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S.NO.	TOPIC
1.	BOMBAY HIGH COURT'S DECISION ON IT RULES (2023)
2.	DIGITAL PAYMENTS AND CYBER CRIME
3.	PRELIMS POINTERS

Bombay High Court's Decision on IT Rules (2023)

SOURCE: [THE HINDU](#)

TAG: GS Paper II- *Indian Constitution, Judiciary*

PRACTICE QUESTIONS

Mains

Q. Critically examine the features of the IT (Intermediary Guidelines and Digital Media Ethics Code) Amendment Rules, 2023.
(150 words)

WHY IN NEWS?

- ❖ The recent decision of the bench of two judges of the **Bombay High Court in a petition challenging the IT (Intermediary Guidelines and Digital Media Ethics Code) Amendment Rules, 2023** which was delivered in opposing opinions have generated much interest and attention.
- ❖ This situation triggers the main problems concerning the **balance between the governmental powers and the protection of the fundamental rights in the digital environment.**

PROVISIONS OF IT RULES (2023):

- ❖ **Establishment of Fact-Checking Unit (FCU):**
 - ☛ The amendments bring up the **government authority to operate an FCU dedicated to the search, removal, identification of fake, false, or misleading information** of the central government's business on different social media sites.
- ❖ **Consequences for Non-compliance:**
 - ☛ Failure to follow FCU instructions may cause intermediaries to lose their safe harbour protection under **Section 79 of the IT Act, 2000**; which can incur legal liability.

COURT'S CONCERNS AND OBSERVATIONS:

- ❖ **Unfettered Power of Government:**
 - ☛ The Court raised its objections regarding the **excessive power of the Government**, which was granted under the amended rules itself, and in the absence of clearly laid down guidelines and protective measures.
 - ☛ This was seen as a cause for worry, with potential complications regarding **misuse of authority.**
- ❖ **Ambiguity in Terms:**
 - ☛ Observations were drawn regarding the indistinguishable nature of terms "**fake,**" "**false,**" and "**misleading,**" in which almost all the terms are subjective and open to interpretation, causing confusion in the differentiation between lies and genuine content.
- ❖ **Selective Application of Rules:**



- ☛ A journalist questioned the selectivity with the online media platform that the rules targeted while print media remained unaffected. This led to worries about the **issues of disproportionate representation of some groups and their unfair treatment.**
- ❖ **Concerns about Fact Check Unit's Role:**
 - ☛ The Court has expressed its worries over the presence of the Fact Check Unit and the absence of remedy for users who have their content flagged or deleted without good reason or getting a chance to defend themselves, which **exposes issues relating to legal procedure and fairness.**
- ❖ **Potential Overreach:**
 - ☛ Apprehensions were raised regarding the scope of the laws, even if they were intended well, stressing the necessity for defining boundaries in such a way as the law enforcement authorities cannot abuse their powers.
- ❖ **Lack of Opportunity for Defence:**
 - ☛ The absence of provisions citing grounds that can be used by the intermediaries to cover or protect flagged content was a subject of discussion, which contravenes the principles of fairness and natural justice.

LEGAL ARGUMENTS:

- ❖ **Petitioners' Stand:**
 - ☛ The petitioners argued that the amendment violated the fundamental right to freedom of speech and expression guaranteed under Article 19(1)(a) of the Constitution. They contended that the government's authority to decide the truthfulness of content was excessive and lacked proper accountability.
- ❖ **Government's Defence:**
 - ☛ In contrast, the government defended the Fact Check Unit, asserting that intermediaries could choose to **either remove flagged content or add disclaimers.**
 - ☛ Additionally, users aggrieved by intermediary decisions could seek legal remedies in court, providing a recourse mechanism.

CONCLUSION:

- ❖ The split verdict highlights the **intricate and consequential nature of the IT Rules (2023)** and their potential impact on freedom of speech and expression in the digital age.
- ❖ The Court's concerns underscore the importance of adopting a balanced approach to regulate online content while upholding fundamental rights.
- ❖ The referral of the case to a third judge reflects the significance of the issue and the need for further deliberation to ensure fair and effective digital media regulation in India.



DIGITAL PAYMENTS AND CYBER CRIME

SOURCE: [THE HINDU](#)

TAG: *GS Paper III- Money, Capital market, IT & Computers, Cyber Security.*

PRACTICE QUESTIONS

Mains

Q. Evaluate the strategies required to address the cybersecurity concerns associated with fintech operations in India. (150 words)

WHY IN NEWS?

- ❖ *The **Standing Committee on Communications and Information Technology's report**, presented to Parliament has sparked discussions due to its emphasis on the dominance of **foreign-owned fintech apps in the Indian ecosystem**.*
- ❖ *The report raises concerns about the implications of this dominance on the digital payments landscape and recommends measures to promote local players and regulate digital payment apps effectively.*

KEY HIGHLIGHTS OF THE REPORT:

- ❖ The report highlighted that **foreign-owned fintech apps**, such as PhonePe and Google Pay, commanded significant market shares, while local players like BHIM UPI had minimal presence.
- ❖ It emphasized the need to promote local players in the **fintech sector** to ensure a **balanced ecosystem**.
- ❖ **Regulatory Recommendations for Digital Payment Apps:**
 - ☛ The committee recommended effective regulation of digital payment apps, especially as the use of digital platforms for payments in India is increasing.
 - ☛ It suggested that regulatory bodies like the **Reserve Bank of India (RBI) and the National Payments Corporation of India (NPCI)** should have more control over local apps compared to foreign apps.
- ❖ **Growth of Digital Payments and Payment Ecosystem:**
 - ☛ The total transaction in the digital payment saw a significant jump from **FY 2017-18 to FY 2022-23**, illustrating the growing acceptance and use of digital payments by Indian consumers.
 - ☛ The development of payment infrastructure, covering **BHIM-UPI QR codes, Bharat Bill Payment System (BBPS), and National Electronic Toll Collection (NETC) transactions** is geared at an increase in the accessibility and convenience of digital payments.
 - ☛ There is **huge growth in UPI transactions and BHIM-UPI transactions**.
 - ☛ UPI technology advances digital payments in India which makes them **interoperable** and enables transactions to cross multiple platforms and banks.
- ❖ **Concerns about Fraud and Money Laundering:**
 - ☛ The committee observed instances of fintech companies being used for money laundering activities, citing the example of an Abu Dhabi-based app called **Pyopl**.
 - ☛ It noted difficulties faced by Indian law agencies in tracking money trails due to the involvement of **foreign-owned fintech platforms**.
- ❖ **Fraud Statistics and Impact on Users:**
 - ☛ The **fraud to sales ratio**, representing fraudulent transactions compared to total transactions, has remained low, but concerns persist about the potential impact on users.



- Despite the **low percentage of users affected by UPI frauds**, there are ongoing challenges in combating fraudulent activities in the digital payment ecosystem.
- ❖ **Implications for the Ecosystem:**
 - Experts from Deloitte India highlighted the advantage of local fintech players in understanding the Indian market and ecosystem.
 - They emphasized the importance of a balanced mix of local and foreign fintech players to serve the needs of the Indian market.
- ❖ **Revenue Growth and Consumer Behavior:**
 - McKinsey's Global Payments Report noted that instant payments in India, facilitated by UPI, were expected to **contribute minimally to future revenue growth** due to the absence of transaction fees.
 - However, the report highlighted the benefits of digital payments, including enhanced security, increased access to digital commerce channels, and reduced costs associated with managing cash transactions.

GOVERNMENT'S THRUST ON DIGITISATION:

- ❖ The government's focus on digitalization as the base of economic strength is clearly indicated in programs like the **Digital India Programme**.
- ❖ The setup of the **DIGIDHAN Mission** under the MeitY to drive digital payments, exhibits the government's drive to promote a digital economy.
- ❖ The shifting of the "**Promotion of Digital Payments**" portfolio from MeitY to the **Department of Financial Services**, shows the effort to assimilate digital payments into the larger financial regime.
- ❖ The objectives of **Digital India Programme** which was started in July 2015, promoting digital transformation and inclusive growth across the India.

Cyber Fraud Landscape:

- ❖ **Instances Leading to Cyber Frauds:**
 - The Ministry of Home Affairs has mentioned several cases of customer care frauds, KYC-based frauds and sextortion.
- ❖ **Growth in Digital Payment Volumes:**
 - There is a direct relationship between the increases in digital payment volumes and the rise of the actual transactions per fraud, which raises concerns of the rising number of transactions.
- ❖ **Reporting Mechanisms for Cyber Frauds:**
 - The reporting mechanisms like the **National Cybercrime Reporting Portal (NCRP)** and the **National Cybercrime Helpline number 1930** aid in reporting and managing of **cyber fraud incidents**.
- ❖ **Introduction of CFCFRMS:**
 - The **Citizen Financial Cyber Frauds Reporting and Management System (CFCFRMS)** is being introduced with the purpose of preventing money going to the fraudsters and getting the seized funds back to the victims.
- ❖ **Domestic Fraud Hotspots:**
 - For example: **Mewat and Jamtara areas**, where customer call centers scams, online booking scams, and QR code-based frauds are famous. This emphasizes the localized nature of cyber fraud operations.
- ❖ **International Origin Frauds:**
 - International actors, particularly **China and Nigeria** pose a threat to the cyber security fabric of the country.
- ❖ **Data on Financial Frauds:**



- ☛ Present the statistics of financial frauds reported by commercial banks and urban co-operative banks in a graphical representation to show the magnitude of financial losses incurred due to cyber frauds.

❖ **Issues with Virtual Accounts:**

- ☛ Handle the problems concerning virtual accounts including monitoring the transactions and their use in investment scams and loan application frauds by introducing the importance of the robust KYC procedure and regulation.

CHALLENGES FOR FINTECH PLAYERS IN INDIA:

❖ **Behavior change conundrum:**

- ☛ One of the most significant challenges faced by fintech companies in India is the need for a fundamental shift in customer behavior.
- ☛ Despite the convenience and security offered by digital financial services, many consumers still prefer traditional methods. Encouraging individuals to embrace digital payments, investments, and lending can be an uphill battle.

❖ **Regulatory maze:**

- ☛ Navigating India's complex regulatory landscape is another hurdle for fintech companies.
- ☛ Regulations that govern financial services are stringent and often subject to change. Compliance can be costly and time-consuming, especially for startups with limited resources.

❖ **Intense competition:**

- ☛ Competition in the Indian fintech space is fierce, with numerous players vying for market share. Customer acquisition costs can skyrocket, and discounts, cashback offers, and incentives are commonplace strategies to lure users.
- ☛ However, these practices can strain financials, particularly for startups operating at a loss.

❖ **Trust and security:**

- ☛ Building trust among users and **ensuring the security of financial transactions** are paramount. Security breaches or a lack of user trust can have severe consequences for fintech startups.

WAY FORWARD TO PROMOTE FINTECH PLAYERS IN INDIA:

❖ **Innovative solutions:**

- ☛ Fintech companies need to develop innovative solutions that cater to the unique needs of the Indian market.
- ☛ This includes solutions that address **financial inclusion**, such as providing access to financial services for the unbanked and underbanked population.

❖ **Regulatory compliance:**

- ☛ Fintech companies need to navigate India's complex regulatory landscape, which can be costly and time-consuming, especially for startups with limited resources.
- ☛ Staying ahead of evolving regulations while maintaining operational efficiency is a constant challenge.

❖ **Infrastructure investment:**

- ☛ Fintech companies need to invest in infrastructure to ensure **widespread accessibility, particularly in rural areas where connectivity issues still exist.**

❖ **Monetization models:**

- ☛ Fintech companies need to **build sustainable revenue streams** while ensuring affordability for users. This requires a delicate balance between rapid growth and market penetration and immediate profitability.


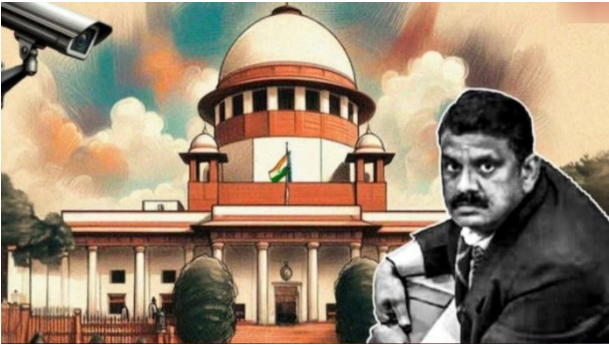
CONCLUSION:



- ❖ The report underscores the **need for a regulatory framework that promotes competition and innovation while safeguarding consumer interests and ensuring compliance with local laws.**
- ❖ It emphasizes the importance of **collaboration** between regulatory bodies, industry stakeholders, and technology providers to address challenges and foster a **thriving fintech ecosystem in India.**

PRELIMS POINTERS:

21st February, 2024

TOPIC	DESCRIPTION
MULTILATERAL NAVAL EXERCISE (MILAN-24)	<p>WHY IN NEWS?</p> <ul style="list-style-type: none"> ❖ <i>At MILAN-24 in Visakhapatnam, the Indian Navy exhibits submarine rescue capability, bolstering defence diplomacy and promoting global cooperation, hosting the 12th edition of MILAN from Feb 19 to 27, 2024.</i> <p>MILAN 24 OVERVIEW:</p> <ul style="list-style-type: none"> ❖ Biennial naval exercise started in 1995 to promote cooperation between regional and extra-regional navies. ❖ Delegations from nearly 50 countries confirmed participation. ❖ Features sea drills with 15 foreign naval ships and maritime patrol aircraft. ❖ Indian Navy to deploy over 20 frontline battleships, including aircraft carriers and submarines. ❖ Focus on operational compatibility and advancing multilateral naval cooperation. ❖ Also includes cultural exchanges, dialogues, sports, and city parades among participating contingents. <p>OTHER INDIAN NAVY ACTIVITIES:</p> <ul style="list-style-type: none"> ❖ Conducting anti-piracy and anti-drone operations in the Arabian Sea. ❖ Supporting distressed merchant ships and deploying warships for anti-drone operations. ❖ Deployment of about four ships for anti-piracy operations. 
ART 142, WHY SC QUASHED CHANDIGARH MAYOR'S ELECTION?	<p>WHY IN NEWS?</p> <ul style="list-style-type: none"> ❖ <i>Supreme Court nullifies Chandigarh mayor's election, citing deliberate vote invalidation, reinforcing democratic integrity under Article 142.</i> <p>ARTICLE 142 OF INDIAN CONSTITUTION:</p> <ul style="list-style-type: none"> ❖ Unique Power: <ul style="list-style-type: none"> ☛ Supreme Court's special authority to ensure complete justice in any pending matter. ❖ Wide Scope: <ul style="list-style-type: none"> ☛ Grants wide discretion to Supreme Court to issue decrees or orders. ❖ Equity vs. Law: <ul style="list-style-type: none"> ☛ Allows precedence to equity over law but must align with legal mandates. 



MAHARASHTRA ASSEMBLY CLEARS 10% MARATHA QUOTA

❖ **Enforcement:**

- ☛ Decrees/orders enforceable throughout India, **subject to Parliament's laws.**

❖ **Judicial Authority:**

- ☛ **Enables Supreme Court to secure attendance**, discovery of documents, and punish contempt.

RECENT SCENARIO

- ❖ Chandigarh mayor election **invalidated due to deliberate vote invalidation.**
- ❖ **Supreme Court utilizes Article 142** to ensure justice and uphold democratic principles.
- ❖ **Presiding officer unlawfully nullified 8 votes**, impacting election outcome.
- ❖ **Political significance due to AAP-Congress alliance**, hinting at future alliances.
- ❖ Court sets aside result, **declares AAP-Congress candidate valid, maintains election process.**
- ❖ Emphasis on **fair elections and accountability of election officials.**

WHY IN NEWS?

- ❖ **Maharashtra approves 10% Maratha quota in education and jobs.** Controversial due to existing **OBC reservations and Supreme Court limits.**

ABOUT THE RESERVATION QUOTA:

- ❖ **Maharashtra Assembly** unanimously clears **bill for 10% Maratha quota in education and jobs.**
- ❖ Chief Minister Eknath Shinde presents bill drafted **based on Maharashtra State Backward Class Commission report.**
- ❖ Reservation under the Act applicable **only to those in Socially and Educationally Backward Classes not in creamy layer.**
- ❖ Report identifies Marathas as **socially and educationally backward**, recommending quota in **excess of 50%.**
- ❖ With **addition of 10% Maratha quota**, **total reservation in Maharashtra reaches 72%.**



CONCERNS AND RESPONSE:

- ❖ Maratha quota activist criticizes separate reservation, demands **inclusion in OBC category.**
- ❖ Draft notification recognizing "**sage soyare**" as **Kunbi** also under consideration, **stirring controversy among OBC leaders.**

MANDAL COMMISSION:

- ❖ **Established in 1979** to identify socially or educationally backward classes.
- ❖ **Chaired by B.P. Mandal**, submitted report in **1980**, enforced in 1990.
- ❖ **Found 52% of population as OBCs, proposed 27% reservation** in jobs and education.
- ❖ Suggestions covered **age relaxation, promotions reservation**, and quota carry forward.
- ❖ Sparked protests post-implementation, contested in **Indra Sawhney vs Union of India case.**

IMPACT AND SC RULING:

- ❖ **SC upheld 27% OBC reservation** but with conditions.
- ❖ **Reservation capped at 50%**, not extended to promotions.
- ❖ Introduced **creamy layer concept** to exclude affluent from benefits.



❖ Carry forward rule to **not exceed 50% ceiling.**

