

## India's rupee settlement facility (GS Paper 3, Indian Economy)

### Why in news?

- The Reserve Bank of India (RBI) issued a circular that detailed 'additional arrangement' for invoicing, payment, and settlement of exports and imports in Indian rupees.
- Under this mechanism, **Indian importers could make payment in rupees to the Special Vostro account** of the correspondent bank of the partner country, against invoices for the supply of goods or services from the overseas seller.
- Indian exporters shall be paid proceeds in rupees from the balances in the designated vostro account of the correspondent bank of the partner country.



### How does this change the status quo?

- Vostro accounts have been around for a while. They were likely not widely used because exporters in any country typically prefer settlements in a strong and stable currency.
- Also, there are at least **three new aspects to the newly-issued circular**.

### Alternative to SWIFT:

- First, the RBI has explicitly said that **exchange of messages in a safe, secure and efficient way** may be agreed upon mutually between the banks of partner countries.
- It may be recalled that soon after Russia invaded Ukraine, the Belgium-based SWIFT, or **Society for Worldwide Interbank Financial Telecommunication**, a system that allows instant messaging among banks, began excluding Russian banks from transacting through this channel.
- The aim was to make it difficult and tedious for Russian entities to transact with the rest of the world. The RBI's circular could be taken to mean that partnering banks may use any messaging system they deem fit and not confine themselves to the SWIFT platform.

### **Investment option:**

- Two, RBI has allowed for surplus to be invested.
- That is, the rupee surplus balance held in the vostro accounts may be used by the foreign entities for payments for projects and investments in India as also for investment in Indian government treasury bills and government securities.

### **Secure approval:**

- Three, vostro accounts did not need permission earlier. Now the RBI has specified that banks acting as authorised dealers need to secure prior approval from the regulator to put in place this mechanism.
- This is likely because the RBI may seek to understand which countries are interested in this mechanism, and whether the accounts are being used for the purpose for which the RBI intended them to be.

### **Which countries may be interested in the facility?**

- The fresh enablement by the RBI seems intended to **ease doing business with Russia**.
- Russia enjoys a trade surplus with India and would be unlikely to prefer a currency such as the dollar or the euro in exchange for services at this point when it is facing sanctions from the West.

### **How does the new mechanism help India?**

- For India, doing business with Russia using rupees would mean there is no hard currency outflow in such transactions. The impact on the rupee market is that foreign currency outflow would be lesser by \$3 billion every month.
- Technically, it would **ease the downward pressure on the rupee**, which has been sliding to fresh record lows frequently in the recent past.
- However, the arrest in the rupee's fall would be seen only in the medium to long term because in the current scenario, payments to Russia have anyway not been going through and a credit system has helped continuity of trade.
- If other countries too begin showing interest in using the facility, then a strengthening impact may be seen more quickly for the rupee.

### **Which banks could choose to opt in?**

- The larger banks may not immediately set up vostro accounts. If the sanctions by the West on Russia widen, such banks would not want to be caught in an environment where other parts of their international business get impacted.
- Smaller banks may be ideal for the purpose and could provide the service with a little bit of push by the Indian government, if need be.

## **Supreme Court seeking a separate bail law**

**(GS Paper 2, Judiciary)**

### **Why in news?**

- Recently, the Supreme Court urged the Centre to bring a new law to simplify and streamline the process of bail, referring to the Bail Act of the U.K.
- It said there is a “pressing need” to reform bail laws considering the “abysmally low” conviction rate.
- Stating that such detentions reflect a colonial mindset and create the impression of a “police state”, the apex Court issued directions to courts and investigation agencies to prevent “unnecessary” arrests.

### **What did the court observe?**

- The Supreme Court judgment issued clarifications to a 2021 ruling on guidelines for considering bail for offences under the Criminal Procedure Code (CrPC), 1973.
- The Court observed that arrest is a “draconian” measure that should be used “sparingly”.
- It held that **bail continues to be the rule and jail an exception**, the touchstone of Article 21, and highlighted the presumption of innocence until proven guilty.
- It said **unwarranted arrests are carried out in violation of Section 41** (empowers police to arrest without a warrant) and **Section 41A** (deals with the procedure for appearance before police) of the CrPC.

### What is the present law?

- Though **there isn't any separate law in the Indian legal system that defines bail**, related provisions are mentioned in the CrPC and punishments under the IPC.
- The CrPC categorises offences as bailable and non-bailable. As per Section 436, bail is a right in bailable offences and the police or court, whoever has custody, is bound to release the accused following furnishing of a bail bond, with or without surety.
- For a non-bailable offence, an accused cannot claim bail as a right. The discretion lies with the courts. In such cases, Section 437 empowers the Magistrate to deal with pleas, except for offences 'punishable with death or imprisonment for life'.
- A provision mandates the court to consider **granting bail to an accused below 16 years**, someone who **is sick, or is a woman**. The CrPC also lists provisions for the cancellation of bail.



### What are some of the guidelines from the Court?

- Stressing the need to ensure due procedure for arrests and a time limit for disposal of bail applications, the Court asked the Centre to consider introducing an enactment in the nature of a "Bail Act" to streamline the process.
- Bail applications have to be disposed of within two weeks except when provisions mandate otherwise. On anticipatory bail, it said a plea has to be decided within six weeks.
- The Court said that there need not be any insistence on a bail plea while considering a plea under Sections 88, 170, 204 and 209 of CrPC.
- Following these guidelines, the accused can be granted bail on the court's own discretion in some situations.
- For instance, when a person is present in court and is required to appear in the same or in another court later, it can take a bond (under Sec. 88) instead of remanding in custody.
- Bail can also be granted when one has been produced by a police officer (Sec. 170) or when the court issues process either a summons to answer a complaint, or a warrant to appear after the police files a charge sheet (Sec.204) or when a case is committed by a magistrate for trial to a sessions court (Sec. 209).

### Compliance of Section 41 & 41 A:

- Investigating agencies and officers have to comply with Sections 41 and 41A, it said, adding that action will follow any dereliction of duty. It ruled that non-compliance with Sections 41 and 41A at the time of arrest will entitle the accused to bail.
- Section 41 deals with the arrest in a cognisable offence where punishment is imprisonment for a term which may be less than seven years. Section 41A relates to the procedure of the notice of appearance before a policeman in cases where the arrest is not required. Notably, a police officer is required to record reasons for arrest or not to arrest in writing as per the rule.
- The Bench directed State Governments and Union Territories to facilitate standing orders for the procedure to be followed under Sections 41 and 41A to avoid unwarranted arrests.
- The Court directed high courts to identify undertrials who are unable to comply with bail conditions and take action to facilitate their release.

#### **What is the U.K. law on bail?**

- In the United Kingdom, the Bail Act of 1976 governs the procedure for granting or denying bail.
- The Act recognises a “general right” to bail and aims to reduce the number of inmates to prevent clogging of jails. It mentions the presumption that an accused should be granted bail unless there is a justified reason to refuse it.
- Bail can be rejected if the court finds substantial grounds for believing that the defendant will fail to surrender, commit an offence, or interfere with witnesses if released on bail. The court has to give reasons in case it withholds or alters bail conditions.

### **Impact of euro-dollar parity** **(GS Paper 3, Economy)**

#### **Why in news?**

- The Euro and the U.S. dollar reached parity, meaning one dollar could buy one euro in the foreign exchange market. For over two decades, it took more than one U.S. dollar to purchase one euro.
- Just a year ago it took about 1.2 U.S. dollars to purchase one euro. Since the beginning of the year the euro has lost about 12% against the U.S. dollar and it is expected to lose more value going forward.



### What determines a currency's exchange rate?

- The price of any currency in a market economy is determined by **supply and demand**.
- The supply of a country's currency in the foreign exchange market is determined by various factors such as central bank policy and the local demand for imports and foreign assets.
- The demand for a country's currency, on the other hand, is determined by factors such as central bank policy and the foreign demand for exports and domestic assets.

### Why has the Euro fallen against the U.S. dollar?

- Analysts believe that the **divergence in the monetary policies of the U.S. Federal Reserve and the European Central Bank** is the primary reason behind the euro's significant depreciation against the U.S. dollar.
- In response to the **economic crisis caused by lockdowns** imposed to fight the coronavirus pandemic, both the Federal Reserve and the ECB expanded their balance sheets to boost spending. But this soon led to a rise in prices.
- **Inflation in the U.S. hit a four-decade high of 9.1% in June** while **inflation in the Eurozone reached its highest-ever level of 8.6% during** the same month.
- The U.S. Federal Reserve responded to the rising prices by raising the interest rates this year in order to slow down U.S. money supply growth. The ECB, however, has been far less aggressive in tightening policy even though the inflation rate is as high as 22% in some European countries.
- This has caused the value of the euro to slide against the dollar as currency trader's witness, or at least expect, the supply of euros in the market rising relative to the supply of dollars.

### Japanese Yen:

- The euro, however, is not the only currency that is depreciating at the moment. **The Japanese yen is another major currency that has lost about 20% of its value** against the U.S. dollar in 2022 as the Japanese central bank continues to stick to its easy monetary policy.

### Ukraine war:

- The value of euro has been affected by the **uncertainty in energy supplies in the wake of Russia's invasion of Ukraine** and the ensuing actions against Russia.
- Europe now has to shell out more euros to import limited energy supplies, which in turn has adversely affected the value of the euro against the U.S. dollar.

### What happens next?

- As the U.S. Federal Reserve continues to raise interest rates, this is likely to exert further downward pressure on the euro.
- The ECB may be forced to raise interest rates to slow down money supply growth in the Eurozone in order to prop up the value of the euro against the dollar.
- But this is likely to lead to a slowdown in growth in the Eurozone as its economy will have to readjust to tighter monetary conditions. If so, European nations might opt to enact tax and regulatory reforms to expedite the recovery.

## **Wastewater surveillance for COVID-19 reveals dynamics of infection**

**(GS Paper 3, Science and Tech)**

### Context:

- In ensuring sufficient precautions and preventive measures be taken in pandemic-driven situations, a very important estimate is of **the number of people infected, regions where infection is high** and decreasing or increasing trends in viral load.
- Based on this, civic bodies can decide on targeted vaccination drives, lockdowns and the like.

### Testing:

- One way to estimate this is by getting people to take COVID test.
- However, people do not always comply with testing protocols. In the case of SARS-CoV-2, the high number of asymptomatic and mild infections, also lead to low testing.

- Finally, if there are one lakh people in a locality, testing one lakh persons every day to monitor the rise and fall of infections is expensive and impractical.



#### **Gauging the parameters:**

- **Waste-water based surveillance for COVID-19** comes as an efficient and foolproof way of gauging these parameters.
- Such a study has been carried out in Hyderabad and Bengaluru by a collaboration between Tata Institute for Genetics and Society (TIGS), Bengaluru, and Centre for Cellular and Molecular Biology (CCMB), Hyderabad.
- The study in Hyderabad was carried out for a period of about a year, from July 2020 to August 2021 and obtained data on a population size of about 2.5 lakh.
- The aim of this study was to develop a protocol and standard operating procedures for doing this, which the researchers hope to hand over to the industry, who can then act as service providers.

#### **Outcome:**

- In one year of testing and observations, the researchers were able to spot the temporal dynamics in the viral load in drainage water, which was consistently high from July to November 2020.
- A slight increase in February 2021 hinted at the second wave which set on in March 2021.
- The method has multiple advantages. Trends of increasing or decreasing viral load can be gauged well before the waves take off.

#### **Way Forward:**

- New variants can be spotted in advance, as can different viruses, such as those that cause dengue, Zika, or TB. This would help the health department to be prepared to deal with epidemics.
- Studies can monitor antimicrobial resistance genes and point out to civic authorities as to which antibiotics are failing.