



Non-disclosure of Information by RBI

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The Supreme Court granted the last opportunity to the Reserve Bank of India to comply with its order to disclose its annual inspection report and list of wilful defaulters of banks under the Right to Information (RTI) Act.

What is the annual inspection report?

- The RBI conducts an annual financial inspection of commercial banks, both public and private. The central bank is empowered under Section 35 of the Banking Regulation Act to conduct an inspection of banks to ensure they adhere to prescribed rules and regulations.
- This report looks into risk-based supervision, credit risk, market risk and operational risk of any bank, to ascertain bank's possibility of failure.

Background

The Supreme Court in **Reserve Bank of India Vs Jayantilal N.Mistry and others** had directed disclosure of information on annual inspection report and list of wilful defaulters sought for under the RTI Act relating to individual banks regulated and supervised by the RBI.

RBI's Stand

RBI had earlier refused to disclose such information **on the grounds of economic interest, commercial confidence, fiduciary relationship or public interest** with these individual banks. RBI, also argued that such information was exempt under Section 8(1)(e) of the RTI Act read with Section 45NB of the Reserve Bank of India Act, 1934.

Summary of SC's judgement

- RBI is supposed to uphold public interest and not the interest of individual banks.

- RBI is clearly not in any fiduciary relationship with any bank. RBI has no legal duty to maximize the benefit of any public sector or private sector bank, and thus there is no relationship of 'trust' between them. Further, withholding rather than disclosing of such information would be detrimental to the economic interest of the nation.
- RBI has a statutory duty to uphold the interest of the public at large, the depositors, the country's economy and the banking sector. Thus, RBI ought to act with transparency and not hide information that might embarrass individual banks.
- It is duty bound to comply with the provisions of the RTI Act and disclose the information sought.

What will be the Impact of this judgement?

- The RBI will be required to provide annual inspection reports and other material.
- While this will provide greater transparency about the affairs of banks, it has the potential to affect the regulatory process of the RBI.
- Information contained in RBI annual inspection reports relating to banks is highly sensitive. The central bank through these efforts tries to ensure that the banking system remains smooth with minimum disruptions.

RTI Act, 2005

- Right to Information Act or RTI is a central legislation, which enables the citizens to procure information from a public authority.
- It provides the mechanism for obtaining information under the control of public authority so that transparency and accountability can be increased.

Sec 8 of the RTI ACT

Sec 8 deal with exemption from disclosure of information.—

- information which would **prejudicially affect the sovereignty and integrity of India**
- information which has **been expressly forbidden to be published by any court of law**
- information, the **disclosure of which would cause a breach of privilege of Parliament or the State Legislature**
- information including **commercial confidence, trade secrets or intellectual property**, the disclosure of which would harm the competitive position of a third party, unless the competent authority is satisfied that larger public interest warrants the disclosure of such information
- information available to a person in his **fiduciary relationship**, unless the competent authority is satisfied that the larger public interest warrants the disclosure of such information
- information received in confidence from foreign government

- information, the disclosure of which would **endanger the life or physical safety of any person** or identify the source of information or assistance given in confidence for law enforcement or security purposes
- information which **would impede the process of investigation** or apprehension or prosecution of offenders
- information **under the Official Secrets Act**