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Daily MCQs: 23-09-2024

1. Consider the following statements

- 1) Sri Lanka is led by a multiparty political system.
- 2) The President is the head of state and the head of government in Sri Lanka.

Which of the statements given above is/are correct?

- A. 1 only
- B. 2 only
- C. Both 1 and 2
- D. Neither 1 nor 2

2. Consider the following statements about NPS Vatsalya

- 1) It is a contributory pension scheme that allows parents or guardians to invest on behalf of their minor children.
- 2) The scheme will be run under the Pension Fund Regulatory and Development Authority (PFRDA).

Which of the statements given above is/are correct?

- A. 1 only
- B. 2 only
- C. Both 1 and 2
- D. Neither 1 nor 2

3. The primary objective of the Financial Action Task Force (FATF) is to

- A) Regulate global trade
- B) Combat money laundering and terrorist financing
- C) Ensure global financial stability
- D) Promote international economic cooperation

4. DNA profiling can be used in which of the following areas?

- 1) Crime scene investigation
- 2) Identifying missing persons
- 3) Paternity Testing

Select the correct answer using the codes given below

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1,2 and 3

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5. With reference to the Deposit Insurance and Credit Guarantee Corporation (DICGC), consider the following statements

- 1) It is a wholly owned subsidiary of the RBI.
- 2) Each depositor in a bank is insured up to a maximum of Rs 1 lakh for both principal and interest amount held by them.

Which of the statements given above is/are correct?

- A. 1 only
- B. 2 only
- C. Both 1 and 2
- D. Neither 1 nor 2

Solutions:

1. Answer: C

Explanation

- Sri Lanka is a **Democratic Republic** and a **Unitary State** which is governed by a **semi-presidential system**, with a mixture of a presidential system and a parliamentary system.
- **Statement 1 is correct:** Sri Lanka is led by a multiparty political system.
- **Statement 2 is correct:** The **President** is the **head of state and the head of government** and is **elected by the people** for a term of six years.
- The **executive power** of the state is vested with the **President** and is **assisted by the Cabinet of Ministers**.
- Legislative power is exercised by the **Parliament**, which is elected by people on a **proportional representation basis**.
- The **president's deputy**, the **Prime Minister**, leads the ruling party in parliament and shares many executive responsibilities, mainly in domestic affairs.

2. Answer: C

Explanation

- **Statement 1 is correct:** The Government of India has launched **NPS Vatsalya**, a **contributory pension scheme that allows parents or guardians to invest on behalf of their minor children**.

About NPS Vatsalya

- NPS Vatsalya is an **extension of the existing National Pension Scheme** which would allow parents to open pension accounts for their **minor children**.
- Under the scheme, parents can invest a **minimum of ₹1,000 per month with no upper limit**.

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- Parents have the **flexibility to select from a variety of Pension Funds** registered with the Pension Fund Regulatory and Development Authority (PFRDA) for managing the investments.
- The scheme is designed to be **operated by parents until the child reaches 18**, at which point the account transitions into the child's name.
- Upon reaching adulthood, the account **can be converted into a regular NPS account or another non-NPS scheme**.
- **Statement 2 is correct:** The scheme will be run under the **Pension Fund Regulatory and Development Authority (PFRDA)** and **Permanent Retirement Account Number (PRAN)** cards will be issued to newly registered minor subscribers.

Eligibility criteria:

- The **child must be under 18**;
- **Both the child and the parent/guardian** must be **Indian citizens**;
- All parties must comply with the **Know Your Customer (KYC)** requirements.

Withdrawal process:

- Following a **three-year lock-in period**, a **maximum of three withdrawals of up to 25% of contributions** are allowed for reasons including education, a specific disease, or a handicap.
- If the amount invested **surpasses ₹2.5 lakh** at the age of 18, 80% of it is used to purchase an annuity, and the remaining 20% can be taken as a lump payment. A lump sum withdrawal of the full capital is possible if it is **less than or equal to ₹2.5 lakh**.

3. Answer: B

Explanation

- The Financial Action Task Force (FATF) is an **intergovernmental organization** that designs and promotes policies and standards to **combat financial crime**.
- The FATF sets standards or recommendations for countries to achieve in order to plug the holes in their financial systems and make them less vulnerable to illegal financial activities.
- Recommendations of the FATF target
 - **Money laundering**
 - **Terrorist financing**
 - **Other threats to the global financial system.**
- The FATF was created in **1989** by the **G7 countries** and is headquartered in **Paris**.
- There are **37 members**, including **India** and **two regional organisations - European Commission and the Gulf Cooperation Council**.
- The decision-making body of the FATF, known as its **plenary**, meets **thrice a year**. Its decisions are taken by **consensus**.

What are FATF's 'grey' and 'black' lists?

- At the end of every plenary meeting, FATF comes out with two lists of countries.
- The **grey list countries** are designated as "**jurisdictions under increased monitoring**", working with the FATF to counter criminal financial activities.
 - For such countries, the watchdog does not tell other members to carry out due-diligence measures vis-a-vis the listed country but does tell them to consider the risks such countries possess. Currently, more than **20 countries** such as Bulgaria,

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Cameroon, Democratic Republic of the Congo, Croatia, Philippines, South Africa, Vietnam, etc. are on the grey list.

- **Black list** means countries designated as '**high-risk jurisdictions subject to call for action**'.
 - In this case, the countries have **considerable deficiencies in their AML/CFT** (anti-money laundering and counter terrorist financing) regimens and the body calls on members and non-members to apply enhanced due diligence.
 - In the most serious cases, members are told to apply counter-measures such as **sanctions** on the listed countries. Currently, **North Korea, Iran and Myanmar** are on the black list.
- Being listed under the FATF's lists makes it **hard for countries to get aid from organisations** like the International Monetary Fund (IMF), Asian Development Bank (ADB), and the European Union. It may also **affect capital inflows, foreign direct investments, and portfolio flows**.

Why in News?

- The Financial Action Task Force (FATF) has released its Mutual Evaluation Report for India.
- While India gained comfort from being placed in the **regular follow-up category**, the FATF flagged **certain areas for improvement**: the need to strengthen prosecution in money laundering (ML) and terror financing (TF) cases, protecting the non-profit sector from terrorist abuse, and supervision and implementation of preventive measures.

4. Answer: D

Explanation

- DNA Profiling (also known as **DNA fingerprinting or genetic fingerprinting**) is a **forensic technique used to identify individuals by analyzing unique characteristics of their DNA**.
- While human DNA is **99.9% identical**, the remaining **0.1%** includes unique sequences called **Short Tandem Repeats (STRs) or Microsatellites**, which are crucial for DNA Profiling.
- **DNA can be obtained from any biological material** since the same DNA sequence is present in every cell of the body.
- Common sources include **saliva, semen, vaginal fluids, blood, body tissues, teeth, hair, and bones**. However, the **amount of DNA varies** across these materials.
 - Blood and saliva are rich in DNA, while teeth and hair roots contain less DNA, making them less ideal for extraction.

Applications of DNA Profiling

1. **Criminal Investigations:** Used to match DNA from crime scenes (e.g., blood, hair) with suspects, helping to identify or exclude individuals involved in a crime.
2. **Paternity and Maternity Testing:** Confirms biological relationships, establishing parentage for legal, medical, or personal reasons.
3. **Identification of Missing Persons:** Helps in identifying unknown or missing individuals, especially in cases of natural disasters, accidents, or war.
4. **Identification of racial groups:** DNA fingerprinting helps identify genetic differences among racial groups, which can provide insights into human evolution and migration patterns.

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5. **Diagnosis of inherited disorders:** DNA fingerprinting is useful in diagnosis of inherited disorders which include Huntington's diseases, sickle cell anemia, thalassemia, cystic fibrosis, hemophilia etc.,

5. Answer: A

Explanation

- Deposit Insurance and Credit Guarantee Corporation (DICGC) is a **wholly owned subsidiary of the RBI**, created by an **act of parliament in 1961**. Hence, **Statement 1 is correct**.
- The idea behind the DICGC is to boost the faith of the public in the banking system, and **provide protection against the loss of deposits** to a significant extent.
- **Banks covered by Deposit Insurance Scheme:** All commercial banks, Local Area Banks, Regional Rural Banks and Co-operative Banks that are licensed by the RBI.
- The deposit insurance system plays an important role in maintaining the stability of the financial system, particularly by assuring the small depositors of the protection of their deposits in the event of a bank failure.

What does the DICGC insure?

- DICGC **insures all deposits** such as savings, fixed, current and recurring including accrued interest.
- Each depositor in a bank is insured up to a **maximum of Rs 5 lakh for both principal and interest amount** held by them as on the date of liquidation or failure of a bank. Hence, **Statement 2 is incorrect**.

