CURRENT AFFAIRS: 23.05.2026

RBI plans $5 billion dollar-rupee swap auction as rupee slips past 96-mark

The transaction aims to inject long-term rupee liquidity into the financial system without permanently altering the central bank's forex reserves position

RBI's Intervention to Defend the Rupee

The **Indian Rupee (INR)** has faced severe **depreciation**, nearing a historic low of **97 against the US Dollar in May 2026.** To arrest this steep **depreciation**, the **Reserve Bank of India (RBI)** has deployed a multi-pronged intervention strategy, including **daily dollar sales** of approximately USD 1 billion in the spot market and the announcement of a **USD 5 billion USD/INR buy-sell swap auction.**

What are the RBI's Currency Intervention Tools?

- **Spot Market Dollar Sales:** The RBI's first line of defense is directly selling US **Dollars from its Foreign Exchange Reserves** into the **spot market**.
  - This injects **immediate dollar supply,** matching the excess demand from importers and arresting the **rupee's free fall.**
  - However, selling dollars sucks out rupee liquidity from the domestic banking system. If left unchecked, this **would spike domestic interest rates and hurt economic growth.**
  - To counter this, the RBI conducts "Sterilized Interventions." When it sells **dollars (draining rupees),** it simultaneously conducts **Open Market Operations (OMOs)**, purchasing **government bonds** to pump rupees *back* into the system.
  - Conversely, during periods of massive capital inflows, to prevent excess liquidity from causing **inflation**, the RBI issues short-dated government securities called **Market Stabilisation Scheme (MSS) bonds** to mop up the surplus rupees.
- **Forex Swap Auctions:** The RBI increasingly uses "Buy/Sell" or "Sell/Buy" Forex swaps to manage both currency and domestic liquidity simultaneously without permanently altering its forex reserves.
  - **Buy/Sell Swap (To Inject Rupees):** The RBI buys US Dollars from banks and gives them Indian Rupees in return with a forward agreement to buy them back after a fixed tenor (e.g., 3 years). This instantly releases cash into the banking system.

- **Sell/Buy Swap (To Absorb Rupees):** The RBI sells US Dollars to banks and takes back rupees.
  - This sucks excess cash out of the market to control inflation or currency volatility.
- **May 2026 USD 5 Billion Swap:** With the rupee nearing over 95 against the USD due to the **US-Iran conflict, t**he RBI announced a USD 5 billion buy-sell swap auction.

- **Contractionary Monetary Policy**: When forex interventions are not enough, the RBI uses monetary policy to make betting against the rupee unprofitable.
  - **Repo Rate Hikes:** The **Monetary Policy Committee (MPC)** will hike the benchmark **Repo Rate**.
    - Higher interest rates improve the yield differential with the US Federal Reserve, making **Indian debt more attractive to foreign investors, thereby encouraging capital inflows and supporting the rupee**.
  - **Liquidity Adjustment Facility (LAF) Squeeze:** When the currency is under severe speculative attack, the RBI can tighten the **Liquidity Adjustment Facility (LAF)** corridor, restricting banks' borrowing windows.
    - This temporarily pushes up the **overnight call money rate.** Because speculators usually **borrow rupees to buy dollars (shorting the INR),** a higher cost of borrowing rupees makes this speculative trade prohibitively expensive, f**orcing them to abandon their positions.**
- **Aggressive Pre-Market & NDF Interventions:**
  - **Breaking the Speculative Loop:** To prevent panic during **consecutive days of depreciation**, the RBI deploys "pre-market" interventions.
    - By heavily selling dollars through **state-run banks before the onshore spot market officially opens,** the RBI forces the rupee to **open stronger,** breaking the psychological negative feedback loop for traders.
  - **Curbing the Offshore Market (NDF):** Speculators often short the rupee in the offshore **Non-Deliverable Forward (NDF) markets** (like London or Singapore).
    - The RBI restricts domestic banks' net open forex positions and occasionally intervenes **directly in the NDF market to inflict losses on speculators betting against the rupee.**
- **Special Dollar Window:** Oil Marketing Companies (OMCs) are the largest buyers of US dollars in India.
  - Their daily dollar purchases to pay for crude oil imports can create massive sudden demand, crashing the rupee.
  - To prevent this, the RBI opens a **"Special Dollar Window" or dedicated foreign currency credit line** specifically for OMCs.
    - Instead of buying dollars from the **open spot market** (which spikes the dollar price), OMCs buy dollars directly from the **RBI or designated state-run banks (like SBI)** at a fixed swap rate. This was used effectively during the **2013 currency crisis**.
- **Capital Flow Management Measures (CFMs):** When capital leaves the country too fast, the RBI alters macroeconomic rules to slow down outflows and encourage immediate inflows.
  - **Easing ECB and FPI Norms:** The RBI temporarily relaxes the rules for **External Commercial Borrowings (ECBs)** (allowing Indian companies to borrow more dollars from abroad) and eases caps on **Foreign Portfolio Investors (FPIs)** investing in Indian government bonds.
    - This actively attracts foreign capital into the country.
  - **Promoting Masala Bonds:** Encourage Indian corporate borrowers to issue **Masala Bonds (rupee-denominated bonds issued in overseas markets).**
    - Because the bond is denominated in rupees, the foreign investor bears the **currency depreciation risk, not the Indian borrower.**

- This brings foreign capital into the country without creating any future dollar repayment pressure on the Indian forex market.

- **Capping Speculative Exposure:** In 2026, the RBI implemented a strict **CFM by capping banks' Net Open Position (NOP)** in foreign currencies at just USD 100 million per day.
    - This forced banks to unwind excess dollar holdings, increasing dollar supply in the forex market, reducing speculative pressure against the rupee, and helping stabilize the currency while curbing rapid depreciation.

- **Mobilizing NRI Capital (Unconventional Crisis Tools):** During severe Balance of Payments (BoP) crises, the RBI directly incentivizes **Non-Resident Indians (NRIs) to bring dollar liquidity into the country.**
    - **1998 Asian Financial Crisis:** Faced with global market contagion and post-nuclear test sanctions, the RBI supported the **issuance of Resurgent India Bonds (RIBs)** to overseas Indians, successfully raising around USD 4.2 billion to shore up reserves.
    - **2013 "Taper Tantrum":** When the US Federal Reserve signaled an end to its quantitative easing, foreign capital fled emerging markets.
        - The RBI opened a **special Foreign Currency Non-Resident (Bank) [FCNR(B)] deposit window.** The RBI offered domestic banks a highly **subsidized hedging rate**. This mobilized a massive USD 26 billion in weeks, instantly **stabilizing the currency.**

Which one of the following is not the most likely measure the Government/RBI takes to stop the slide of the Indian rupee? (2019)

(a) Curbing imports of non-essential goods and promoting exports

(b) Encouraging Indian borrowers to issue rupee-denominated Masala Bonds

(c) Easing conditions relating to external commercial borrowing

(d) Following an expansionary monetary policy

ISRO's Chandrayaan 3 hop experiment reveals layered structure beneath Moon's surface

The researchers noted, "While we often call it lunar soil, the more apt term to be used is lunar regolith.

Recently, Indian Space Research Organisation scientists published findings from **Chandrayaan-3's** Vikram lander "hop" experiment and Chandra's Surface Thermophysical Experiment, revealing a layered structure within the Moon's upper regolith.

- **ChaSTE Experiment:** The **ChaSTE instrument**, equipped with temperature sensors and a heating probe, penetrated the regolith to study the Moon's thermal properties.
- **Hop Experiment:** The Vikram lander fired its engines and performed a hop of about 50 cm using residual propellant, helping scientists study surface behaviour at a different location.
- **Key Findings:** The experiment provided insights into **surface erosion, compaction, layered stratigraphy, geotechnical variability and lunar thermal profiles**.
- **Lunar Regolith:** Scientists clarified that the Moon's surface layer is more accurately termed **"lunar regolith"** rather than lunar soil, consisting of shattered rocks and jagged glass-like particles.
- **Layered Structure:** The study revealed a **two-layered cake-like structure** within the top few centimetres of the lunar surface.
- **Top Layer Characteristics:** The upper **2–6 cm layer** was found to be highly cohesive, sticky and hyper-porous, functioning like a **thermal blanket**. Scientists observed major density variation within a few centimetres, with bulk density increasing from **750 kg/m³ to 1600 kg/m³** below the surface.
  - This porous layer is significant for the **storage of subsurface water-ice molecules** and selection of sites for future lunar bases and habitats.
- **Significance:** These findings are important for understanding rocket plume-surface interaction, lunar surface stability, thermal behaviour, possible water-ice assessment and future lunar base planning.

27 Maoists surrender before police in Jharkhand

Surrendered Maoists include cadre associated with CPI (Maoist) Central Committee member Misir Besra, top commander Asim Mandal, members of strike squads in the forests of Kolhan and Saranda

Updated – May 21, 2026 09:10 pm IST – Patna

AMIT BHELARI

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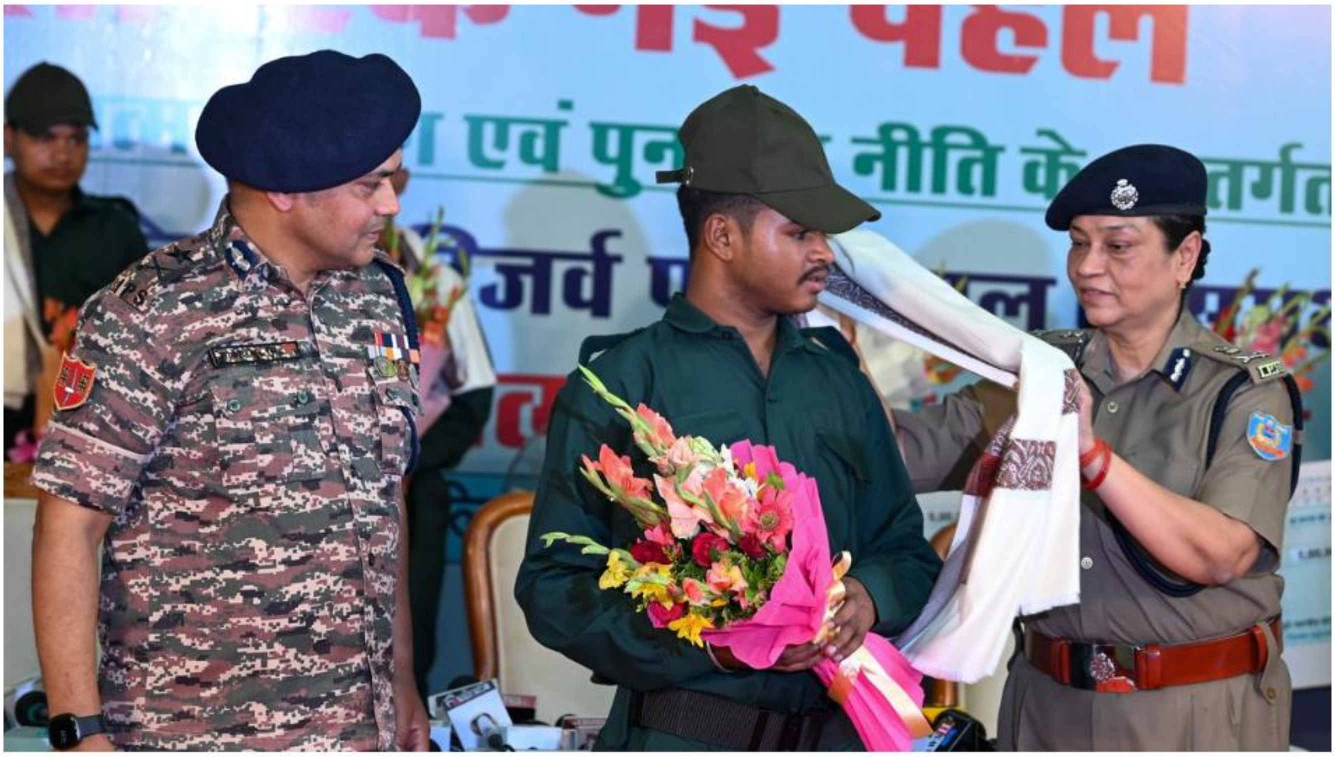


Maoists surrendered before the Jharkhand Director General of Police (DGP) Tadasha Mishra and other senior police officers in Ranchi on Thursday

Recently, 27 Maoists, including commanders and strike squad members of the banned CPI (Maoist) and Jharkhand Jan Mukti Parishad (JJMP), surrendered before Jharkhand Police in Ranchi under **Operation Navjeevan.**

- The operation was carried out by **Jharkhand Police**, its anti-Naxal unit Jharkhand Jaguar, and the **COBRA** of the **Central Reserve Police Force (CRPF)**.
- The surrender took place under the Jharkhand Government's **Surrender and Rehabilitation Policy** aimed at reintegrating former Maoists into society.
- This comes following the **Union Home Minister's declaration** that Maoists have been **"more or less wiped out"** from several key Left Wing Extremism-affected areas, and his assertion that the country is moving towards becoming "**Naxal-free"** in line with the Government of India's target to eliminate **Left Wing Extremism by March 2026.**
- The Government has also adopted several measures to curb Left Wing Extremism, including the **SAMADHAN Doctrine, Operation Octopus, Operation Double Bull, Operation Kagar, RCPLWEA, etc.**

LEFT WING EXTREMISM

ABOUT

- **Originated:** 1967 uprising in Naxalbari, West Bengal
- **Aim:** Societal and political change through revolutionary methods

IDEOLOGY

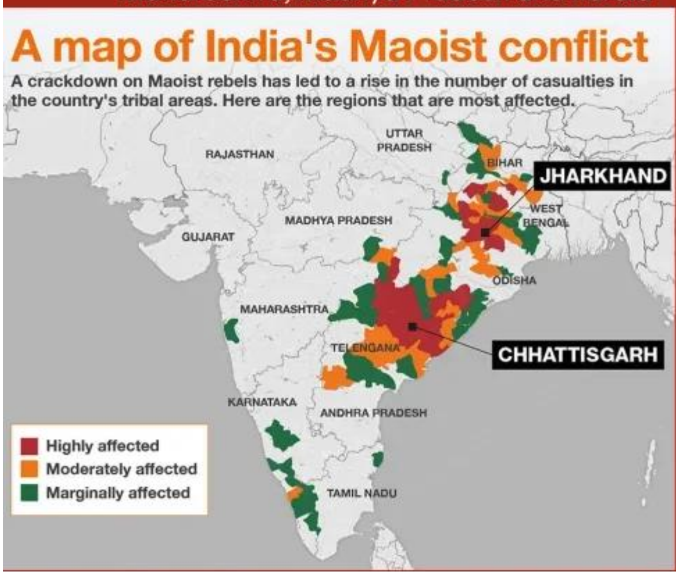
- Overthrow central government through armed revolution (Violence and guerilla warfare)
- Establishment of a communist state based on Maoist principles

FACTORS RESPONSIBLE

- **Massive displacement of tribal population;** Due to development projects, mining operations
- **Tribal dissatisfaction;** Forest (Conservation) Act 1980 prohibits tribes from harvesting forest resources
- **Poverty and lack of sustainable means;** Driving factors for joining Naxalite movement
- **Lack of effective governance;** Insufficient technical intelligence against Naxalism

STATES AFFECTED BY LWE

- **Red Corridor:** Experiences severe Naxalism–Maoist insurgency
- Chhattisgarh, Jharkhand, Odisha, Bihar, West Bengal, Andhra Pradesh, Telangana, Maharashtra, Madhya Pradesh and Kerala



GOVERNMENT INITIATIVES TO CURB LWE

- National Policy and Action Plan to address Left Wing Extremism 2015
- **SAMADHAN Doctrine**
  - **S-** Smart Leadership
  - **A-** Aggressive Strategy
  - **M-** Motivation and Training
  - **A-** Actionable Intelligence
  - **D-** Dashboard Based KPIs (Key Performance Indicators) and KRAs (Key Result Areas)
  - **H-** Harnessing Technology
  - **A-** Action plan for each Theatre
  - **N-** No access to Financing
- **Special Central Assistance (SCA)** in Public Infrastructure and Services
- **Operation Green Hunt**
- **Greyhounds** (Elite commando force in Andhra Pradesh)
- **Bastariya Battalion** (local recruits in Chhattisgarh who know the language and terrain that could generate intelligence and conduct operations)

Countering Naxalism - Bandyopadhyay Committee (2006)

- Highlighted the lack of governance, economic, socio-political and cultural discrimination against the tribals
- Recommended tribal-friendly land acquisition and rehabilitation