



रिज़र्व बैंक ऑफ़ इंडिया
RESERVE BANK OF INDIA

www.rbi.org.in

www.rbi.org.in/hindi

e-mail: help@rbi.org.in

प्रेस रिलीज, शिवाजी नगर, पोस्ट बॉक्स 406, मुंबई 400 001
फोन: 2266 0502 फैक्स: 2266 0358, 2270 3279

PRESS RELATIONS DIVISION, Central Office, Post Box 406, Mumbai 400001
Phone: 2266 0502 Fax: 2266 0358, 2270 3279

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RBI to disclose Penalties and Specific Supervisory Actions on Banks from November 1

The Reserve Bank of India has, in the interest of the investors and depositors, decided to disclose the penalties imposed by it on banks. In a circular issued to commercial banks, it has said that it would, from November 1, 2004 issue a press release giving details of the circumstances under which the penalty is imposed on a bank. It would also place the communication on the imposition of penalty to the bank in public domain. In addition, the Reserve Bank has asked banks to disclose the penalty in the 'Notes on Accounts' to the balance sheet in their Annual Reports. In the case of foreign banks, the penalty would have to be disclosed in the 'Notes on Accounts' to the next balance sheet for the Indian operations. The Reserve Bank would also issue a press release with regard to strictures or directions issued on the banks on the basis of their inspection reports.

The Reserve Bank has been taking several steps from time to time to improve the transparency of banks. The disclosure requirements are also continuously reviewed and revised.

At present, the Reserve Bank is empowered to impose penalties on a commercial bank under the provisions of Section 46 (4) of the Banking Regulation Act, 1949 for contraventions of any of the provisions of this Act or non-compliance with any other requirements of the Act, or order, rule or condition specified by the Reserve Bank under the Act. The imposition of the penalty on a bank is decided after a due process of advising the bank and seeking its explanation so as to give a reasonable opportunity to the bank for being heard.

It is noteworthy that the third pillar of the Basel II addresses how safety and soundness in the banking system can be strengthened by market discipline through enhanced transparency in bank's disclosures to the public. It is also internationally recognised that, while transparency strengthens market discipline, due to the inherent need to preserve confidentiality in relation to its customers, banks may not be able to disclose all data that may be relevant to assess its risk profile.

Alpana Killawala
Chief General Manager

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