

PRESIDENT UNDER PROBE: ON BRAZIL'S JAIR BOLSONARO

Bolsonaro Faces A Political Setback As Brazil Struggles With Economic And Health Crises

Brazilian President Jair Bolsonaro's decision to sack the country's federal police chief has come back to haunt him. First, Sèrgio Moro, one-time Bolsonaro ally and Justice Minister, announced his resignation in a press conference, accusing the leader of trying to interfere in the federal police. Then the Attorney-General moved the Supreme Court seeking authorization for a probe into Mr. Moro's allegations. On Tuesday, the top court approved a 60-day probe into the President's actions. The police were reportedly investigating two of the President's sons, both public officials, over alleged fake news dissemination, corruption and mafia group ties. While the President and his sons have dismissed the allegations, the move to quickly replace the police chief with a "friend" of one of the President's sons, has strengthened Mr. Moro's claim that the President wants someone in the police "from whom he can collect intelligence". The probe comes at a time when the President's handling of Latin America's largest coronavirus outbreak is already under fire. Mr. Bolsonaro, who wants the economy to be reopened sooner, sacked his Health Minister Luiz Henrique Mandetta earlier this month over disagreements.

Mr. Bolsonaro is not new to controversies. From his incessant attacks on political rivals, activists, environmentalists and sexual minorities to the controversial handling of the Amazon fires, he has triggered sharp criticism. But this time, he is perhaps facing his biggest crisis as President. Mr. Moro and Dr. Mandetta were relatively popular figures in his Cabinet. The alliance with Mr. Moro, a former judge, had been particularly strong. Last year, a media report showed that Mr. Moro had colluded with the prosecutors who led a corruption investigation against former President Lula da Silva. Lula was convicted in 2018 when he was leading in the presidential election. His exit enabled an easy win for Mr. Bolsonaro. With Mr. Moro's resignation, Mr. Bolsonaro has lost a powerful ally, and is now surrounded by his unpopular far-right Cabinet colleagues and family. Hundreds are dying from COVID-19 and the government appears to be clueless about its containment. Brazil's economy is expected to contract 5.3% this year, a sharp fall from the government's rosy projections made earlier. Mr. Bolsonaro's approval ratings are also steadily falling. Left-wing Senators have already launched a campaign to impeach him. According to a recent poll, while 45% Brazilians support his impeachment, 46% want him to resign. All these point to an isolated, unpopular President who is losing allies and followers and facing a police probe at a time when the country is going through grave political, economic and health crises.

Meanings of Difficult Words:

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| <ol style="list-style-type: none"> 1. setback (noun) – problem, difficulty, issue. 2. sack (verb) – remove, dismiss, discharge, lay off (from the office/job). 3. haunt (verb) – disturb, trouble, torture, beset. 4. ally (noun) – associate, confederate, partner, supporter. 5. Attorney-General (noun) – The chief legal advisor/officer of a nation (state). 6. seek (verb) – request, ask for, appeal for. 7. authorisation (noun) – permission, approval, consent/sanction. 8. allegation (noun) – charge, accusation, indictment. | <ol style="list-style-type: none"> 9. reportedly (adverb) – allegedly, purportedly, supposedly. 10. alleged (adjective) – claimed, professed, purported, reported. 11. dissemination (noun) – spreading, circulation, distribution. 12. ties (noun) – connection, link, relationship, attachment. 13. intelligence (noun) – (military & political) information. 14. under fire (phrase) – being attacked/ criticized strongly. 15. incessant (adjective) – continuous, non-stop, unending, relentless. 16. rival (noun) – opponent, nemesis, adversary; counterpart. |
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17. **activist** (noun) – relating to a person who supports a political or societal change/cause.
18. **environmentalist** (noun) – conservationist, preservationist, eco-activist.
19. **trigger** (verb) – cause, give rise to, bring about, prompt.
20. **perhaps** (adverb) – maybe, possibly.
21. **relatively** (adverb) – comparatively, proportionately, by comparison; somewhat.
22. **collude** (verb) – collaborate, cooperate (secretly); conspire.
23. **prosecutor** (noun) – a lawyer who presents the government’s case against someone accused of a crime.
24. **convict** (verb) – declare guilty, give a sentence.
25. **far-right** (adjective) – relating to the extreme right wing of a political party or group; extremely conservative, rightist.
26. **contract** (verb) – decline, decrease, diminish, reduce.
27. **fall** (noun) – decline, slump, downfall, collapse.
28. **rosy** (adjective) – promising, optimistic, hopeful, favourable.
29. **projection** (noun) – forecast, prediction, estimation/reckoning, prognosis.
30. **approval rating** (noun) – a measure of people’s approval of a political leader.
31. **left-wing** (adjective) – relating to the extreme left wing of a political party or group; socialist, communist, leftist.
32. **campaign** (noun) – a set of organized actions to achieve an ambition/intention; operation, movement.
33. **impeach** (verb) – charge or accuse/indict (a public official) with a crime done while in office.
34. **impeachment** (noun) – the act of charging or accusing (a public official) with a crime done while in office.
35. **point to** (verb) – indicate, suggest, signify.
36. **go through** (phrasal verb) – undergo, experience, face, suffer.
37. **grave** (adjective) – terrible, awful, dreadful, serious, crucial, critical.

SIGNALLING SUPPORT: ON RBI RELIEF FOR MUTUAL FUNDS

RBI’s Liquidity Facility For Mutual Funds Still Hinges On Banks’ Willingness To Lend

The Reserve Bank of India’s decision to open a special facility to ensure the availability of adequate liquidity for the mutual fund industry is a timely move in signalling to investors that the central bank is alert to the need to preserve financial stability in these challenging times. In assigning ₹50,000 crore exclusively for commercial banks to lend to mutual funds, the RBI made clear on Monday that it wants to tamp down on any build-up of liquidity strains at mutual fund houses in the wake of heightened volatility in the capital markets and increased redemption pressures as a fallout of the COVID-19 pandemic. The proximate trigger for the central bank’s move was last week’s announcement by Franklin Templeton Mutual Fund that it was winding up six debt funds — funds that collectively had assets under management (AUM) amounting to about ₹26,000 crore. The RBI has rightly recognised the urgent need to ward off any incipient contagion impact from the closure of these six funds. With the overall industry-wide AUM for debt funds at about ₹15-lakh crore, it was crucial for the banking regulator to reassure investors that liquidity need not be a concern while deciding on whether to retain or redeem their investments in these mutual funds. The Association of Mutual Funds in India (AMFI) had, separately, last week, sought to assure investors that a majority of debt fund schemes had “invested in superior credit quality securities” and had appropriate liquidity to back their normal operations.

While the facility is a straightforward 90-day repo-based lending window from which banks can avail credit to provide loans to mutual funds, there are concerns about the banking industry’s

willingness to expose itself to the credit risk involved in making these fresh loans. That the RBI was cognizant of this is evident in the way that the norms have been tailor-made to incentivize the banks to lend. From allowing banks to breach their 25% ceiling on held-to-maturity investments as a consequence of lending to mutual funds, to exempting the support extended from banks' overall capital market exposure limits, the central bank has sought to ease the flow of credit to the fund houses. Still, if the recent experience of getting lenders to support the non-banking financial companies through a targeted long-term repo operation backed by ₹50,000 crore is any pointer, clearly the banking industry — beset by bad loans — appears to have little appetite for adding any credit that it deems risky. Moreover, with the economy still in lockdown and the credit ratings of even relatively well-established companies facing a real and not-too-distant threat of downgrades, how willing banks would be to use this facility to lend to debt mutual funds remains to be seen. The Centre may need to be ready to step in with direct intervention if the RBI's gambit fails to ease the pressure on mutual funds.

Meanings of Difficult Words:

1. **mutual fund** (noun) – a type of investment in which investors pool their money together to buy a portfolio (range) of stocks, bonds or other securities in order to take advantage of diversification and professional portfolio (investments, shares/securities/bonds) management at a reasonable cost.
2. **liquidity** (noun) – the availability of liquid assets; liquidity means liquid assets; cash; (liquid asset is an asset which can be easily sold/converted into cash without losing its value); a measure of activity (i.e. the ability to buy or sell easily) in a market.
3. **hinge on** (verb) – depend on, be based, be dependent.
4. **timely** (adjective) – well timed, at the right time, appropriate, opportune, prompt.
5. **preserve** (verb) – maintain/ keep, protect, safeguard.
6. **financial stability** (noun) – financial stability is a condition where the financial system is able to withstand internal or external economic shocks and also able to smoothly conduct its core tasks.
7. **challenging** (adjective) – difficult, tough; testing, demanding.
8. **exclusively** (adverb) – specially, particularly, only.
9. **make clear** (phrase) – explain, clarify, elucidate.
10. **tamp down** (phrasal verb) – reduce, flatten, compress, condense.
11. **build-up** (noun) – increase, expansion, development, accumulation.
12. **strain** (noun) – pressure, stress, demand/burden.
13. **in the wake of** (phrase) – as a result of, in the aftermath of, as a consequence of.
14. **heightened** (adjective) – increased, raised, amplified, intensified.
15. **volatility** (noun) – fluctuation, inconsistency, unpredictability.
16. **capital market** (noun) – a market where buyers and sellers engage in trade of financial securities like bonds, stocks, etc. The buying/selling is undertaken by participants such as individuals and institutions.
17. **redemption** (noun) – it is a process of withdrawing units from a mutual fund scheme and getting the money back from your investment at the net asset value prevailing on that day; exchange, swapping, return/recovery.
18. **fallout** (noun) – consequence, result/outcome, repercussion, ramification; adverse results, after-effects.
19. **proximate** (adjective) – nearest, closest, next to, close. (proximate trigger/cause is an event which is closest to, or immediately responsible for causing, some observed result).
20. **trigger** (noun) – cause, reason.

21. **wind up** (phrasal verb) – bring to a close/end, terminate, finish.
22. **debt funds** (noun) – debt funds are mutual funds that invest in “fixed income” securities like government securities, debentures, corporate bonds and other money-market instruments. The debt mutual funds lower the risk factor considerably for investors. This is a relatively stable investment avenue that could help to generate wealth.
23. **assets under management (AUM)** (noun) – it is the “total market value” of all the financial assets/capital which a financial institution such as a mutual fund, venture capital firm, or broker manages on behalf of its clients and themselves.
24. **amount to** (verb) – add up to, come to, be equal to.
25. **ward off** (phrasal verb) – prevent, oppose, avert, resist.
26. **incipient** (adjective) – beginning, starting, emerging, developing.
27. **contagion** (noun) – the spreading of a bad and dangerous idea.
28. **redeem** (verb) – withdraw units from a mutual fund scheme and getting the money back from your investment at the net asset value prevailing on that day.
29. **seek to** (verb) – try, attempt, aim.
30. **superior** (adjective) – top-quality, high-grade, greater.
31. **credit quality security/bond** (noun) – a measure of how likely a bond/security issuer is to repay its loan to the investors. Credit quality rating (CQR) serves as a tool for investors to assess the weighted average portfolio credit quality of a debt mutual fund scheme (before investing money in it).
32. **back** (verb) – fund, finance, put up the money for, support.
33. **repo rate** (noun) – it is the rate at which the central bank of a country (RBI in case of India) lends money to commercial banks in the event of any shortfall of funds.
34. **window** (noun) – chance, opportunity, opening.
35. **avail** (verb) – use, utilize, take advantage of (an opportunity/resources).
36. **cognisant** (adjective) – aware, well informed about, familiar with.
37. **tailor-made** (adjective) – suitable, fitting, appropriate, relevant.
38. **incentivise** (verb) – encourage, motivate, galvanize.
39. **ceiling** (noun) – upper limit, maximum, highest permissible level.
40. **held-to-maturity** (adjective) – relating to investments which are purchased to be owned until maturity.
41. **non-banking financial company (NBFC)** (noun) – a company incorporated under the Companies Act 2013 or 1956 which is engaged in the business of loans and advances, acquisition of stocks, equities, debt etc issued by the government or any local authority. The main objective of this type of a company is to accept deposits under any scheme or manner.
42. **pointer** (noun) – indication, indicator, hint, sign/signal.
43. **beset** (verb) – trouble, bother, embarrass (persistently).
44. **sour/bad loans** (noun) – non-performing assets (NPAs), stressed assets/loans; an account where principal and/or interest remains overdue for a period of time.
45. **appetite** (noun) – desire, liking, inclination, need.
46. **deem** (verb) – regard as, consider, judge, view as.
47. **lockdown** (noun) – an emergency protocol implemented by the authorities that prevents people from leaving from a place; An extended state of confinement/encirclement/isolation of a person by the authority.
48. **not-so-distant** (adjective) – relating to something which is not very far.
49. **downgrade** (noun) – reduction (in status/rank/importance); downward.