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NEWS JUICE

Intelligent Compilation from The Hindu, Indian Express & others along with News Background

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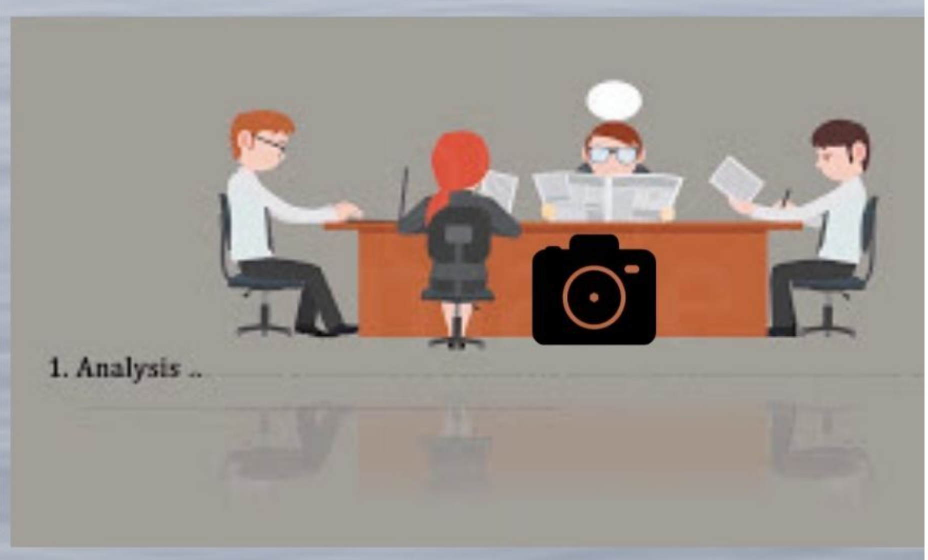
BY PREPMATE



1. Understanding the Organisation of Islamic Cooperation

Relevant for GS Prelims & Mains Paper II; International Organisations

On June 5, the General Secretariat of the Organisation of Islamic Cooperation (OIC) “condemned and denounced” the comments on Prophet Muhammed made by two erstwhile national spokespersons of the Bharatiya Janata Party (BJP). Referring to it as part of “growing spate of hatred and defamation of Islam in India”, it sought that the perpetrators are bought to justice and held accountable. In response, Arindam Bagchi, spokesperson at the Ministry of External Affairs, stated that India rejected the OIC Secretariat’s “unwarranted” and “narrow-minded” comments. He said that the views expressed by the two individuals did not reflect the views of the Indian government and that relevant authorities had already initiated strong actions against them.

What is the OIC?

The OIC claims to be the “collective voice of the Muslim world”. It was established at a 1969 summit in Rabat (Morocco) after what it describes as the ‘criminal arson’ of Al-Aqsa Mosque in the disputed city of Jerusalem. The OIC endeavours to establish solidarity among member states, support restoration of complete sovereignty and territorial integrity of any member state under occupation; protect, defend and combat defamation of Islam, prevent growing dissention in Muslim societies and work to ensure that member states take a united stand at the UN General Assembly, Human Rights Council and other international fora.

The OIC has consultative and cooperative relations with the UN and other inter-governmental organisations to protect the interest of Muslims, and settle conflicts and disputes involving member states, among them being the territorial conflict between Armenia and Azerbaijan and the status of Jammu & Kashmir. Presently based in Jeddah, the organisation plans to permanently move its headquarters to East Jerusalem once the disputed city is ‘liberated’. Moreover, it aspires to hold Israel accountable for ‘war crimes’ and violations of international law.

The organisation adheres to a charter that lays out its objectives, principles and operating mechanism. First adopted in 1972, the charter has been revised multiple times in line with emerging conditions in the developing world. The present charter was adopted in March 2008 at Dakar in Senegal. It enshrines that all members be guided and inspired by the noble Islamic teachings and values alongside committing themselves to the purposes and principles of the UN charter. Member states are expected to uphold and promote good governance, democracy, human rights, fundamental freedom and the rule of law — settling disputes through peaceful means and refraining from the use of threat or force.

In addition, the OIC carves out a 10-year Programme of Action (PoA). Last instituted for the decade ending 2025, the PoA calls for measures to combat all aspects of terrorism globally. It also talks of implementing social schemes to eliminate two-thirds of extreme poverty and spurring industrialisation, investment, trade and overall economic and social growth among member states.

How does the OIC function?

The Islamic Summit, composed of Kings and heads of state, is the supreme authority of the organisation. Convening every two years, it deliberates, takes policy decisions, provides guidance on issues relevant to the organisation and considers issues of concern to the member states. The Council of Foreign Ministers is the chief decision-making body and meets annually to decide on how to implement the OIC’s general policies. In addition, this council also appoints, for a period of five years, the Secretary General, who is the chief administrative officer of the grouping. The Secretary General follows up on implementation of the decisions, directs attention to competent organs’ specific issues of concern, creates a channel for coordination among the varied organs and submits annual reports on the work undertaken. Former Foreign Affairs Minister of Chad, Hissein Brahim Taha, is the current Secretary General, taking up the role in November 2021.

UN members with a Muslim majority can join the organisation. The membership is to be ratified with full consensus at the OIC's Council of Foreign Ministers. The same provisions apply for acquiring an observer status. All decision-making in the forum requires a quorum defined by the presence of two-thirds of the member states and complete consensus. In case a consensus cannot be reached, decisions shall be made by a two-thirds majority of members present and voting.

The OIC is financed by the member states proportionate to their national incomes. Should a member fail to meet their obligations such that the amount of arrears equals or exceeds the amount of contributions due from it for the preceding two years, their voting rights are suspended. The member is only allowed to vote if the Council of Foreign Ministers is satisfied that the failure is due to conditions beyond the member's control. The OIC also has standing committees for cooperation on information and cultural affairs, economic and commercial matters, scientific and technological initiatives and for Jerusalem.

What has been the nature of India's relationship with the OIC?
India's association with the 57-nation grouping has not been easy. Even though the country has good relations with the United Arab Emirates (UAE) and Saudi Arabia, its membership and engagement has been constantly challenged by Pakistan. In 1969, Islamabad's opposition to Indian participation at the first OIC Plenary resulted in the Indian delegation being turned back from the venue at the last minute.

About 50 years later, External Affairs Minister Sushma Swaraj addressed the OIC Plenary of Foreign Ministers in Abu Dhabi as a guest of honour. The invitation was extended by the UAE's Foreign Minister Sheikh Abdullah bin Zayed Al Nahyan. In 2018, Bangladesh had proposed India be given the observer status at the OIC considering its sizeable Muslim population – a move which received support from Turkey but was opposed by Pakistan. Political analyst Ketan Mehta of the Observer Research Foundation wrote in 2019 that Islamabad's apprehension stems from the fear that India's involvement in the grouping could influence the opinion of other Muslim states — not boding well for its influence.

What have been the criticisms against the OIC grouping?
Brookings Institution analyst Turan Kayaoglu wrote in 2020 that the OIC had become a premise for 'window dressing', more interested in the rights of Muslim minorities in places such as Palestine or Myanmar than the human rights violations of its member states. The author noted that the body lacks power and resources to investigate human rights violations or enforce its decisions through signed treaties and declarations.

Experts have also pointed to the fact that the organisation is largely restricted to arbitrating in conflicts where both parties are Muslims. This is because the organisation is centred around Quranic values, which, it believes, makes it a qualified arbitrator. The according of observer status at the UN to the Palestine Liberation Organisation is considered among its major successes.

Al Sharq Forum analyst Abdullah al-Ahsan, in an article in 2019 — the 50th anniversary of the organisation— noted that the OIC has failed to establish a cooperative venture among its members, who were either capital-rich and labour-scarce countries or manpower-rich and capital scarce. "...the organization has not evolved to become a significant player either in international politics or in the area of economic cooperation," Mr. Al-Ahsan wrote.

Source: The Hindu

2. The FATF and Pakistan's position on its 'grey list'

Relevant for GS Prelims & Mains Paper II; International Organisations

Ahead of the plenary session of the Financial Action Task Force (FATF), the global financial crime watchdog, from June 14 to 17 in Berlin, Pakistan which continues to face an economic crunch, is hoping for some respite in the form of its removal from the FATF's 'grey list' or the list of countries presenting a risk to the global financial system.

In its last plenary meeting in March, the FATF had retained Pakistan's listing, asking it to expeditiously address the remaining deficiencies in its financial system.

What is the FATF?
The Financial Action Task Force is an international watchdog for financial crimes such as money laundering and terror financing. It was established at the G7 Summit of 1989 in Paris to address loopholes in the global financial system after member countries raised concerns about growing money laundering activities. In the aftermath of the 9/11 terror attack on the U.S., FATF also added terror financing as a main focus area. This was later broadened to include restricting the funding of weapons of mass destruction.

The FATF currently has 39 members. The decision-making body of the FATF, known as its plenary, meets thrice a year. Its meetings are attended by 206 countries of the global network, including members, and observer organisations, such as the World Bank, some offices of the United Nations, and regional development banks.

The FATF sets standards or recommendations for countries to achieve in order to plug the holes in their financial systems and make them less vulnerable to illegal financial activities. It conducts regular peer-reviewed evaluations called Mutual Evaluations (ME) of countries to check their performance on standards prescribed by it. The reviews are carried out by FATF and FATF-Style Regional Bodies (FSRBs), which then release Mutual Evaluation Reports (MERs). For the countries that don't perform well on certain standards, time-bound action plans are drawn up. Recommendations for countries range from assessing risks of crimes to setting up legislative, investigative and judicial mechanisms to pursue cases of money laundering and terror funding.

What are FATF's 'grey' and 'black' lists?
While the words 'grey' and 'black' list do not exist in the official FATF lexicon, they designate countries that need to work on complying with FATF directives and those who are non-compliant, respectively.

At the end of every plenary meeting, FATF comes out with two lists of countries. The grey countries are designated as "jurisdictions under increased monitoring", working with the FATF to counter criminal financial activities. For such countries, the watchdog does not tell other members to carry out due-diligence measures vis-a-vis the listed country but does tell them to consider the risks such countries possess. Currently, 23 countries including Pakistan are on the grey list.

As for the black list, it means countries designated as 'high-risk jurisdictions subject to call for action'. In this case, the countries have considerable deficiencies in their AML/CFT (anti-money laundering and counter terrorist financing) regimens and the body calls on members and non-members to apply enhanced due diligence. In the most serious cases, members are told to apply counter-measures such as sanctions on the listed countries. Currently, North Korea and Iran are on the black list.

Being listed under the FATF's lists makes it hard for countries to get aid from organisations like the International Monetary Fund (IMF), Asian Development Bank (ADB), and the European Union. It may also affect capital inflows, foreign direct investments, and portfolio flows.

Why is Pakistan on the grey list?
Pakistan was retained on the grey list in March as it was yet to address concerns on the front of terror financing investigations and prosecutions targeting senior leaders and commanders of UN designated terrorist groups. Diplomatic sources in Pakistan told The Hindu that steps had been taken in this direction such as the sentencing of terror outfit chief Hafiz Saeed, prosecution of Masood Azhar, arrest of about 300

other designated terrorists, and the seizure of more than 1,100 properties owned by terror groups. India meanwhile, a member of FATF, suspects the efficacy and permanence of Pakistani actions.

Pakistan is currently banking on its potential exclusion from the grey list to help improve the status of tough negotiations with the International Monetary Fund to get bailout money.

Pakistan has found itself on the grey list frequently since 2008, for weaknesses in fighting terror financing and money laundering. In 2009, the country began to cooperate with the FATF-like regional body, Asia Pacific Group (APG), for a ME process.

On completion of the ME in June 2010, Pakistan made a “high-level political commitment” to the FATF and APG to address its strategic AML/CFT deficiencies. It was given an action plan which required demonstrating adequate criminalisation of money laundering and terrorist financing as well as showing adequate measures to identify, freeze and confiscate terrorist assets.

It was taken off the list in 2015 owing to its progress but was put back on it in 2018. It was given a 27-point action plan to restrict terror financing activities. After warnings and two deadline extensions on the first plan, Pakistan was prescribed another seven-point action plan by the APG in 2021, focused specifically on combating money laundering. In March, Pakistan informed FATF that it had completed 32 of the total 34 action items in the two plans but was retained on the list. The FATF gave it time till January 2023 to complete the 2021 plan.

Source: The Hindu

3. The crypto conundrum

Relevant for GS Prelims & Mains Paper III; Economics

Sticking true to its unpredictable nature, cryptocurrencies are registering huge losses in value. From the fall of Terra (Luna), the current bear market is showing a downfall for most cryptocurrencies like Bitcoin, Ethereum etc. In this article dated November 1, 2021, Prashanth Perumal talks about the fundamental lack of value offered by cryptocurrencies which make them risky assets as well as volatile investments.

Bitcoin and other private cryptocurrencies have been on a bull run recently. Unlike previous rallies, the current rally in bitcoin has witnessed the increasing participation of retail investors in India. Since 2020, when the Supreme Court overturned an order by the Reserve Bank of India dated April 6, 2018, restricting the use of cryptocurrencies, traffic in domestic cryptocurrency exchanges in India has grown many-fold. Yet, the future of bitcoin and other cryptocurrencies is unlikely to be as bright as many believe it to be.

A case of speculative mania?

The most important feature of cryptocurrencies that is flaunted by their enthusiasts is their limited supply. In a world where central banks create a lot of money out of thin air, it is natural for investors who are looking to protect their wealth to seek abode in alternative assets whose supply cannot be cranked up as easily. Money creation by central banks causes the price of all goods to rise and also tends to accelerate the adoption of alternative assets as currencies. When central banks create a lot of money, it leads to an increase in the prices of not just goods such as food and cars but also that of commodities such as gold and silver, considered to be alternative forms of money. Yet, for various reasons, the rally in bitcoin may be no more than a case of speculative mania.

For one, scarcity alone is not sufficient to facilitate the adoption of cryptocurrencies as money. Any asset must have either use value or exchange value in order for it to possess any fundamental value. This fundamental value, in turn, is reflected in the price of these assets in the long run. Stocks and bonds, for instance, possess exchange value that is based on the expected future cash flow from these assets. Commodities such as oil and steel possess use value because these assets are used to run vehicles and build real estate. Bitcoin and other cryptocurrencies may be scarce but it is questionable whether they possess any use value or exchange value. Gold and silver have traditionally served as hedges against inflation because they possess fundamental value derived from their use as jewellery and money. But bitcoin and other cryptocurrencies neither offer direct use value nor possess significant exchange value — bitcoin can buy you very few real goods and services. In short, cryptocurrencies possess no significant fundamental value to sustain their current high prices.

Yet, many believe that the rising prices of cryptocurrencies reflect their likely future value as a currency. It is possible that investors are bidding up the price of bitcoin because they foresee a future in which private currency is widely accepted as money. After all, all investments are forward-looking. One may also grant that the extreme volatility seen in the price of cryptocurrencies, which seems unrelated to any similar fluctuations in their fundamentals, may be due to the nascent, illiquid nature of the cryptocurrency market. However, the more cryptocurrencies are accepted in exchange for goods and services, the greater the chances of governments cracking down on them.

Issuance of money

The monopoly that governments (and central banks) possess over the issuance of money is at the root of their power and influence. This allows governments to fund their budget deficits, particularly during times of crises such as the current pandemic when tax revenues have taken an unprecedented hit. It also allows central banks to tinker with the money supply under the mandate of managing aggregate demand in the economy. In essence, monopoly control over money allows governments to indirectly tax citizens by increasing the supply of currencies, thus devaluing them. If cryptocurrencies like bitcoin are going to challenge fiat currencies like the U.S. dollar as a medium of exchange, they would essentially be challenging the authority of the government to print and spend. This is not an assault that governments will tolerate for long. They will allow cryptocurrencies to exist only as long as these currencies remain a speculative asset and not a medium of exchange.

This is not to say that governments are justified in their crackdown against cryptocurrencies. China recently imposed a complete ban on all cryptocurrencies and plans to issue its own central bank-issued digital currency. Private alternatives to fiat currencies offer people greater choice in what currencies they choose to use as a medium of exchange. The benefits of free market competition in money were elaborated by economist Friedrich Hayek in The Denationalization of Money . Most notably, competition between currencies to cater to the demands of customers would ensure that fiat currencies that are printed indiscriminately simply go out of use. This is the outcome that governments fear and would fight to avoid at any cost.

Source: The Hindu

4. What is Web 5.0 – the blockchain-powered digital network Twitter's ex-CEO wants to build?

Relevant for GS Prelims & Mains Paper III; Science & Technology

Former Twitter CEO Jack Dorsey recently announced his vision for a new decentralized web platform that is being called Web 5.0 and is being built with an aim to return "ownership of data and identity to individuals". What is Web 5.0, and how will it be different from Web 3.0 and Web 2.0?

What do the terms Web 1.0, Web 2.0 and Web 3.0 mean?

Web 1.0 was the first generation of the global digital communications network. It is often referred to as the "read-only" Internet made of static web-pages that only allowed for passive engagement.

The next stage in the evolution of the web was the "read and write" Internet. Users were now able to communicate with servers and other users leading to the creation of the social web. This is the world wide web that we use today.

Web 3.0 is an evolving term that is used to refer to the next generation of Internet – a "read-write-execute" web – with decentralization as its bedrock.

It speaks about a digital world, built leveraging the blockchain technology, where people are able to interact with each other without the need of an intermediary. Web 3.0 will be driven by Artificial Intelligence and machine learning where machines will be able to interpret information like humans.

What is Web 5.0?

Being developed by Dorsey's Bitcoin business unit, The Block Head (TBH), Web 5.0 is aimed at "building an extra decentralized web that puts you in control of your data and identity".

Talking about the idea on its website, the TBH says: "The web democratized the exchange of information, but it's missing a key layer: identity. We struggle to secure personal data with hundreds of accounts and passwords we can't remember. On the web today, identity and personal data have become the property of third parties."

Simply put, Web 5.0 is Web 2.0 plus Web 3.0 that will allow users to 'own their identity' on the Internet and 'control their data'.

Both Web 3.0 and Web 5.0 envision an Internet without threat of censorship – from governments or big tech, and without fear of significant outages.

Replying to a Twitter question if there was any difference between Web 5.0 and Web 3.0, Dorsey argued that Web 3.0 isn't truly decentralized or owned by its users, but is instead controlled by various "venture capitalists and limited partners".

What are the use cases for Web 5.0?

On its website, the TBT presents two use cases for how Web 5.0 will change things in the future.

About changing the "control of identity", it says: "Alice holds a digital wallet that securely manages her identity, data, and authorizations for external apps and connections. Alice uses her wallet to sign in to a new decentralized social media app. Because Alice has connected to the app with her decentralized identity, she does not need to create a profile, and all the connections, relationships, and posts she creates through the app are stored with her, in her decentralized web node. Now Alice can switch apps whenever she wants, taking her social persona with her."

Talking about giving users control over their own data, it cities example of another user, Bob, and describes him as a music lover who hates having his personal data locked to a single vendor as it forces him to regurgitate his playlists and songs over and over again across different music apps.

"Thankfully there's a way out of this maze of vendor-locked silos: Bob can keep this data in his decentralized web node. This way Bob is able to grant any music app access to his settings and preferences, enabling him to take his personalized music experience wherever he chooses," it adds.

Source: The Indian Express

5. Why are markets, rupee falling?

Relevant for GS Prelims & Mains Paper III; Economics

Domestic stock markets and the rupee faced rough weather in early trading on Monday as the sharp rise in US inflation triggered concerns over more aggressive rate hikes and stronger capital outflows. The benchmark Sensex was quoting 1,422 points down at 52,881.23 and the Nifty Index was trading 408 points lower at 15,793.15 as of 12.15 noon IST. The rupee plunged below the 78 mark to 78.28 against the dollar in the opening session.

Why the crash?

Indian stocks fell 2.6 per cent in the opening session as equity markets across the globe are witnessing a sell-off after US May inflation data accelerated to four decades high of 8.6 per cent, raising concerns about aggressive rate hikes by the US Federal Reserve in the upcoming monetary policy meeting due on Wednesday. US treasury yields surged to a 14-year high at 3.15 per cent while the dollar index spiked above 104 levels. US futures are also down by one per cent after the big sell-off on Friday. Apart from this, the market would continue to remain cautious ahead of various central banks meetings this week.

On the domestic side, as India's inflation data is due on Monday, investors are nervous about the RBI's next plan of action. If retail inflation rises further and crosses 8 per cent level in India, the RBI could increase the policy rates again this month. Yield on India's 10-year benchmark bond has risen by 7 basis points to 7.59 per cent on Monday.

Overall, domestic and global worries are hurting the sentiment in India. The withdrawal of liberal accommodative policies in India and other countries, mainly the US, is prompting the investors to press the sale button. Capital outflows by foreign portfolio investors are likely to continue in such a scenario.

Why is the rupee down?

The rise in US inflation, rate hike worries and the stock market fall are weighing on the rupee sentiment. More rate hikes by the US Fed will lead to higher outflows on the part of foreign portfolio investors (FPIs) who have already pulled out Rs 18,814 crore from the stock markets in June so far. FPIs have taken out Rs 2.40 lakh crore from India since January this year, putting pressure on the rupee.

The rupee fell below the 78 level against the dollar on Monday morning as the RBI was not seen selling dollars. The fall in the rupee is likely to make imports costlier and exports lucrative. "We might see more weakness ahead of the FOMC meeting on June 15, where the Fed is expected to hike rates by 50 bps and showcase a more aggressive tone. However, runaway depreciation might not happen amid RBI intervention," said Jigar Trivedi, Research Analyst, Anand Rathi Shares & Stock Brokers.

When will markets recover?

The Indian market will stabilise only when the US market stabilises and the rate hikes by the US Fed stop. The market will bounce back when FPIs return and start pumping money again. "Therefore, investors may wait and watch till clarity emerges on the market trend. One silver lining is the 7.1 per cent increase in IIP which indicates that the Indian economy is doing well," said V K Vijayakumar, Chief Investment Strategist at Geojit Financial Services.

Analysts said investors should stay invested if they have a long-term investment plan and mutual fund investors should continue their SIP plan without breaking the investment. On the other hand, the big correction will give an opportunity to investors to pick up good quality stocks at attractive levels. "Investors should wait and watch the unfolding situation before making any major commitments. Buying should be confined to stocks/ segments which are fairly valued or have good earnings visibility," said an analyst.

Source: The Indian Express

6. The world of crypto lending

Relevant for GS Prelims & Mains Paper III; Economics

Major U.S. cryptocurrency lending company Celsius Network froze withdrawals and transfers on Monday, citing “extreme” market conditions, sparking a sell-off across crypto markets.

Here’s what you need to know about crypto lending – a corner of the digital asset market that has boomed over the last two years during soaring interest in cryptocurrencies.

What’s the deal?
Crypto lending is essentially banking – for the crypto world.

Just as customers at traditional banks earn interest on their savings in dollars or pounds, crypto users that deposit their bitcoin or ether at crypto lenders also earn money, usually in cryptocurrency.

While savings at traditional banks offer paltry returns due to historically low interest rates, crypto lenders offer much higher returns – at the very top end as much as 20%, though rates depend on the tokens being deposited.

Crypto lenders make money by lending – also for a fee, typically between 5%-10% – digital tokens to investors or crypto companies, who might use the tokens for speculation, hedging or as working capital. The lenders profit from the spread between the interest they pay on deposits and that charged on loans.

High returns? So crypto lenders must be popular
They are.

Crypto lending has boomed over the past two years, along as decentralised finance, or “DeFi,” platforms. DeFi and crypto lending both tout a vision of financial services where lenders and borrowers bypass the traditional financial firms that act as gatekeepers for loans or other products.

The sites say they are easier to access than banks, too, with prospective clients facing less paperwork when lending or borrowing crypto.

The total value of crypto at DeFi sites soared to a record $110 billion in November, up fivefold from a year earlier and reflecting record highs for bitcoin, according to industry site DeFi Pulse.

Traditional investors and venture capital firms, from Canada’s second-biggest pension fund Caisse de Depot et Placement du Quebec to Bain Capital Ventures, have backed crypto lending platforms.

Is there a catch?
There are several.

Unlike traditional regulated banks, crypto lenders aren’t overseen by financial regulators – so there are few rules on the capital they must hold, or transparency over their reserves.

That means that customers who hold their crypto at the platforms could lose access to their funds – as happened with Celsius on Monday.

Crypto lenders also face other risks, from volatility in crypto markets than can hit the value of savings to tech failures and hacks.

Who are the biggest players?
New Jersey-based Celsius is among them, with over $11 billion assets in its platform.

Other major lenders are also based in the United States. New York-based Genesis originated loans of $44.3 billion in the first quarter, with $14.6 billion in active loans as of March.

Other big names include U.S. lender BlockFi, which has some $10 billion of assets under management, and London-based Nexo, which has $12 billion.

Regulators must be worried, then?

Crypto lenders are in the sights of U.S. securities watchdogs and state regulators, who say that interest-bearing products are unregistered securities.

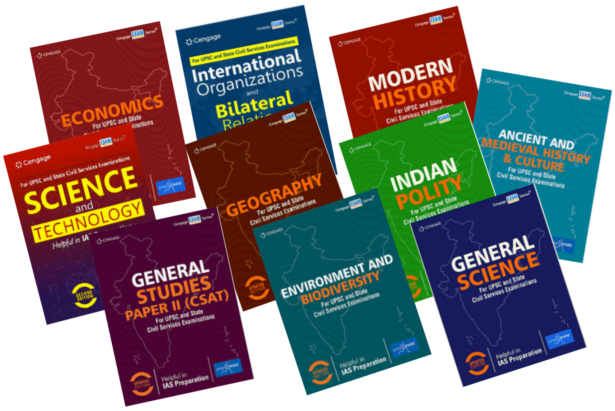
In February, BlockFi agreed to pay $100 million in a landmark settlement with the U.S. SEC and state authorities over its yield product.

Those same state regulators issued a similar cease and desist order to Celsius in September, calling its Earn product an unregistered security.

More widely, DeFi is throwing up risks for investors as it evolves to mirror traditional markets, a global body for securities regulators said in March, including a lack of disclosure of products and systems, patchy reliability and problems operating at scale.

Source: The Indian Express

Our Products



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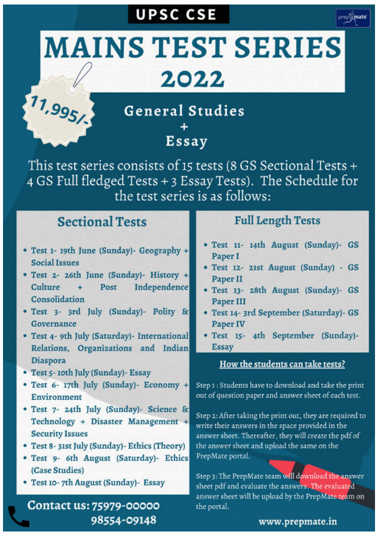

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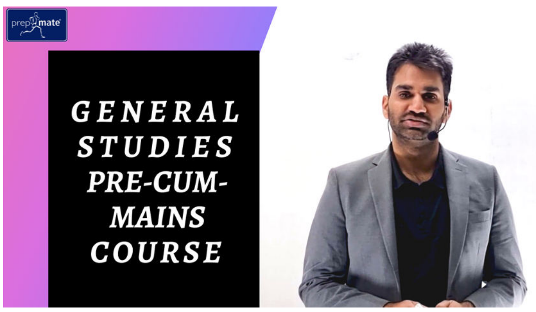

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