



DATE: 6 JUNE 2026

## 1 Liquidity Adjustment Facility (LAF) (Source: The Hindu)

- An LAF is a monetary policy tool used in India by the RBI through which it injects or absorbs liquidity into or from the banking system.
- It was introduced as a part of the outcome of the **Narasimham Committee on Banking Sector Reforms of 1998**.
- **LAF has Two Components**
  - **Repo Rate:** Repo Rate is the rate of interest at which the RBI provides short-term loans to SCBs against approved securities.
  - **Reverse Repo:** Rate is the rate of interest at which the RBI borrows funds from the SCBs.

## 2 Carbon Credit Trading (Source: PIB)

# CARBON CREDIT TRADING

A market-based solution for a low-carbon future

A carbon credit represents the reduction, avoidance, or removal of 1 metric ton of CO<sub>2</sub> (or equivalent greenhouse gases) from the atmosphere.

**1 CARBON CREDIT = 1 TON OF CO<sub>2</sub> AVOIDED OR REMOVED**

### HOW IT WORKS

- 1 EMISSION CAP**

A regulator sets an emission cap for certain industries to reduce overall emissions.
- 2 CARBON CREDITS CREATED**

Projects that reduce, avoid, or remove emissions generate carbon credits. (e.g., renewable energy, reforestation, methane capture)
- 3 CREDITS VERIFIED**

Credits are measured, reported, and verified by independent third parties to ensure credibility.
- 4 CREDITS ISSUED**

Verified credits are issued and added to a registry. Each credit equals 1 ton of CO<sub>2</sub>e.
- 5 TRADING (BUY & SELL)**

Companies that need to meet their emission obligations buy credits from those who generated surplus credits.
- 6 COMPLIANCE & IMPACT**

Buyers use the credits to comply with regulations and achieve their climate goals.

### WHO PARTICIPATES?

- REGULATED COMPANIES**  
Industrial facilities, power plants, airlines, etc., that need to meet emission limits.
- PROJECT DEVELOPERS**  
Organizations that run projects that generate carbon credits.
- TRADERS & BROKERS**  
Intermediaries that facilitate the buying and selling of credits.
- GOVERNMENTS & REGULATORS**  
Set policies, caps, and standards to ensure transparency and integrity.

### WHERE DOES TRADING HAPPEN?

**COMPLIANCE MARKETS**

Credits are used to comply with regulations.

Examples:

- EU Emissions Trading System (EU ETS)
- California Cap-and-Trade
- Korea Emissions Trading Scheme (K-ETS)

**VOLUNTARY MARKETS**

Credits are used voluntarily to achieve sustainability goals.

Examples:

- Corporate net-zero commitments
- Sustainability initiatives
- Brand climate leadership

### BENEFITS OF CARBON CREDIT TRADING

**REDUCES EMISSIONS**  
Incentivizes real emission reductions and removals.

**COST-EFFECTIVE**  
Provides flexibility for companies to meet targets at lower cost.

**DRIVES INVESTMENT**  
Channels finance into clean energy and sustainable projects.

**SUPPORTS CLIMATE GOALS**  
Helps countries and companies achieve net-zero and global climate targets.

**PROMOTES TRANSPARENCY**  
Standards and verification ensure credibility and trust.

**CARBON CREDIT TRADING**  
Bridging today's actions with a sustainable tomorrow.

Every credit traded is a step toward a healthier planet.

## 3 Government Security (G-sec) (Source: PIB)



# GOVERNMENT SECURITY (G-SEC)

The most trusted investment backed by the Government of India



### 1 WHAT IS G-SEC?

Government Security (G-sec) is a debt instrument issued by the Government of India to raise funds for its financing requirements.

It is a promise by the Government to pay the investor periodic interest (coupon) and repay the principal amount at maturity.

**Issued by**



Government of India

**Types of G-Sec**



Treasury Bills (T-Bills)  
(Short-term)



Government Bonds (Dated Securities)  
(Medium to Long-term)



State Development Loans (SDLs)



Sovereign Gold Bonds (SGBs)



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### 2 WHO CAN SELL AND WHO CAN BUY?

**WHO CAN SELL?**

Only the Government of India

- Through the Reserve Bank of India (RBI)
- RBI conducts auctions on behalf of the Government
- G-secs are issued in the primary market and sold to eligible participants

**WHO CAN BUY?**

- Banks
- Insurance Companies
- Mutual Funds
- Provident Funds & Pension Funds
- Corporates
- High Net-worth Individuals (HNIs)
- Non-Resident Indians (NRIs) & Foreign Institutional Investors (FIIs)
- Retail Investors (through platforms like RBI Retail Direct, banks, brokers)

**PRIMARY MARKET (Auction)** → **SECONDARY MARKET (Trading)**

G-secs issued by the Government through RBI → G-secs traded among investors on platforms like NDS-OM

### 3 SPECIALITY OF G-SEC COMPARED TO OTHER SECURITIES

**1. HIGHEST SAFETY**

Backed by the full faith and credit of the Government of India. Considered one of the safest investments with virtually no default risk.

**2. STEADY RETURNS**

Provides regular interest income (coupon) and return of principal at maturity.

**3. LIQUIDITY**

Actively traded in the secondary market. Easy to buy and sell through recognized platforms.

**4. TAX BENEFITS**

Interest earned is exempt from State Taxes. (Securities Transaction Tax (STT) is not applicable on G-sec trades.)

**5. INFLATION HEDGE**

Long-term G-secs help protect wealth over time as yields adjust with market conditions.

**6. BENCHMARK FOR THE ECONOMY**

G-sec yields are used as benchmark for interest rates on loans, bonds and other debt instruments in the economy.

**IN SHORT**

G-secs are the safest, most liquid and benchmark debt instruments in India, forming the foundation of our financial system.



Issued by Government of India



Low Risk, High Trust



Stable Returns & Liquidity



Wide Range of Investors