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News Juice 28th July, 22



Explained: How India set up its first bullion exchange, and how will it work?

Prime Minister Narendra Modi will inaugurate India's first bullion exchange at Gujarat's GIFT City on July 29. Who can trade on the IIBX, and what products will be made available for trade initially? What are the advantages of having a bullion exchange in India?

Written by [Avinash Nair](#). Edited by Explained Desk | Ahmedabad |
Updated: July 27, 2022 9:55:46 pm



Qualified jewellers will be permitted to import gold through the IIBX. (Source: Getty Images, File)

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MORE EXPLAINED

First bullion exchange in India



Relevance: Prelims & GS Mains Paper III, Economics

Where?

- India International Bullion Exchange (IIBX) is set up at International Financial Services Centre (IFSC)
- In Gujarat's GIFT City (Gujarat International Finance Tec-City, located between Ahmedabad and Gandhinagar.
- Inaugurated by PM Modi

Who can trade on the IIBX?

- Registration is required with International Financial Services Centre Authority (IFSCA)
 1. Qualified Jewellers
 - Minimum net worth of Rs 25 crore
 - 90 per cent of the average annual turnover in the last three financial years through deals in goods categorised as precious metals.
 2. Non-resident Indians and institutions
 3. Funds such as Gold ETF – Allowed in Medium term
- Report to IFSCA
 - The IIBX will submit a report to IFSCA on a monthly basis providing details of trade.

First bullion exchange in India

Relevance: Prelims & GS Mains Paper III, Economics

What will trade?

- Gold 1 kg 995 purity
- Gold 100 gm 999 purity .
- T+0 settlement (100% upfront margin)
- More Gold and Silver products expected later on

Advantages

- All Bullion imports will be channelized
 - price discovery
 - transparency in disclosures
 - guaranteed centralised clearing
 - assurance of quality
 - Facilitate financialization
 - Sourcing integrity of the bullion by mandating compliance to Organisation for Economic Cooperation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

First bullion exchange in India

Relevance: Prelims & GS Mains Paper III, Economics

Steps in formation

- Announcement in Budget 2020
- The International Financial Services Centres Authority (Bullion Exchange) Regulations, 2020, was notified in December 2020 for trading of precious metals, including gold and silver.
- **Ashok Gautam** took charge as the first managing director and **CEO of IIBX** in February 2022. – Worked in IDBI Bank as Executive Director

Q. Consider the following statements regarding India's First Bullion Exchange:

1. The First Bullion Exchange has been set up in Gujarat's GIFT City.
2. All Indian Citizens are allowed to trade in the Exchange.
3. Gold, Silver and Gem stones are traded at the bullion exchange.

Select the correct answer using the code given below:

- (a) 1, 2 and 3
- (b) 1 only
- (c) 1 and 2 only
- (d) 2 and 3 only

Explained: What is cryptojacking, the cyber attack carried out by crypto miners?

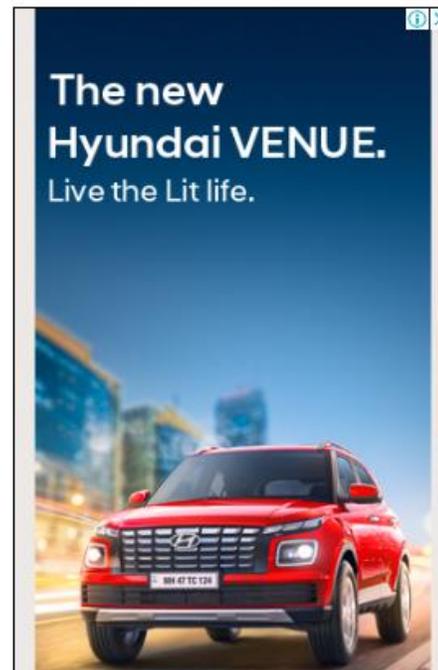
Cryptojacking is a cyber attack wherein a computing device is hijacked and controlled by the attacker, and its resources are used to illicitly mine cryptocurrency.

Written by [Saurabh Kapoor](#), Edited by Explained Desk | New Delhi |
Updated: July 28, 2022 9:05:57 am



Coin mining is a legitimate, competitive process used to release new crypto coins into circulation or to verify new transactions. (File Photo)

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Cryptojacking

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

Meaning

- Cryptojacking is a cyber attack wherein **a computing device is hijacked and controlled by the attacker**, and its resources are used to illicitly **mine cryptocurrency**.
- In most cases, the malicious programme is installed when the user clicks on an unsafe link, or visits an infected website — and unknowingly provides access to their Internet-connected device.

Why is cryptojacking done?

- Coin mining is a legitimate, competitive process used to release new crypto coins into circulation or to verify new transactions.
- It involves solving complex computational problems to generate blocks of verified transactions that get added to the blockchain.
- The reward for the first miner who successfully manages to update the crypto ledger through this route is crypto coins.
- But the race to crack larger number code needs considerable computing power involving state-of-the-art hardware, and electrical power to keep the systems involved up and running.
- Cryptojackers co-opt devices, servers, and cloud infrastructure, and use their resources for mining. The use of 'stolen' or cryptojacked resources slashes the cost involved in mining.

Q. What is Cryptojacking?

- (a) Hacking of Cryptocurrency accounts
- (b) Hacking of Cryptocurrency exchanges
- (c) Hacking of Computer resources through cryptocurrency accounts
- (d) Hacking to Computer resources to carry out cryptocurrency mining

Explained: Fed Reserve rate hike, US recession and impact on India

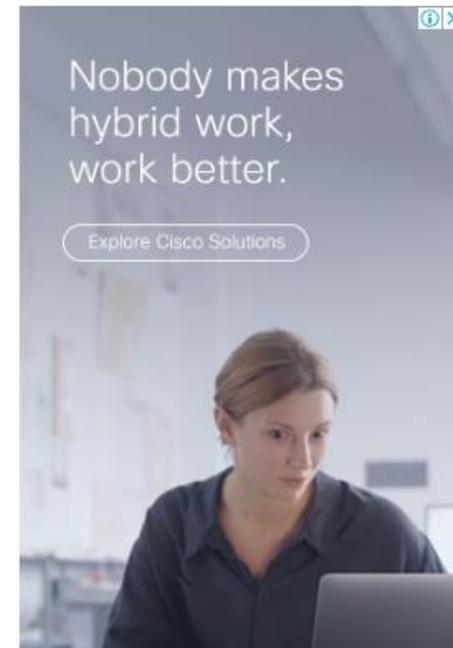
The US economy is facing a curious situation. On the one hand, it is experiencing a four-decade high inflation rate and, on the other, its unemployment rate is at five-decade low.

Written by [Udit Misra](#) , Edited by Explained Desk | New Delhi |
Updated: July 28, 2022 8:18:03 am



People shop in a supermarket in Manhattan, New York City, US, June 10, 2022. Inflation has affected consumer prices. (Reuters Photo: Andrew Kelly)

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Fed Reserve rate hike

Relevance: Prelims & GS Mains Paper III; Economics

Why in News?

- To **cool down raging inflation** in the United States — at 9.1% in June, the inflation rate is at a four-decade high — the Federal Reserve or Fed (US' central bank) decided to raise the Federal Funds Rate target by another **75 basis points**
- Since March, the Fed has steadily pushed up the **targeted FFR** from zero to almost **2.5%** now

Federal Funds Rate (FFR)

- ▶ The FFR is the **interest rate at which commercial banks in the US borrow from each other overnight.**
- ▶ **The US Fed** can't directly specify **the FFR** but it tries to **"target" the rate** by controlling the money supply.
- ▶ When the Fed wants to raise the prevailing interest rates in the US economy, it reduces the money supply, thus forcing every lender in the economy to charge higher interest rates.
- ▶ The process starts with commercial banks charging higher to lend to each other for overnight loans.

Fed Reserve rate hike

Relevance: Prelims & GS Mains Paper III; Economics

Why is the Fed tightening money supply?

- Reduce funds availability
- Control Inflation

What are the risks of monetary tightening?

- ▶ Fall in Growth
- ▶ Aggressive monetary tightening — like the one currently underway in the US — can lead to recession.
- ▶ Negative Growth rate for two quarters
- ▶ Consequences of Recession

Fed Reserve rate hike

Relevance: Prelims & GS Mains Paper III; Economics

Impact on India

- Flight of Capital
- Depreciation of Rupee
- Fall in exports

Q. Which of the following can be possible impact on India of increase in the interest rates in the US:

1. Appreciation of rupee
2. Increase in Foreign investment
3. Fall in exports

Select the correct answer using the code given below:

- (a) 3 only
- (b) 2 only
- (c) 1 only
- (d) None of the above

Q. The Federal Reserve Monetary tightening policies have the potential to create multiple challenges for Indian economy on the external sector front. Explain. (10 Marks, 250 words)

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