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1. Sebi's new asset class, positioned between MFs and PMS: how will it benefit investors?

Why in News?

The markets regulator has proposed a new asset class that will offer investment products positioned between mutual funds (MFs) and portfolio management services (PMS) to fill an opportunity gap for investors and offer flexibility in portfolio construction.

What is Sebi's new asset class?



The new category of products, which would be introduced under the mutual fund structure, would have a minimum investment of Rs 10 lakh. The new asset class will have a risk-return profile between that of MFs and PMS, which means it will be aimed at investors who have greater risk-taking capabilities and higher investment amounts than in MFs, but lower than in PMS.

What are the ticket sizes of MF and PMS investments?

PMS are a category of professional financial services in which a skilled portfolio manager and stock market manager provides customised investment solutions to high net-worth individuals (HNIs) who are looking to invest in instruments such as equity, debt, gold, etc. The minimum investment limit in PMS is Rs 50 lakh.

PMS are different from MFs, where the minimum investment limit is just Rs 100, and a pool of money is managed by a professional fund manager.

What is the objective of the proposed investment product?

Sebi said that because of the gap between investment opportunities available in MFs and PMS, some investors in the segment are getting drawn towards unauthorised investment avenues. The new asset class will help in curbing the proliferation of unregistered investment products. The current range of investment products with varying risk-reward profiles are intended to meet the investment needs of retail, high net-worth, and institutional investors, Sebi said in the paper.

These products include MF schemes, which are focused on retail investors; PMS; and alternative investment funds (AIF), a privately pooled investment vehicle that collects funds

from sophisticated investors, whether Indian or foreign, to make investments in accordance with a defined investment policy for the benefit of the investors. The floor investment in AIF is Rs 1 crore.

How will investments in the new asset class work?

The new asset class is proposed to be introduced under the MF structure, with relaxations in prudential norms necessary for such a product category to be effective. The enhanced risks due to the relaxations may be mitigated by putting a higher limit on the minimum investment size.

The minimum investment amount for the new asset class has been proposed at Rs 10 lakh per investor within the asset management company (AMC)/ MF. An AMC is an institution which manages and oversees operations of mutual funds.

This means that an investor must invest a minimum of Rs 10 lakh, across one or more investment strategies, under the new asset class offered by an AMC/MF. "This threshold shall deter retail investors from investing in this product, while attracting investors with investible funds between Rs 10 lakh and Rs 50 lakh, who are today being drawn to unauthorized and unregistered portfolio management service providers," the market regulator said.

Relevance: GS Prelims; Economics

Source: Indian Express

2. Cryptocurrency firm WazirX suffered a major security breach. How did it happen?

Why in News?

The image shows the WazirX logo, which consists of a blue stylized 'W' above the word 'wazirx' in blue lowercase letters. Below the logo is a blue banner with the text 'Breaking News' in white. Underneath the banner is a black box containing white text that reads: 'Indian crypto exchange WazirX has been hit by a massive security breach! 🚨 Approximately \$230 million in assets were suspiciously transferred out of the platform. 😬'.

WazirX, one of the country's major cryptocurrency firms, suffered one of the biggest cyberattacks on an Indian exchange after hackers allegedly stole more than \$230 million of users' holdings, which was nearly half of the platform's reserves. The incident highlights the security challenges that cryptocurrency exchanges face, and how they have become a target for hackers worldwide.

WazirX called the security breach a "force majeure event" which was "beyond its control". "We have already blocked a few deposits and reached out to concerned wallets for recovery. We are in touch with the best resources to help us in this endeavour," the company said in a statement.

What caused the WazirX security breach?

In its preliminary findings, WazirX said that the cyber attack stemmed from a discrepancy between the data displayed on Liminal's interface and the transaction's actual contents. Liminal is a separate digital asset custody and wallet infrastructure provider.

During the cyber attack, there was a mismatch between the information displayed on Liminal's interface and what was actually signed. WazirX's wallet custody service provider Liminal Custody, however, said no breach had happened within its ecosystem.

WazirX said its wallet had six signatories— five from its own team and one from Liminal, who were responsible for transaction verifications. A transaction typically requires approval from three of the WazirX signatories (all three of whom use Ledger Hardware Wallets for security), followed by the final approval from Liminal's signatory.

What have been some of the biggest crypto breaches?

The WazirX cyberattack is not just the biggest security breach of a cryptocurrency exchange in India, but is among the top hacks in the world, too. 2022 was the biggest year for crypto hacks. According to blockchain data platform Chainalysis, over \$3.8 billion worth of cryptocurrency was stolen from users in 2022. In 2023, the number came down to about \$1.7 billion.

The biggest crypto hack so far took place in March 2022 when hackers attacked the Ronin network. They stole about \$625 million worth of Ethereum and the USDC stablecoin. In August 2021, a hacker exploited a vulnerability in Poly Network's system, stealing over \$600 million in funds, but surprisingly did not leave with the entire amount and returned most of it. In October 2022, the Binance crypto exchange suffered a major security breach, resulting in a loss equivalent to \$570 million.

Relevance: GS Prelims & Mains Paper III; Economics

Source: Indian Express

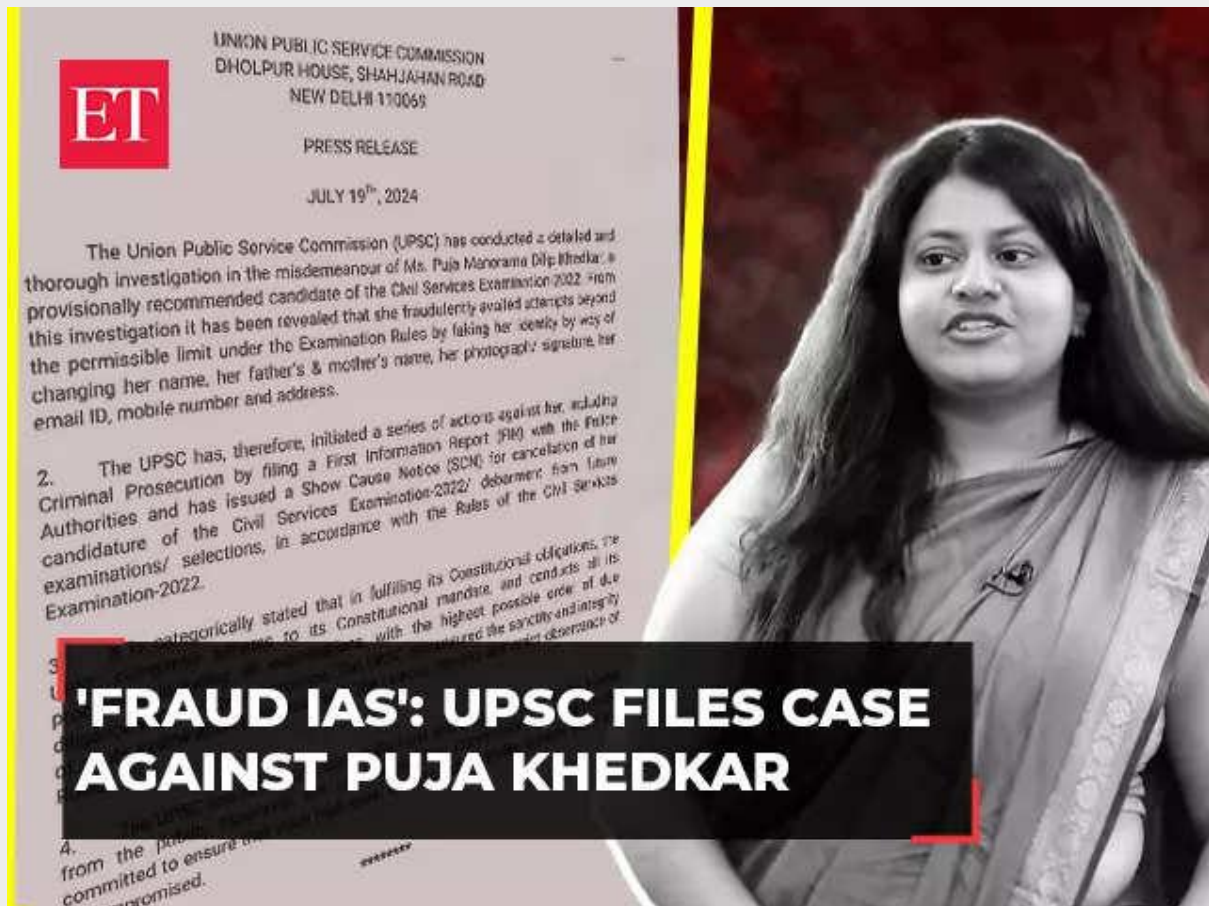
3. What are the rules for IAS probationers? Who conducts the examination? Who is responsible for checking details supplied by candidates?

Why In News?

On July 19, the Union Public Service Commission (UPSC) said it has registered a criminal case against Puja Khedkar, a 2022 batch Indian Administrative Service (IAS) officer on probation, and issued a show cause notice cancelling her candidature from the Civil Services Examination-2022. It said she had fraudulently availed attempts beyond the permissible limit under the examination rules by faking her identity by changing her name, her father's and mother's name, photograph and signature, email ID, mobile number and address.

How did things come to a head?

Earlier in July, Ms. Khedkar was transferred from Pune to Washim in Maharashtra following complaints of misuse of power by a senior officer. Ms. Khedkar, posted as Assistant Collector in Pune, allegedly demanded special privileges such as a separate office, house, car, and staff which she was not entitled to. Soon it transpired that the trainee officer, daughter of a retired bureaucrat who also contested the 2024 parliamentary elections from Ahmednagar, allegedly submitted fake disability and Other Backward Class (OBC) certificates to clear the civil services exam.



Following the controversy, on July 11, the Department of Personnel and Training (DOPT) constituted a single-member committee, chaired by a senior officer of the rank of Additional Secretary, to verify the candidature claims and other details of Ms. Khedkar. The committee will submit its report within two weeks. In an order in 2023, the Central Administrative Tribunal (CAT) said though Ms. Khedkar had successfully cleared the examinations, she skipped six medical examinations to prove her disability before a medical board at AIIMS, Delhi, adding that “her candidature is liable to be cancelled.”

The CAT order was in response to a petition filed by Ms. Khedkar in 2021 seeking relaxation of the number of attempts by Persons with Benchmark Disabilities (PwBD). Despite the ruling, she was inducted in the services after she reappeared for the exams in 2022 and with a rank of 821 got PwBD reservation benefits under a different category — “visually impaired and hearing loss.” In the previous instance, she had applied under the “visual impairment and mental illness” category. Significantly, the DOPT was a respondent in the 2021 petition.

By forging her identity, name etc., Ms. Khedkar appeared for the civil services examination 12 times. General category candidates are allowed six attempts till they attain 32 years of age. Those availing OBC and PwBD reservation are allowed nine attempts till the age of 35 and 42 years respectively. Candidates belonging to Scheduled Castes (SC) and Scheduled Tribes (ST) are allowed unlimited attempts till 37 years of age.

How are documents scrutinised?

The UPSC conducts examinations and interviews on behalf of the Union Government after which candidates are recommended for appointment by the commission to various Services. At the examination stage, candidates have to submit documents supporting their claims for reservation under various categories — SC, ST, OBCs, Economically Weaker Section (EWS) and PwBD. The first phase of scrutiny is done by the UPSC, which only goes by the documents submitted by the candidates. After the personal interview, all candidates are sent for a medical check-up at government hospitals endorsed by the commission. PwBD candidates have to appear before a medical board at AIIMS, Delhi to determine the level of disability. The files are then sent to the DOPT, which accords the Service after accommodating various quotas.

What is the probation period?

The probation period typically lasts two years, but it may be extended for a maximum of four years if the candidate needs improvement or has been unable to clear the examinations at the training academy. According to DOPT, "A person is appointed on probation in order to assess his suitability for absorption in the Service to which he has been appointed. Probation should not, therefore, be treated as a mere formality."

What disciplinary action can be taken?

A probationer is discharged from service. The discharge can be on account of failure to clear the examinations at the training academy or "if the Central Government is satisfied that the probationer was ineligible for recruitment to the Service or is unsuitable for being a member of the Service." The discharge can also be ordered if in the opinion of the Central Government he/she has wilfully neglected his probationary studies or duties or is found lacking in qualities of mind and character needed for the Service.

Relevance: GS Prelims & Mains Paper II; Governance

Source: Indian Express