RBI Press Releases

RBI to Disclose Penalties and Specific Supervisory Actions on Banks from November 1, 2004

October 20, 2004

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.

Revised Auction Calendar – LAF

October 27, 2004

Effective November 1, 2004, the Reserve Bank of India will conduct only 1-day repo and will not conduct 7-day and 14-day fixed rate repos. Accordingly, the Reserve Bank has revised the LAF calendar for October-December 2004 quarter as under :

Calendar for overnight Reverse Repo and Repo Auctions

Date of Auction	Reverse Repo/ Repo Period (Days)	Date of Auction	Reverse Repo/ Repo Period (Days)
1-Nov-04	1	1-Dec-04	1
2-Nov-04	1	2-Dec-04	1
3-Nov-04	1	3-Dec-04	3
4-Nov-04	1	6-Dec-04	1
5-Nov-04	3	7-Dec-04	1
8-Nov-04	1	8-Dec-04	1
9-Nov-04	1	9-Dec-04	1
10-Nov-04	1	10-Dec-04	3
11-Nov-04	5	13-Dec-04	1
16-Nov-04	1	14-Dec-04	1
17-Nov-04	1	15-Dec-04	1
18-Nov-04	1	16-Dec-04	1
19-Nov-04	3	17-Dec-04	3
22-Nov-04	1	20-Dec-04	1
23-Nov-04	1	21-Dec-04	1
24-Nov-04	1	22-Dec-04	1
25-Nov-04	4	23-Dec-04	1
29-Nov-04	1	24-Dec-04	3
30-Nov-04	1	27-Dec-04	1
		28-Dec-04	1
		29-Dec-04	1
		30-Dec-04	1
		31-Dec-04	3

The calendar is only indicative in nature and in case of any change in the duration, date *etc.* of LAF auctions; separate Press Release indicating revision would be issued.

It may be recalled that in the Mid-term Review of Annual Policy for 2004-05 on October 26, 2004, it was announced that the LAF scheme will be modified and to facilitate liquidity management in a flexible manner, the auctions of 7-day and 14-day repos will stand discontinued with effect from November 1, 2004. The LAF scheme from November 1, 2004 would be operated through overnight fixed rate repo and reverse repo. It may also be noted that with effect from October 29, 2004, it has been decided to switch over to the international usage of the terms "repo" and "reverse repo".