



ALGO TRADING

Relevancy:

- ✓ GS Prelims, GS Mains paper III
- ✓ Sci-tech, Algo Trading, algorithmic trading, Stock exchange

Recently:

- ❖ SEBI announced new norms to make algorithmic trading more accessible to investors.
- ❖ It also proposed a stricter monitoring of these trades to ensure the smooth functioning of the market.
- ❖ Algo trading accounts for 35-40 per cent of turnover on the Indian exchanges.

What is Algo Trading?

- Algo trades, short for algorithmic trades, are orders executed on the exchange platform by computers through a programme designed by the user.
- There are different degrees of manual intervention in Algo Trading.
- Zero-touch algos are executed without any manual intervention.
- But more commonly used algos in India use Application Programming Interfaces (API) that allow investors to select their strategy, programme their requirements and then execute it from the broker's end.

What is the difference between Algo Trading and HFT (High Frequency Trading)?

- The terms AT and HFT are often used inter-changeably, but they are different.
- HFT refers to high-volume orders executed within split-seconds to make immediate gains from market opportunities.
- HFT trades are often backed by algos, which spot the trading opportunity.
- The success of most algo trading strategies depends on the speed of execution, which in turn depends on the bandwidth of the connection and also the distance the data packets have to travel.

Pros and Cons of Algo Trading:

- A key concern with HFT and algos is that if there is a bug in the programme, it can result in losses to lakhs of investors.
- Algo trades help institutional investors increase the efficiency of trade execution and spot fleeting trading opportunities. They also add liquidity to the market.
- But they have their flip side too. Algo trades have often been blamed for wild swings and flash crashes in the market.
- When markets or stocks hit key milestones, such as say a 200-day moving average or 52-week high/low, algos may trigger a large volume of trades that magnify the trend.

How are Algos regulated?

- The exchanges where algos are used, need to get their programmes approved from the watchdog – SEBI, before they are put to use.
- Stock exchanges have to allot a unique identifier to each approved algorithm and ensure that each order is tagged with it.
- To check price swings, SEBI has also said that penalty would be levied on algo orders placed more than 0.75 per cent away from the last traded price





Judiciary and Democracy

Relevancy

- ✓ G.S. Paper 2
- ✓ Resolution regarding impeachment of CJI
- ✓ Negative effects of such law
- ✓ What steps judiciary must take

Recently:

- ❖ The euphoria in some circles over a proposed resolution of impeachment of the Chief Justice of India became a matter of grave concern.
- ❖ The resolution brings to fore the issues that directly impinge on the independence of the judiciary.

What is the Question?

- Should there be some safeguards before the motion, tabled by the requisite number of Members of Parliament, is admitted?

What would be the negative effects?

Loss of credibility and reputation:

The incalculable damage that evens a mere admission of an impeachment motion can cause, and the consequential loss of reputation, that can never be redeemed, needs to be primarily addressed.

Protection of honest judges:

- While a corrupt judge should be impeached without doubt, it must be ensured that the large body of independent judges is protected.
- They should not be inhibited and shackled while going about their work with any possible threat of an impeachment looming large

Blow to the economy:

- In the eyes of the international community, the executive government also will be shown in a bad light if the judiciary in the country is not independent and strong.
- Business will not be forthcoming.
- Tourism will suffer.
- There will be fear and insecurity.
- The rule of law will be a far cry.
- All this will deliver a serious blow to the economy

What shall be the procedure?

Concurrence of the full court of SC:

- Article 124(4) of the Constitution and the provisions of the Judges (Inquiry) Act, should be so interpreted that before admitting a motion of impeachment against a judge of a high court or the Supreme Court, the presiding officers in Parliament should be obliged to obtain the concurrence of the full court of the Supreme Court.
- If that involves a judge of the apex court, that judge should not participate in the sitting.

Within 4 weeks:

- If there is no response from SC within 4 weeks then it should be a deemed concurrence.

Illegal and void:

- Admission without concurrence should render the motion illegal.

How the above procedure would best serve the constitution?

Both removal and appointment by the SC:

- After the Second Judges case, today the power to appoint judges of the higher judiciary vests in the apex court.
- Removal being directly connected to appointment, it is only logical that the first filter in the process vest with the judiciary.

Independence of the judiciary in the removal process:

- The principle of independence of the judiciary on which the Second Judges Case was founded for the aspect of appointment should apply with full vigour to the initiation of the removal process.



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- In a matter like this, which is so integral to the judiciary and to its independence, such a safeguard ought not to be seen as diluting the powers of the presiding officers of Parliament.

Safeguarding the honest judges:

- The Judges (Inquiry) Act expressly provides that the presiding officers, before admitting a motion for impeachment, will consult such persons as they deem fit.
- It can be safely presumed that while the peer group will immediately concur to get rid of the black sheep from their midst, they will zealously safeguard a judge who is unfairly targeted.

What steps judiciary must take?

- Message should be sent from top.
- It is time that by a judicial order the Memorandum of Procedure (MOP) is set out and a mandamus must be issued to the government to follow the same and clear pending appointments in a time-bound manner must be conducted.
- After all, there is no reason for any clean government to fear a judiciary that is strong, fearless and independent.



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Rivers and Optimum use of Floodplains

Relevancy

- ✓ G.S. Paper 2,3
- ✓ What are floodplains?
- ✓ Preserving water with the help of flood plains
- ✓ Potential of River Tamirabarani's Floodplains

Recently:

- ❖ It is realized that floodplains of rivers can provide a new source of water.
- ❖ They are a local, non-polluting, perennial and non-invasive source of water for urban centers.
- ❖ The work and research on Palla floodplain scheme which was launched by the Delhi Jal Board in 2016 is a tangible realization of this idea.

What are floodplains?

- Floodplains are an area of low-lying ground adjacent to a river, formed mainly of river sediments and subject to flooding.

How flood plains can help in preserving water?

- Rivers today are facing problems of abysmally low flows due to an indiscriminate extraction of water for use in cities, industries and agriculture.
- Floodplains are formed over millions of years by the flooding of rivers and deposition of sand on riverbanks.
- These sandy floodplains are exceptional aquifers and any withdrawal is compensated by gravity flow from a large surrounding area.
- Notably, some floodplains such as those of Himalayan Rivers contain up to 20 times more water than the virgin flow in rivers in a year.
- If we conserve and use the floodplain, it can be a self-sustaining aquifer, and the river and floodplain can be preserved throughout.
- The 'conserve and use' principle demands that annual water withdrawal rate from the aquifer should not exceed the recharge rate.
- Drawing out any more water than is recharged can contaminate and eventually finish off this precious resource and hence needs to be checked.

What is the issue?

- Floodplains of rivers have immense potential for ensuring sustained water supplies for urban settlements if preserved.
- Schemes for preserving and harnessing such a resource needs to be promoted in regions like the Tamirabarani Basin that is facing a water crisis.
- A scheme on a 25 km stretch of the Yamuna is currently running at half its potential and providing water to about one million people in the city — of a daily requirement of 150 litres per person.

How can the potential of River Tamirabarani's Floodplains be realized?

- 'Palla floodplain scheme' of Delhi Jal Board, covers a 25 km stretch along Yamuna and is already supplying water for over 1 million people.
- Similar potential along other rivers can be explored to meet the needs of urban settlements in a sustainable manner – and Tamirabarani presents a good case.
- Tamirabarani River in Tamil Nadu flows for 100 km through two urban settlements namely - Tirunelveli and Thoothukudi and has the potential.
- The cities have a population of close to a million people, and the water requirement is less than 54 million cubic metres (MCM) per year.
- While 25 Km along the bank has been built over, another 75 Km of the river lies along agricultural land parcels.
- 1 km of this 75 Km stretch on both sides of the river can be preserved as a water sanctuary (floodplains) and used to provide water to towns.
- Specific yield of this aquifer is about 15-20% of its volume and if water is drawn sustainably, it can provide 75-90 MCM of water annually.



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- Hence, there is more water than what is needed by these cities, and by commissioning a system of wells, this resource can be harnessed.
- If water is metered and priced at the domestic Delhi Jal Board tariff of Rs. 30 per kilo-litre, annual revenue of Rs.162 crores can also be generated.
- Preserving the 75 Km floodplain is critical for this scheme, which mandates contracting the concerned farm land owners.
- Farmers in the region are having an erratic income presently, and their holdings can be leased by the government for activating the scheme.
- Such a partnership with farmers will provide them earn a stable income while simultaneously retaining ownership rights and preserving aquifer.
- In addition, farmers can actually continue to grow trees for timber, fruit orchards or nut trees on their land (but not water-intensive crops).
- Even the economics of the scheme looks good and the revenue generated by the water board would more than offset the cost of leasing.
- Ecologically, a water sanctuary would prevent erosion, heal the river ecosystem, and restore the ecological balance in floodplains.
- Even after withdrawal, floodplains would have enough water to slowly release back into the river in a lean season, which provides the sustenance potential.
- This scheme would also help in curbing illegal extraction of water, curb pollution by industries and encourage better waste management practices.



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Special Category Status and the ongoing furore

Relevancy

- ✓ G.S. Paper 2
- ✓ What is a special category status?
- ✓ What does The 14th Finance Commission say about the Special Category status?
- ✓ What assistance do states with Special Category Status get?

Recently:

- The Bharatiya Janata Party (BJP) and Telugu Desam Party (TDP) have locked horns over the central assistance and demand for special category status to Andhra Pradesh.
- Mr. Naidu alleges that the Centre failed to implement the AP Reorganisation Act, 2014 including giving the Special Category Status to AP.
- The demand for the special category status for the southern state has been a constant issue ever since the inception of Telangana in 2014.

What is Special Category status?

- The concept of a special category state was first introduced in 1969 when the 5th Finance Commission sought to provide certain disadvantaged states with preferential treatment in the form of central assistance and tax breaks.
- Initially three states Assam, Nagaland and Jammu & Kashmir were granted special status.
- Later eight more states were included (Arunachal Pradesh, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Sikkim, Tripura and Uttarakhand).
- The rationale for special status is that certain states, because of inherent features, have a low resource base and cannot mobilize resources for development.

What does The 14th Finance Commission say about the Special Category status?

- 14th Finance Commission (2015-20) scrapped the distinction between general and special category States.
- In the past, the NDC considered factors such as difficult and hilly terrain, low population density and/or a sizeable share of tribal population, strategic location along borders, economic and infrastructural backwardness, and non-viable nature of state finances.
- The NITI Aayog, which has replaced the Planning Commission, has no power to allocate funds — therefore, the discretion that the ruling party at the Centre had to dole out special favors to states through the Plan panel, no longer exists.
- The Centre says the Fourteenth Finance Commission effectively removed the concept of Special Category States after its recommendations were accepted in 2015.
- The Centre was willing to provide the “monetary equivalent” of a special category state to Andhra Pradesh but would not be able to grant the “special status” that was restricted only to the north-eastern and three hilly states by the 14th Finance Commission.

What assistance do states with Special Category Status get?

The Centre pays 90 per cent of the funds required in a centrally-sponsored scheme to special category status category states as against 60 per cent in case of normal category states, while the remaining funds are provided by the state governments.

What does Andhra Pradesh seek from the centre?

For Andhra Pradesh, the Centre is committed to giving 90 per cent of the funds, equivalent to special category states, through other means like external agencies.

However, the Centre has agreed to give “special assistance” to AP for five years, which would make up for the additional central share the state might have received during these years — 2015-16 to 2019-20.

This will be in the form of Union funding for externally aided projects that have been signed and disbursed during these years.

AP is demanding that special assistance funding should be in the 90:10 ratio (Centre: state) for both EAPs and centrally-sponsored schemes — which adds up to about Rs 20,010 crore of central assistance.

Because the state government may not be able to spend this amount on EAPs in the stipulated five years, AP is demanding that the Centre allow it to use the money to clear outstanding loans.



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It is seeking permission to borrow from internal lenders like NABARD, HUDCO and other commercial banks, and to use the gap to pay interest commitments to the Government of India, NABARD and EAPs.

The Centre is also willing to accept the state government's suggestion of raising funds through NABARD.

Which are the other states that are demanding the Special Category Status?

- Apart from Andhra Pradesh, Odisha and Bihar had demanded SCS status.
- However, they have not been granted the status as they did not fulfill the criteria to be qualified as an SCS State.

When was the first Special Category status bestowed?

- The NDC first accorded SCS in 1969 to Jammu and Kashmir, Assam and Nagaland.
- Over the years, eight more states were added to the list — Arunachal Pradesh, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Sikkim, Tripura and, finally, in 2010, Uttarakhand.
- Until 2014-15, SCS meant these 11 states received a variety of benefits and sops.

Andhra Pradesh Government's demand is futile because:

- The perception that Andhra is currently disadvantaged is misleading as industries such as communications, business, and local community services are doing reasonably well there.
- But if one argues that the commitment made earlier should be kept and that rules cannot be changed in retrospect, how does then one grapple with the idea of competitive federalism?
- Though the SCS could deliver monetary benefits for Andhra, it makes little economic sense for the Centre.

Conclusion:

States must understand their industrial strengths and create a policy environment to leverage their exclusive resources instead of relying on Centre's support.



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