

September 12, 2008

The Chairmen

All Regional Rural Banks

Dear Sir,

**Enhancement of Transparency in Bank's Affairs through Disclosures**

Several steps are being taken from time to time to enhance the transparency of banks by having comprehensive requirements for disclosure in tune with the best practices. The disclosure requirements are being reviewed and revised from time to time. The Master Circular NB.DOS.HO.POL./1270/J-1/2008-09 dated June 30, 2008 issued by NABARD to all RRBs on Disclosure in Financial Statements-Notes on Accounts was one of such measures.

2. At present, the Reserve Bank is empowered to impose penalty on Regional Rural Banks under the provision of Section 47(A) of the Banking Regulation Act, 1949 for contravention of any of the provisions of the Act or non-compliance with any other requirement there under. The imposition of penalty on a bank is decided after a due process of advising the bank and seeking its explanation so as to afford a reasonable opportunity to the bank for being heard. Considering the above and consistent with the best practices in disclosure of penalties imposed by the regulator, it has been decided that disclosure of the details of the levy of penalty on a bank in public domain will be in the interests of the members and depositors.

3. The mode of disclosure of penalties imposed by the Reserve Bank will be as under:

A Press Release will be issued and placed in public domain by the Reserve Bank communicating the imposition of penalty along with the necessary details of the circumstances under which the penalty is imposed on the bank.

4. The above policy comes into operation with immediate effect.

5. Please acknowledge receipt to our concerned Regional Office.

Yours faithfully

**(G. Srinivasan)**  
Chief General Manager-in-Charge