

STALIN IAS ACADEMY - BEST IAS COACHING IN CHENNAI

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XPoSat placed in orbit, to study black holes, neutron stars

The Hindu Bureau
BENGALURU

The Indian Space Research Organisation (ISRO) kicked off the New Year with the launch of the PSLV-C58 X-ray Polarimeter Satellite (XPoSat) mission on Monday.

The PSLV, in its 60th mission, lifted off at 9.10 a.m. from the Satish Dhawan Space Centre in Sriharikota and 22 minutes later launched the XPoSat into an eastward low inclination orbit.

"On January 1, 2024 yet

another successful mission of the PSLV has been accomplished. The PSLV-C58 has placed the primary satellite XPoSat in the desired orbit of 650 km with six-degree inclination," ISRO Chairman S. Somanath said after the successful launch.

Two payloads

XPoSat is the first dedicated scientific satellite from ISRO to carry out research in space-based polarisation measurements of X-ray emission from celestial sources. It carries two pay-



Conquering heights: ISRO launches X-Ray Polarimeter Satellite from the Satish Dhawan Space Centre in Sriharikota on Monday. ANI

loads, namely POLIX (Polarimeter Instrument in X-rays) and XSPECT (X-ray

Spectroscopy and Timing). POLIX has been developed by the Raman Re-

search Institute and XSPECT by the Space Astronomy Group of URSC, Bengaluru.

Elite group

The successful launch of the XPoSat put India in an elite category as it has become the second nation to send an observatory to study astronomical sources such as black holes, neutron stars among others.

XPoSat is only the second X-ray polarimetry mission in the world, after NASA's Imaging X-ray Polarimetry Explorer (IXPE)

launched in 2021.

ISRO said that after injection of XPoSat in 650 km, 6 deg orbit, PS4 stage was lowered to 350 km, by restarting PS4 twice.

PS4 stage is configured as a 3-axis stabilised orbital platform for conducting experiments to space qualify systems with novel ideas.

During the mission, the PSLV Orbital Experimental Module-3 (POEM-3) experiment was also executed to meet the objective of 10 other payloads.

Among these, the FCPS

payload is significant as it has potential applications in India's space station which is proposed to come up by 2035.

"There are some important payloads like FCPS which we will be demonstrating in the POEM phase when PS4 is used as a platform. The FCPS will have potential applications in our future like space station," said Dr. S. Unnikrishnan Nair of the Vikram Sarabhai Space Centre.

'GAGANYAAN READINESS'

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2024 expected to be a year of 'Gaganyaan readiness': Somanath

Press Trust of India
SRIHARIKOTA

The Indian Space Research Organisation (ISRO) has lined up a series of tests for Gaganyaan, its ambitious manned mission, this year and 2024 will be a year of "Gaganyaan readiness", the space agency's Chairman, S. Somanath, said on Monday.

The Bengaluru-headquartered space agency earlier in the day had successfully placed its first X-Ray polarimeter satellite in PSLV-C58 mission.

'12 to 14 missions'

Briefing reporters on the ISRO's agenda for 2024, he said: "We are going to get ready for at least 12-14 missions this year. 2024 is going to be a year for Gaganyaan readiness, though it is targeted for 2025."

"The Gaganyaan mission began with the TV-D1 or the abort mission [successfully conducted in October 2023]. We have four such missions in the series. Our target is to do at least two more in 2024. By then, we will have three abort mission demonstrations," Mr. Somanath said.

He said that the unmanned missions would help the agency understand its preparedness of



In the works: ISRO Chairman S. Somanath after the launch of PSLV-C58 on Monday. PTI

various hardware, adding that the ISRO would also conduct a helicopter-based drop test to prove the parachute systems for the unmanned mission.

"There will be multiple drop tests. Also, we will have the launch pad abort and hundreds of such valuation tests including environmental control support system tests, the crew module related tests and simulation tests," he said.

On the other missions in 2024, he said: "We are going to have launches of GSLV for NISAR. We are going to have the first flight of GSLV with INSAT-3DS soon. The [launch] vehicle is almost ready. The second flight of GSLV will carry the NASA-ISRO synthetic aperture radar satellite," he said.

Growth in revenue from GST slows to a three-month low

Revenues cross ₹1,64,800 crore in December, 1.8% lower than November; it marks seventh successive month of ₹1.6-lakh crore-plus receipts

Vikas Dhoot
NEW DELHI

India's Goods and Services Tax (GST) revenues crossed ₹1,64,800 crore in December 2023, with year-on-year growth slowing to a three-month low of 10.3% from a 15.1% rise in the previous month.

December's GST kitty, for transactions undertaken in November 2023, is about 1.8% lower than the nearly ₹1.68 lakh crore collected a month earlier, which marked the third highest monthly receipts from the tax that was launched in July 2017.

"The revenues from domestic transactions [including import of services] are 13% higher than the revenues from these sources during the same month last year," the Finance Ministry said in a statement on Monday.

Goods imports

While the Ministry did not specify the growth trends in revenues from goods imports, back-of-the-envelope calculations by *The Hindu* indicate they grew at a milder pace of 3.65%.

The average monthly gross GST kitty in the first nine months of 2023-24

Tax kitty

India's Goods and Services Tax collections rose to ₹1.64 lakh crore in December 2023, 10.3% higher than December 2022



stands at ₹1.66 lakh crore, compared to ₹1.49 lakh crore a year earlier. "Notably, this marks the seventh month so far this year with collections exceeding ₹1.60 lakh crore," the Ministry emphasised.

"During the April-December 2023 period, gross GST collection witnessed a robust 12% y-o-y growth, reaching ₹14.97 lakh crore, as against ₹13.40 lakh crore collected in the same period of the previous year," it said.

December's gross GST revenue of ₹1,64,882 crore included central GST (CGST) revenues of ₹30,443 crore, State GST (SGST) collection of ₹37,935 crore and ₹84,255 crore of Integrated GST (IGST), which included ₹41,534 crore from import of goods. GST Compensa-

tion Cess collections stood at ₹12,249 crore, of which ₹1,079 crore was levied on goods imports. 13 States recorded revenue growth of 13%, which was the national average growth for domestic revenues, or more.

Leading the pack

Arunachal Pradesh (up 44%), followed by Haryana (22%), Goa and the erstwhile State of Jammu and Kashmir (20% each), and Tamil Nadu (with 19% growth), led the pack.

"The government has settled ₹40,057 crore to CGST and ₹33,652 crore to SGST from the IGST revenues. The total revenue of Centre and the States in December 2023, after regular settlement is ₹70,501 crore for CGST and ₹71,587 crore for the SGST," the Ministry noted.

Major earthquake triggers tsunami in Japan, people run to safer ground

Agence France-Presse
TOKYO

Tsunami waves over a metre high hit central Japan on Monday after a huge earthquake that damaged homes, set off a major fire and prompted authorities to urge people to run to higher ground.

Media reports said two people were feared dead after the 7.5 magnitude quake struck Ishikawa prefecture on the Sea of Japan side of the main island of Honshu at 4:30 p.m. local time, according to the U.S.

Geological Survey (USGS). Japanese authorities put the magnitude at 7.6 and said that it was one of more than 50 earthquakes of 3.2 magnitude or more to rock the region on the day.

Series of tsunamis

Waves at least 1.2 metres high hit the Wajima port and a series of smaller tsunamis were reported elsewhere, including as far away as the northern island of Hokkaido.

The Japan Meteorological Agency (JMA) initially issued a "large tsunami"

warning, meaning waves of up to five metres. But no further major incidents were reported and the JMA later downgraded its warning to tsunamis of up to three metres. The U.S. Pacific Tsunami Warning Center later said around four hours after the major quake that the tsunami danger had "largely passed". Russia also issued a tsunami alert for Sakhalin island and Vladivostok in its far east. North Korea reportedly followed suit. The JMA warned local residents of possible further

earthquakes during the coming week or so, particularly within the next two to three days.

Assessing damage

The government said it was still assessing the extent of damage and whether there had been any casualties from the earthquake.

Visuals on social media showed cars and houses in Ishikawa shaking violently and terrified people covering in shops and train stations. Houses collapsed and huge cracks appeared on roads. Government spokes-

man Yoshimasa Hayashi said that there were reports that six people were in the rubble of collapsed buildings, but gave no further details.

Around 33,500 households around the epicentre, in Toyama, Ishikawa and Niigata prefectures, were without power, local utilities said. Japan's nuclear authority said on Monday there were no abnormalities reported at the Shika nuclear power plant in Ishikawa or at other plants after the latest earthquake.



Shaken residents: Cracks are seen on the ground at Wajima in Ishikawa prefecture of Japan on Monday following an earthquake. AP

Bombay Jayashri Ramnath gets Sangita Kalanidhi award

The Hindu Bureau
CHENNAI

Carnatic vocalist Bombay Jayashri Ramnath was given the Sangita Kalanidhi award at the Music Academy, Chennai, on Monday.

Former West Bengal Governor Gopalkrishna Gandhi noted that by honouring Ms. Ramnath, "we honour the purity of her swaras, the sublimity of her bhava, the yogic equipoise of her singing soul and the amazing strength of her will power".

Presiding over the 'Sadas' of the 97th annual conference and concerts of the Music Academy, he talked about how artificial intelligence is ushering in a

revolution. "In the realm of music, artificial intelligence can do some spectacular things like removing recording flaws and can clean up scratches without trace. The Music Academy can so guide and influence the regulators that must be placed in position for artificial intelligence in the realm of music. Artificial intelligence must nurse, not doctor music," he said.

Accepting the award, Ms Ramnath thanked her parents and gurus. "My first guru T.R. Balamani who played a crucial role in my musical journey. The great guru Lalit G. Jayaraman sir took me under his wings 35 years back and ev-



Bombay Jayashri Ramnath receiving the Sangita Kalanidhi award from former West Bengal Governor Gopalkrishna Gandhi, in the presence of N. Murali, President of Music Academy, N. SRINATH

er since, his tutelage, his watchful and affectionate guidance shaped me into the musician, the teacher and the person that I am today. On a personal note, a thank you to my husband

Ramnath and my son Amrit for their support all these years, especially the last year without which today would have been insurmountable," she said. Bharatanatyam expo-

nent Leela Samson said that the words that come to her mind when she listens to Ms. Ramnath's music are "melodious, internally powerful, inclusive, unbiased and full of love", adding that there is refinement in every phrase of her (Ramnath's) music.

N. Murali, President, Music Academy, said, "The festival becomes what it is due to the enriching and enjoyable experience unfailingly provided by all the musicians, other artists and experts. Ms. Jayashri would undoubtedly be at her musical best at the next season to enthral us all."

"I must acknowledge that the recent Sangita Ka-

lanidhi gracefully and unhesitatingly stood in for her by presiding over the morning academic sessions by taking turns. Our heartiest felicitations also go to the recipients of other major awards and applaud their immense contributions to Carnatic music," he added.

The Sangita Kala Acharya award was given to Carnatic vocalist Palkulangara K. Ambika Devi and mridangam exponent K.S. Kalidas. While Thavil exponent Thirunageswaram T. R. Subramanian and Othuvai B. Sargurunathan received the TTK Award, the Musicologist Award went to S. Padmanabhan.

196 cases of COVID-19 sub-variant JN.1 seen in India: INSACOG

10 States and UTs have so far detected presence of new sub-variant of coronavirus: highest reported in Kerala with 83 followed by Goa with 51

Press Trust of India
NEW DELHI

A total of 196 cases of COVID-19 sub-variant JN.1 have been detected in the country so far, with Odisha joining the list of States that have detected the presence of the variant, according to the Indian SARS-CoV-2 Genomics Consortium (INSACOG) data updated on Monday.

Ten States and Union Territories have so far detected the presence of the JN.1 sub-variant of the virus.

'Most in Kerala'

These States are Kerala (83), Goa (51), Gujarat (34), Karnataka (eight), Maharashtra (seven), Rajasthan (five), Tamil Nadu (four), Telangana (two), Odisha (one) and Delhi (one), according to INSACOG.

The consortium's data showed 179 COVID-19 cases recorded in the country in December had the presence of JN.1, while 17 such cases were detected in November.

The World Health Or-



Need for vigil: Health workers collect swab samples for COVID-19 tests from a man in Chennai. S. VELANKANNI/PTI

ganization (WHO) has classified JN.1 as a separate "variant of interest" given its rapidly-increasing spread, but said it posed a "low" global public health risk.

The JN.1 sub-variant of the coronavirus was previously classified as a variant of interest (VoI) as part of the BA.2.86 sub-lineages, the parent lineage that is classified as a VoI, the world body said.

However, in recent weeks, JN.1 cases continued to be reported from

multiple countries and its prevalence has rapidly increased globally.

The Union government has asked the States and Union Territories to maintain a constant vigil amid an uptick in the number of COVID-19 cases and the detection of the JN.1 sub-variant in the country.

India has recorded 636 new coronavirus infections, while the count of active cases stood at 4,394, according to the data released by the Health Ministry on Monday.

Widening war

U.S. should not see Houthi attacks as a concern independent of the Gaza war

A U.S. strike on Yemen's Iran-backed Houthi militants in the Red Sea while they were attacking a container ship is the latest sign that the Gaza war is widening beyond Israel-Palestine. Three Houthi boats were sunk and 10 militants killed in a rare close combat with the rebels who control much of Yemen. The Houthis say that to express solidarity with the Palestinians, they would continue to attack commercial vessels passing through the Bab el-Mandeb Strait, through which the Red Sea opens into the Gulf of Aden. Since late November, at least 20 commercial tankers have come under Houthi attacks, including a chemical vessel off the Indian coast, forcing some of the world's largest shipping companies, including Maersk, Hapag-Lloyd and MSC, to suspend trading on the Red Sea routes, and use the circuitous route around Africa. Traffic through the Red Sea, a crucial link between the Mediterranean and the Arabian Seas through the Suez Canal, has dropped by some 35% in recent weeks, increasing shipping and insurance costs. The crisis has prompted the U.S. to announce a new naval task force to ensure security in one of the world's busiest shipping lanes.

But the U.S.'s attempt to deal with the Houthi threats as a stand-alone security crisis might run into its own limitations. No Red Sea basin country has joined the U.S.-led task force, which includes even Egypt, whose economy has taken a hit due to the drop in the Suez traffic. This shows the growing anger in the Arab world towards the Biden's administration's unconditional support for Israel's offensive in Gaza, which has killed at least 22,000 people in 11 weeks. The Houthi control of Yemen's Red Sea Coast, including the port of Hodeidah, which is some 250 km north of the Bab el-Mandeb, just 29 km wide at its narrowest point, gives them a natural advantage in carrying out sea denial attacks in and around the Strait. Over the past few weeks, the U.S. has shot down several Houthi missiles and drones over the Red Sea. But that has not stopped the Houthis from launching new attacks. Even if the U.S. carries out airstrikes in Yemen, it is not clear whether aerial attacks could deter the Houthis, who survived intense Saudi bombing for seven years. Beefing up security in the Red Sea and the Arabian Sea has now become inevitable, but the U.S. should first work towards achieving a ceasefire in Gaza, addressing the core issue behind the escalation. That would help Washington build a regional consensus against the Houthis. But if the U.S. turns a blind eye towards the indiscriminate killing of Palestinians by its ally and stays focused only on the Houthis, it risks getting dragged deeper into a widening regional conflict.

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Sign of the future

The PSLV C58 mission is a symbol of the demands being made of ISRO

Two missions the Indian Space Research Organisation (ISRO) has launched in the five months since its success with Chandrayaan-3 have both been scientific in nature: the Aditya L-1 space probe to study the sun and the X-ray Polarimeter Satellite (XPoSat) to study polarised X-rays emitted in astrophysical phenomena. ISRO launched the XPoSat, in a two-part mission, onboard a Polar Satellite Launch Vehicle (PSLV) on its C58 flight on January 1. The relative timing of these launches may be a coincidence but it is heartening because the ratio of scientific to technological missions ISRO has launched is skewed in favour of the latter, at the expense of research in the sense of discovery. Those science-oriented missions have all been exceptional in their own right. For example, XPoSat is only the second space-based experiment to study X-ray polarisation, and at higher x-ray energies than the other, NASA's Imaging X-ray Polarimetry Explorer. Its POLIX payload, realised by the Raman Research Institute, will track X-rays in the 8-30 kilo-electron-volt (keV) energy range and observe emissions from around 50 sources in five years. The XSPECT payload, by ISRO's U.R. Rao Satellite Centre, will study X-rays of energy 0.8-15 keV and changes in continuous X-ray emissions. Together, they are expected to shed light on intense X-ray sources such as pulsars and black holes.

Then again, the science-technology skew is a reminder that ISRO among the world's spacefaring organisations has unique needs and priorities. This is exemplified by the second part of the C58 mission. After launching XPoSat in a 650-km circular orbit around the earth, the fourth stage of the rocket lowered itself into a 350-km-high orbit and unfurled solar panels, becoming a rudimentary satellite and orbital testbed for the 10 payloads it carried. These are a radio payload by the K.J. Somaiya Institute of Technology and a device to measure ultraviolet radiation from L.B.S. Institute of Technology for Women; a 'green' cubesat propulsion unit, a 'green' monopropellant thruster, a tantalum-based radiation shield, a heater-less hollow cathode, and a nano-satellite platform, all from private entities; and an interplanetary dust counter, a fuel-cell power system, and a high-energy cell from ISRO centres. This is only the third time ISRO has operated the PSLV fourth stage in this way. As such, the C58 mission represents a union of the aspirations of professional scientists, aspiring students of science, and India's private spaceflight sector. This again is a vignette of the demands of ISRO itself as it navigates an era in which a permanent lunar station seems inevitable, drawing as much on technological capabilities as – based on scientific missions – humankind's knowledge of the universe.

India's 1991 crisis and the RBI Governor's role

S. Venkataramanan had a pivotal role in steering India through the financial crisis by employing strategies like pledging gold reserves and implementing import compression, stabilising the country's balance of payments; but despite the efforts, his legacy was overshadowed by subsequent economic reforms

ECONOMIC NOTES

Palapre Balakrishnan

S Venkataramanan, an IAS officer who served as the Governor of the Reserve Bank of India (RBI) from December 1990 to December 1992 passed away recently. Two events in which he had participated are worth recording. Both show him as a statesman who did his best for his country, for which he deserves to be remembered.

The beginning

Starting in late 1990, India faced a severe balance of payments stress. This had been precipitated by a slowing of inward remittances and a rise in the price of oil following the invasion of Kuwait by Saddam Hussein. The current account of the balance of payments was subjected to a double whammy, a reduction of receipts and a rise in the value of imports. In 1990-91 the current account deficit swelled to 3 percent of the GDP, a level highest by far in two decades. There was speculation that India would default on its external payment obligations. It was at that moment that the RBI led by Mr. Venkataramanan played a sterling role, which in effect came to pledging its gold to international banks for a hard currency loan. The details of these initiatives and their significance are set out in the RBI's official history. "In April 1991, the Government raised \$200.0 million from the Union Bank of Switzerland through a sale (with a repurchase option) of 20 tonnes of gold confiscated from smugglers (sic). Again, in July 1991, India shipped 47 tonnes of gold to the Bank of England to raise another \$405.0 million. This action helped the country repay its international donors and creditors, though it was not sufficient to completely avert the country of the crisis." The act of pledging the country's gold, which involved transporting it overseas, had



Legacy honoured: S. Venkataramanan in New Delhi on November 26, 1992. The hindu archives

been mocked by some in India. It only reveals an ignorance of the world. For the RBI to have used its gold to stave off a default was an act of courage. Indeed, it was the smartest economic management. It only needs to be recalled that India imports around 80 percent of its oil to recognise the practical value of the manoeuvre. Default would have narrowed India's access to the global loan markets to finance its imports were its export earnings to fall short in the future. With the sale and pledging of India's gold reserves, a breathing space within the payments crisis had been created.

Economic reforms

Before its efforts to raise international loans, the RBI had begun a programme of import compression, implemented mainly via raising the cash margin on imports. While this had commenced before Mr. Venkataramanan had assumed office as Governor, it was under him that the policy assumed greater force. The cash margin was hiked four-fold between October 1990 and April 1991. Supplementary measures that raised the cost of imports were implemented too, together constituting a stringent effort to rein them in. This strategy turned out to be a winner, and the current account deficit flipped from a high of 3 percent in 1990-91 to a mere .3 percent of GDP in 1991-92. This almost eliminated the need to raise foreign exchange to finance

India's non-debt payments. Though a government led by Narasimha Rao was to take office in mid-1991 and set in motion measures, including a devaluation of the rupee, to improve the balance of payments over the long term there is reason to believe that the immediate improvement of the balance of payments may be largely attributed to the import compression put in place by the RBI. This is implied by the data, which show that while imports contracted substantially in 1991-92 exports did not rise, they declined slightly. The RBI's official history of the period states "At a critical time and in the thick of the BoP crisis, the main task of the Reserve Bank under the leadership of the Governor, Shri S. Venkataramanan, turned out to navigate the country through the troubled waters." It concludes that the crisis was "successfully resolved". However, it is the economic reforms that followed that have received attention from the public at the time, and understandably, Dr. Manmohan Singh and his team had cut a dash with their bold reconfiguration of the economic policy regime. Once the balance of payment crisis had passed, its architects came to be forgotten and their heroic guarding of India's international prestige and financial credentials was left unsung in the public sphere. And, for Governor Venkataramanan himself, the ending of his term was less than glorious due to what the RBI's official history terms

"issues related to an unexpected breakout of irregularities in securities transactions from April 1992", known to the public as "the Harshad Mehta scam".

'Remarkable openness'

Finally, having had the privilege of glimpsing Mr. Venkataramanan at work, I should narrate the experience. Sometime in the middle of 1991, I received a letter from him saying the RBI had noticed an article of mine on a topic related to the conduct of monetary policy, and that it would be happy to hear from me in person. This demonstrated a remarkable openness, for I was not only unknown professionally but also my paper was critical of research that had emerged from the RBI. A follow up was to come soon after, when, in September of the same year I was invited, along with over 20 economists, to meet the Governor on the measures taken to deal with the balance of payments crisis. Noticeably, every shade of opinion on the Indian economy, not to mention its geography, was represented at the table that day. But what was more impressive was that the Governor responded to each presentation made.

So, I was not surprised when later I heard those privy to the IMF's negotiations with the RBI said that Mr. Venkataramanan would be quick to parry their arguments with research produced by economists based in India. Probably, it was this belief that a country must rely on its intellectual resources that led him to establish the Development Research Group within the RBI. It was meant as a vehicle to take independent economists to India's central bank so that there would be professional interaction between its staffers and stakeholders outside. In this, though, he may not have fully succeeded. Today, the RBI's struggle to control inflation reveals that it is perhaps more eager to be seen to adhere to the current orthodoxy in economics than to understand how India's economy works. (Palapre Balakrishnan is visiting Professor, Krea University)

THE GIST

S. Venkataramanan led RBI's efforts during India's severe balance of payments stress in 1990-91, including initiatives to raise international loans and pledging India's gold reserves, which salvaged the country's financial reputation and prevented a potential default.

Under his leadership, RBI implemented import compression measures by raising cash margins on imports. This stringent strategy significantly reduced the current account deficit, stabilising the balance of payments.

He also displayed openness by inviting diverse opinions and experts, including critical voices, to discuss critical economic matters, demonstrating an inclusive and non-hierarchical approach to decision-making.

Why did FIU IND act against virtual asset providers?

How might the actions against non-compliant VDA SPs affect the users of these platforms, especially those operating in India? What potential repercussions or implications could these enforcement actions have?

Saptaparno Ghosh

The story so far:

In December 28, the Financial Intelligence Unit India (FIU IND) issued show-cause notices to nine offshore virtual digital asset service providers (VDA SPs), including Binance, Kucoin, Huobi, Bitfinex and MEXC Global, among others. This was for "operating illegally" without complying with the provisions of the Prevention of Money Laundering Act, 2002 (PMLA). It has also been written to the Secretary of the Ministry of Electronics and Information Technology to block URLs of the mentioned entities.

What is the premise of the non-compliance?

In March 2023, Virtual Digital Asset Service Providers (VDA SPs) in India were brought under anti-money laundering/counter financing of terrorism regulations. They were mandated to comply with PMLA 2002, verify the identities of onboarded clients, and maintain records of their

financial positions and potentially suspicious transactions. This obligation applies to all VDA SPs operating in India irrespective of physical presence. Non-registration made entities "though catering to a substantial part of Indian users were not getting registered and coming under the Anti Money Laundering (AML) and Counter Financing of Terrorism Network (CFT) framework". Currently, 31 VDA SPs have registered with FIU IND.

What purpose does the PMLA compliance serve?

According to Ranjana Adhikari, Partner at INDUSLAW, the objective of the PMLA and its reporting obligation are to enable monitoring and tracking of financial transactions to curb money laundering and terror financing. She further observed, "While there is no denying that such AML and CFT measures are imperative for today's global financial ecosystem, the FIU IND should seek compliance from only

those entities who fit within the parameters of the March 2023 notification and are capable of providing the information FIU and PMLA require." Furthermore, Vipul Kharbanda, an independent legal researcher, told *The Hindu* that VDA SPs adhering to KYC mandates would be beneficial for them only. "It addresses one of the primary concerns of any regulator about the purported anonymity of the crypto assets and their potential use for unlawful purposes," he stated, adding that mandatory KYC verifications would ensure lack of anonymity and businesses not encountering multiple hurdles.

Separately, Ms. Adhikari also argues that the government has made it amply clear that it intends to enforce PMLA obligations on offshore entities if they satisfy the ingredients of the March 2023 PMLA notification on VDA SPs. "This is also in line with India's efforts through the G-20 where it has been advocating for global regulation of cryptocurrency and consequently the framework proposed by the International Monetary Fund and the Financial Stability Board to the G-20 in

September 2023 is likely to be acted in 2024," she stated.

What considerations emerge when looking to regulate VDAs?

The Bureau for International Settlements (BIS), which is the global forum for cooperation among central banks, in a report about financial stability from crypto assets in emerging economies (August 2023) observed three high-level policy options under consideration. These include an outright ban, containment and regulation. BIS observed that an outright ban may not prove enforceable. This is because of the pseudo-anonymous nature of crypto markets. There could be a possibility that regulators lose all sight of the market, further shrinking their transparency and making them less predictable. Containment would imply controlling the flows between crypto markets and traditional financial systems. However, BIS argued that the strategy would not address the vulnerabilities inherent in the crypto markets and could result in financial stability risks.

About regulation, motivation to regulate the asset varies across jurisdictions. The report holds that it must be ensured that the benefits of regulating and supervising are greater than the costs involved. Furthermore, for emerging market economies three issues are of importance, that is: defining the (regulatory) authority or entity and their scope, then the scope of regulation in terms of either activity or entity, and lastly, filling in the data gaps to understand the technology and interconnections.

THE GIST

On December 28, FIU IND issued show-cause notices to nine offshore virtual digital asset service providers (VDA SPs) for operating illegally and not complying with the PMLA.

VDA SPs were brought under anti-money laundering/counter financing of terrorism framework in March 2023, mandating them to report verified identities, financial positions, and suspicious transactions, among other obligations.

The objective is to monitor financial transactions, curb money laundering, and prevent terror financing.