

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

**LOK SABHA**

**STARRED QUESTION NO. \*3**

**TO BE ANSWERED ON THE 3<sup>rd</sup> February 2020/ MAGHA 14, 1941 (SAKA)**

**“Privacy of Clients”**

**\*3. SHRI ABDUL KHALEQUE:**

Will the Minister of FINANCE be pleased to state:

- (a) whether there are provisions under the law which allow financial institutions like Banks and Non-Banking Financial Companies (NBFCs) to share with their subsidiaries or other business organisations the details of business dealings between an institution and its clients/investors/ borrowers;
- (b) if so, the details thereof and the extent to which the information can be shared; and
- (c) if not, the penalties for violation of privacy of the client/ investor/ borrower?

**ANSWER**

The Finance Minister  
(SMT. NIRMALA SITHARAMAN)

(a) to (c): A statement is laid on the Table of the House.

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**Statement for Lok Sabha Starred Question no. \*3 for 3<sup>rd</sup> February 2020,  
regarding “Privacy of Clients” by SHRI ABDUL KHALEQUE, Member of  
Parliament**

(a) to (c): Reserve Bank of India (RBI) has informed that section 56 of its Master Direction on Know Your Customer deals with “Secrecy Obligations and Sharing of Information”, and as per this, banks shall maintain secrecy regarding customer information which arises out of the contractual relationship between the banker and customer, treat as confidential information collected from customers for the purpose of opening of account, and not divulge details thereof for the purpose of cross-selling, or for any other purpose without the express permission of the customer. RBI has further informed that as per the provisions of section 45NB of the Reserve Bank of India Act, 1934, NBFCs shall maintain confidentiality of information. RBI has also informed that the Credit Information Companies (Regulation) Act, 2005 provides statutory backing for sharing of credit information, as defined under section 2(d) of the said Act, by credit institutions with credit information companies, subject to conditions stipulated therein, and, further, that as per section 17, credit institutions are required to furnish credit information to credit information companies.

With regard to imposition of penalties, RBI has informed that it can impose monetary penalties on banks and NBFCs under the provisions of sections 47A of the Banking Regulation Act, 1949, 58G of the Reserve Bank of India Act, 1934, and 25 of the Credit Information Companies (Regulation) Act, 2005, as the case may be, for violation of privacy of the client/investor/borrower, if such violation results in contravention of or non-compliance with the provisions of the said Acts or directions issued thereunder.

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