

## **SC warns RBI for failing to disclose information under the RTI Act**

The Supreme Court on Tuesday warned the Reserve Bank of India (RBI) of contempt proceedings for failing to disclose information regarding the annual inspection reports of banks sought under the Right to Information (RTI) Act. The top court gave the RBI one week's time to comply with the directions or "be ready to face the consequences". The matter will be next heard on April 2.

In January, the apex court had issued notice to the RBI on a contempt petition alleging the central bank had not provided information about the inspection conducted on some banks said to be involved in irregularities inside the Sahara Group. The petitioner alleged that the RBI had denied information regarding inspection reports for ICICI Bank, Axis Bank, HDFC Bank and State Bank of India (SBI) despite clear orders of the top court.

The RBI, however, had denied disclosing the information, claiming that the said inspection reports fell under the definition of 'fiduciary information' and hence could not be put out in public domain. The information sought is from Annual Financial Inspection (AFI) Reports, which the RBI prepares as supervisor of banks.

In January 2015, the Supreme Court had in a judgment held that the RBI could not withhold information under the pretext of 'fiduciary relations' with banks. A two-judge bench of the then Justices M Y Eqbal and C Nagappan had then held that the banking sector regulator was supposed to "uphold public interest and not the interest of banks". The RBI, the two-judge Bench had said, was thus "clearly not in any fiduciary relationship with any bank." "The RBI has no legal duty to maximise the benefit of any public sector or private sector bank, and thus there is no relationship of 'trust' between them," the top court had then said. It had then also observed that this behaviour of the banking sector regulator of denying information under RTI would "only attract more suspicion and disbelief in them".

Later in February 2016, the top court had asked the RBI to give a list of companies which were in default of loans worth Rs 500 crore or more and whose loans had been restructured under the corporate debts restructuring scheme by the banks or financial institutions. RBI's Annual Financial Inspection (AFI) focuses on statutorily mandated areas of solvency, liquidity and operational health of the bank. It covers areas like capital adequacy, asset quality, management, earning, liquidity and system and control.

With drive to clean-up bank balance sheets, RBI's reports have identified some corporate stressed accounts and asked banks to treat them as Non-Performing Assets. Banks have had to make immediate provisions for them. AFI is part of banking regulator's supervisory mandate with on-site inspection of banks on an annual basis. Besides the head office and controlling offices, certain specified branches are covered under inspection so as to ensure a minimum coverage of advances. The compliance to the inspection findings is followed up in the usual course. The top management of the RBI engages with bank managements highlighting concerns that need immediate rectification, and draw up an action plan, that can be monitored.

*(Business Standard)*

