

SEBI Releases Consultation Paper On Measures To Strengthen Index Derivatives Framework For Increased Investor Protection And Market Stability

- The **Securities and Exchange Board of India (SEBI)** has released a consultation paper proposing new measures to strengthen the framework for index derivatives.
- These measures aim to enhance investor protection, promote market stability, and ensure sustained capital formation in derivative markets. This move comes in response to concerns over excessive speculative trading and increased retail participation in equity derivatives.
- **About Index Derivatives**
 - Index derivatives are financial contracts that derive their value from an underlying asset, such as a commodity, security, currency, or index. The most common types of derivatives are **Futures and Options (F&O)**.
- **Need for Strengthening the Index Derivatives Framework**
 1. **Excessive Speculative Trading:** A significant amount of household savings (₹50,000–₹60,000 crore) has been lost through derivatives trading.
 2. **Increased Retail Participation:** The proportion of individual trades in index options rose from 2% in FY 2018 to 41% in FY 2024.
- **Key Changes Proposed**
 - **Increase in Minimum Contract Value:**
 - The current minimum contract size of ₹5 lakh is proposed to be increased to ₹10 lakh, ₹15 lakh, and eventually to ₹20 lakh.
 - This could further increase to ₹30 lakh after six months.
 - **Limiting Strike Prices:**
 - The number of strike prices for an index derivatives contract at launch will be limited to 50.
 - This aims to prevent the scattering of trading activity and improve liquidity.
 - The strike price is the pre-determined price at which the buyer and seller of an option agree on a contract or exercise a valid and unexpired option.
 - **Upfront Collection of Option Premiums:**
 - Members will be required to collect option premiums upfront from clients.
- **About Futures and Options (F&O)**
 - **Futures Contract:**
 - A futures contract gives the buyer the right to buy or sell pre-defined quantities of an instrument at a specified price and time.
 - Examples include stock futures, index futures, currency futures, and interest rate futures.
 - **Options Contract:**
 - An options contract gives the buyer the right, but not the obligation, to buy or sell a security at an agreed-upon price during a certain period or on a specific date.
 - The major types of options contracts are Call Options and Put Options.

Dividend Equalisation Fund (DEF)

- The **Reserve Bank of India (RBI)** has instructed **Urban Co-operative Banks (UCBs)** to stop creating **Dividend Equalisation Funds (DEF)**.
- **About Dividend Equalisation Fund (DEF)**
 - **Purpose:** DEFs are established by UCBs using a portion of their profits to ensure they can pay dividends in future years when profits are insufficient or the bank has incurred a net loss.
 - **Current Regulations:** The existing rules prohibit paying dividends from previously accumulated profits or reserves.
- **RBI's Directive**
 - **Cease DEF Creation:** UCBs must stop setting up DEFs.
 - **One-Time Measure:** RBI allows UCBs to transfer the money in existing DEFs to general reserves or free reserves. This transfer is aimed at providing better regulatory capital treatment for these balances.

Fully Accessible Route (FAR)

- The **Reserve Bank of India (RBI)** has excluded new government securities with **14-year and 30-year tenures** from the **Fully Accessible Route (FAR)**.
- **About Fully Accessible Route (FAR)**
 - **Purpose:** FAR was introduced by the RBI to allow non-residents to invest in specified Government of India dated securities without any restrictions.
 - **Eligibility:** Any "person resident outside India" as defined in section 2(w) of the **Foreign Exchange Management Act, 1999 (FEMA)** can invest through FAR.
- **Key Changes**
 - **Exclusion of Long-term Bonds:** The RBI has removed new 14-year and 30-year government securities from FAR, redirecting foreign investment towards shorter-term bonds instead.

National Apprenticeship and Training Scheme (NATS)

- The **Ministry of Education** has launched the **National Apprenticeship and Training Scheme (NATS) 2.0 Portal**. This portal simplifies the registration and application process for apprenticeships.
- **About NATS:** NATS is a key initiative by the Government of India, established under the Apprentices Act, 1961, to enhance the skills of Indian youth.
- **Key Features**
 - **Target Audience:** The scheme is open to Graduate, Diploma, and Vocational certificate holders.
 - **Training Duration:** Apprenticeships range from 6 months to 1 year.
 - **Stipend:** Apprentices receive a stipend during their training, with 50% reimbursed to employers by the government.
 - **Certification:** Upon completion, apprentices receive a Certificate of Proficiency.

Additional Factor Authentication(AFA)

- The **Reserve Bank of India (RBI)** has released a draft framework on **Alternative Authentication Mechanisms for Digital Payment Transactions**.
- This framework will apply to all Payment System Providers and Participants as defined in the **Payment and Settlement Systems (PSS) Act, 2007**.
- **About AFA Framework**
 - **Requirement:** All digital payment transactions must include an **additional factor of authentication (AFA)**, unless exempted.
 - **Dynamic Authentication:** For transactions other than card-present ones, one of the authentication factors must be dynamically created. This means it must be generated after the payment initiation, be specific to the transaction, and cannot be reused.

Bagless Days

- The Union **Ministry of Education** has announced guidelines for implementing **bagless days** for students in **Classes 6 to 8**, based on recommendations from the **National Education Policy 2020**.
- **About Bagless Days**
 - **Purpose:** Students will have a **10-day period** without school bags, during which they will intern with local vocational experts like carpenters, gardeners, potters, and artists.
- **Guidelines**
 - **Objectives:**
 - Enhance observation-based learning.
 - Foster an understanding of community connectedness and interdependence.
 - Promote the dignity of labor through hands-on activities.
 - **Activities Included:**
 - Visits and surveys of vegetable markets.
 - Charity visits.
 - Surveys and report writing on pet care.
 - Doodling and other creative activities.