan Chase, Bank of America, HSBC, and Citigroup**, among others.

Conclusion:

The **RBI's designation** of SBI, HDFC, and ICICI as **D-SIBs** underscores their pivotal role in India's financial ecosystem. By maintaining higher capital reserves and adhering to strict regulatory guidelines, these banks are better positioned to withstand financial stress, ensuring the stability of the broader economy. Their continued classification as **Too Big to Fail** highlights their importance and the ongoing need for vigilant oversight in a rapidly evolving financial landscape.



2

Novo Nordisk Calls for FDA Action to Halt Compounded Versions of Semaglutide Drugs

Context: Novo Nordisk, the Danish pharmaceutical leader behind the widely used drugs **Wegovy** (for weight loss) and **Ozempic** (for type 2 diabetes treatment), has formally requested that the **U.S. Food and Drug Administration (FDA)** take action to prevent the compounding of **semaglutide-based** medications. The company warns that the **compounded versions** of these drugs, made to meet high demand, could pose **serious health risks** to patients, prompting concerns over **safety and efficacy**.

**Comparing Generic and Compounded Drugs:**

Generic drugs are officially approved medications that are chemically identical to the brand-name versions, undergoing rigorous regulatory oversight. They must meet strict standards for **purity, bioavailability** (how effectively the drug is absorbed into the bloodstream), and **dosage accuracy**.

In contrast, **compounded drugs** are personalized medications created by pharmacists to meet a specific patient's needs, often when the commercial version is unavailable. However, these compounded versions are subject to less stringent regulation, leading to potential **quality control issues**.

Key Issues in Drug Compounding:

- Limited Regulations:** Under FDA guidelines, licensed pharmacists are permitted to compound drugs, particularly when commercial options are out of stock. With the increasing demand for **Wegovy** and **Ozempic**, compounding pharmacies have begun producing their own versions of **semaglutide**, sparking concerns from **Novo Nordisk** and other pharmaceutical companies.
- Purity and Stability Risks:** Semaglutide has a **complex chemical structure**, making it difficult to replicate accurately. **Compounded versions** may fail to match the purity or stability of the FDA-approved products, which could undermine their effectiveness and safety.
- Dosing Inaccuracies:** The FDA-approved semaglutide is delivered through **single-use pens**, ensuring **precise dosing**. However, compounded versions are often dispensed in **multi-dose vials or syringes**, leading to the risk of **incorrect dosing**. Reports have surfaced of patients **overdosing**, resulting in serious side effects such as **nausea and vomiting**.
- Health Risks:** Semaglutide's **bioavailability** (how well the drug is absorbed into the bloodstream) is critical for its effectiveness. **Compounded versions** may not be absorbed properly, diminishing the drug's effects and increasing the risk of severe complications such as **heart disease, nerve damage, and kidney issues**.
- Contamination Concerns:** Compounded drugs require **sterile environments** and careful handling to prevent contamination. Recent years have seen the **FDA flag sterility issues** at compounding pharmacies, resulting in significant recalls of affected products.

Proposed Solution to Address Issues with Drug Compounding:

Adding Semaglutide to the DDC List: To mitigate these risks, **Novo Nordisk** has petitioned the **FDA** to add **semaglutide** to the **Demonstrable Difficulties for Compounding (DDC)** list. This would restrict the compounding of semaglutide when **commercial options** are available, ensuring that patients only use the **FDA-approved** version.

The FDA assesses drugs for the DDC list based on factors such as:

- **Stability**
- **Bioavailability**
- **Dosage accuracy**
- **Sterility requirements**

Novo Nordisk argues that **semaglutide** meets all of these criteria, making it a poor candidate for compounding due to the **complexity and risks involved**.

Conclusion:

Novo Nordisk's call for FDA action highlights the growing concerns around **compounded versions** of **semaglutide**, which may compromise **patient safety**. By placing semaglutide on the **DDC list**, the FDA would help ensure that patients receive a consistent, **safe**, and **effective** medication.

3

Booker Prize: Celebrating Literary Excellence

Context: In a remarkable achievement, **Samantha Harvey**, a British author, has won the **Booker Prize 2024** for her extraordinary novel "**Orbital**". This captivating, **short**, and **wonder-filled** narrative takes place aboard the **International Space Station (ISS)**, offering readers a unique perspective and an unforgettable literary experience.



What is the Booker Prize?

The **Booker Prize** stands as the **world's foremost literary award** for a single work of **fiction**. Since its inception in **1969** in the **UK**, it has grown to be a prestigious global award, initially focused on **Commonwealth writers** but now open to authors from anywhere in the world, as long as their work is written in **English**.

- **Purpose:** The prize seeks to **celebrate exceptional fiction** by rewarding the **best novel of the year**.

Eligibility Criteria:

To be eligible for the Booker Prize, a novel must meet the following conditions:

- **Language:** The novel must be an **original work** written in **English**, not a translation.
- **Publication:** It must be **published in the UK or Ireland** during the year of the prize.

Imprint: The novel must be published by a **registered UK or Irish imprint** (self-published works are excluded).

Prize Award and Recognition:

- **Winner's Prize:** The **Booker Prize** winner receives **£50,000** in recognition of their literary achievement.
- **Shortlisted Authors:** Authors who make the shortlist each receive **£2,500**, recognizing their contribution to the literary world.

The Booker Prize Foundation:

The **Booker Prize Foundation**, a **registered charity** established in **2002**, is responsible for managing the **Booker Prize for Fiction** and the **Man Booker International Prize** (since 2005). The foundation ensures the continued celebration of literary excellence and provides a platform for global recognition of authors. The **Booker Prize** continues to honor **outstanding talent** in fiction and plays a pivotal role in promoting **the finest writers** from across the globe.

4

Wildlife Institute of India (WII): Championing Wildlife Conservation

Context: The Wildlife Institute of India (WII) is at the forefront of wildlife science and conservation in India. Recently, WII experts have highlighted the success of the ambitious 'Project Cheetah' in Kuno National Park, Madhya Pradesh, showcasing the institute's pivotal role in biodiversity management.

About the Wildlife Institute of India (WII):

Foundation and Status:

Established in 1982, the WII is an **autonomous institution** under the **Ministry of Environment, Forests, and Climate Change**. It was created to advance **wildlife science** and provide solutions for **biodiversity conservation** in India.

Location:

- Situated in **Dehradun, Uttarakhand**, WII is uniquely positioned alongside the **Rajaji National Park**.
- Recognized **internationally**, it provides **training programs, academic courses**, and expert advisory services on **wildlife research and management**.

Objectives of WII:

1. **Enhancing Scientific Knowledge:** Developing and disseminating scientific insights about **India's wildlife resources**.
2. **Training for Conservation:** Offering specialized training programs for **personnel at various levels** in wildlife conservation and management.
3. **Innovative Research:** Conducting **research projects** to develop techniques suited to **Indian ecosystems**.
4. **Expert Advisory Services** Providing critical advice on **wildlife management challenges**.
5. **International Collaboration:** Working closely with **global organizations** to enhance research, training, and management practices.
6. **Regional Excellence:** Establishing itself as a **regional hub** of international importance for **wildlife and natural resource conservation**.

Key Areas of Research and Activities:

The WII's research focuses on diverse areas, including:

- **Biodiversity Studies**
- **Wildlife Policy**
- **Endangered Species Conservation**
- **Forensic Wildlife Research**
- **Wildlife Management**
- **Eco-Development**
- **Spatial Modelling**
- **Climate Change Studies**

Governance and Oversight:

The WII's governing board is chaired by the **Union Minister for Environment, Forests, and Climate Change**. It includes representatives from:

- **Central and State Governments**
- **Research Institutions**
- **Academic Bodies**

Conclusion:

The **Wildlife Institute of India (WII)** continues to play a vital role in protecting and preserving India's rich biodiversity. Through its **cutting-edge research, innovative training programs**, and **global partnerships**, WII is driving the nation's efforts to achieve sustainable **wildlife conservation** and inspire a harmonious coexistence between humans and nature.



5 Bitcoin Surges to Record High Following Trump's Presidential Win

Context: Bitcoin, the largest cryptocurrency globally, has skyrocketed to an **all-time high** after Donald Trump's groundbreaking victory in the US presidential elections. This milestone reflects the growing significance of cryptocurrencies in the financial world.

Understanding Cryptocurrency:**What is Cryptocurrency?**

Cryptocurrency refers to a form of **digital or virtual currency** that employs **cryptography** to ensure security, making it resistant to counterfeiting and double-spending.

- Operates on **decentralized blockchain networks**, a secure and transparent digital ledger.
- Functions without centralized control, offering immunity to **government interference or manipulation**.

Key Features of Cryptocurrency:

- Decentralization:** Most cryptocurrencies run on **blockchain networks**, ensuring no single entity governs the system.
- Enhanced Security:** **Blockchain technology** uses consensus mechanisms like **Proof of Work (PoW)** and **Proof of Stake (PoS)** to safeguard transactions.
- Transparency and Anonymity:** Offers visible transaction records while maintaining **user anonymity**.
- Global Accessibility:** Enables seamless cross-border transfers without the need for **currency exchange or excessive fees**.
- Ownership:** Cryptocurrency owners retain **full control** over their digital assets via **secure wallets** protected by private keys.

The Power of Blockchain Technology:

- Blockchain** is a **distributed ledger system** that maintains transaction security and transparency.
- Uses **consensus algorithms** to validate transactions, ensuring only authentic ones are added to the ledger.

Challenges Facing Cryptocurrencies:

- Regulatory Uncertainty:** The lack of clear regulations creates fragmented markets, stifles innovation, and exposes investors to risks.
- Market Volatility:** Cryptocurrencies are notorious for **wild price fluctuations**, posing financial risks for investors.
- Limited Consumer Protections:** Fraud and scams remain rampant, with few avenues for recovering lost funds.
- Environmental Concerns:** Energy-intensive mining processes, particularly for **Bitcoin**, raise sustainability issues.

India's Approach to Cryptocurrencies:**Taxation Policies:**

- The Indian government introduced a **30% tax** on cryptocurrency income in 2022, along with a **1% TDS** on transactions.
- These measures have **reduced domestic enthusiasm** for crypto trading.

Regulatory Landscape:

- In 2018, the **Reserve Bank of India (RBI)** restricted banks from facilitating crypto transactions, citing **macro-economic risks**.
- The **Supreme Court** overturned this decision in 2020, providing a much-needed boost to the sector.

Way Forward for Cryptocurrency in India:

- Comprehensive Regulation:** Develop clear and balanced policies addressing security and consumer protection while defining cryptocurrencies' legal status.
- Investor Awareness:** Promote education on the **risks and opportunities** associated with digital assets.
- Global Collaboration:** Foster international partnerships to align **regulations and technical expertise** for the crypto ecosystem.

Cryptocurrencies, led by **Bitcoin**, continue to revolutionize the financial landscape. While challenges remain, strategic policies and investor awareness can pave the way for a **secure, inclusive, and innovative financial future**.



6

Exercise Sea Vigil-24: A Pan-India Coastal Defence Initiative

Context: The Indian Navy is gearing up for the **fourth edition** of the national-level coastal defence exercise, 'Sea Vigil-24', scheduled to take place on **20th and 21st November 2024**. This comprehensive drill underscores India's commitment to strengthening its maritime security postures.

What is Exercise Sea Vigil?**Introduction:**

Exercise Sea Vigil, first conceptualized in **2018**, is a **national-level coastal defence exercise** designed to evaluate and enhance **India's maritime security mechanisms** post the 26/11 Mumbai attacks.

Objective:

The exercise activates the **Coastal Security apparatus** across India, thoroughly assessing the nation's **Coastal Defence framework**.

Key Features of Sea Vigil-24:1. **Multi-Agency Collaboration:**

- This year's exercise involves **six Ministries** and **21 organizations/agencies**, emphasizing a **collaborative approach** to coastal defence.

2. **Focus Areas:**

- Protection of **critical coastal assets** such as **ports, oil rigs, Single Point Moorings, Cable Landing Points**, and vital **coastal infrastructure**.

3. **Involvement of Other Services:**

- Integration of the **Indian Army** and **Indian Air Force** along with extensive deployment of ships and aircraft enhances the **tempo and scope** of the exercise.

4. **Engagement of Coastal Communities:**

- Actively involves **fishing communities**, the **coastal population**, and students from **NCC** and **Bharat Scouts and Guides** to raise **maritime security awareness**.

Significance of Exercise Sea Vigil:

- **Holistic Security Assessment:** The drill serves as a platform for a **comprehensive review** of India's coastal security infrastructure and maritime preparedness.
- **Community Involvement:** Encouraging active participation from **local communities** helps in fostering a **shared sense of responsibility** toward maritime security.
- **National-Level Initiative:** **Sea Vigil**, coordinated by the **Indian Navy**, is a **unique initiative** that brings together all maritime stakeholders for a synchronized security effort.
- **Precursor to TROPEX:** This exercise acts as a **precursor** to the **Theatre Level Readiness Operational Exercise (TROPEX)**, conducted biennially by the Indian Navy to ensure comprehensive operational readiness.

Conclusion:

Exercise Sea Vigil-24 is a critical step in reinforcing **India's maritime defence capabilities**. By integrating various agencies, leveraging technology, and engaging coastal communities, it stands as a testament to India's unwavering commitment to safeguarding its **maritime frontiers**.

