



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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Inflation Indexed National Saving Securities- Cumulative (IINSS-C)

The Reserve Bank of India, in consultation with Government of India, has decided to launch Inflation Indexed National Savings Securities-Cumulative (IINSS-C) for retail investors in the second half of December 2013.

These securities are being launched in the backdrop of announcement made in the Union Budget 2013-14 to introduce instruments that will protect savings from inflation, especially the savings of the poor and middle classes.

The distribution/sale of IINSS-C would be through banks. Interest rate on these securities would be linked to final combined Consumer Price Index [CPI (Base: 2010=100)]. Interest rate would comprise two parts - fixed rate (1.5%) and inflation rate based on CPI and the same will be compounded in the principal on half-yearly basis and paid at the time of maturity. Early redemptions will be allowed after one year from the date of issue for senior citizens (i.e. above 65 years of age) and 3 years for all others, subject to penalty charges at the rate of 50% of the last coupon payable for early redemption. Early redemptions, however, will be made only on coupon dates.

The date of issuance for subscription would be announced shortly. The details of the product design and other operational issues are furnished in the Annex. The issuance of non-cumulative Inflation Indexed National Saving Securities for retail investors will be examined in due course.

Press Release : 2013-2014/1101

Alpana Killawala
Principal Chief General Manager

Inflation Indexed National Saving Securities- Cumulative (IINSS-C)

Product design

- Face value of one security - ₹ 5,000 (Rupee five thousand) and minimum investment - ₹ 5,000 (Rupee five thousand).
- Maximum investment - ₹ 500,000 (Rupee five lakh) per applicant per annum.
- Rate of interest (per annum) –real interest rate (fixed rate) + inflation rate.
 - Real interest rate – 1.5% per annum and the same will act as floor.
 - Compounding - Half-yearly
- Tenor - 10 years.
- Inflation- final combined CPI will be used as reference CPI with a lag of three months (i.e. final combined CPI for September 2013 would be reference CPI for all days of December 2013). In case of change in the base year, the base splicing method will be used.
- Early Redemption - after one year from date of issue for senior citizens above 65 years of age and 3 years for all others. The penalty charges at the rate of 50% of the last coupon payable for early redemption. Early redemptions to be allowed only on coupon dates.
- Nomination - A sole holder or a sole surviving holder of these bonds, being an individual, may nominate one or more persons who shall be entitled to the bonds and the payment thereon in the event of his death. The Non-Resident Indians (NRIs) can also be nominee of these bonds.
- Form of Securities: These securities will be issued in the form of Bond to be held in the Bond Ledger Account (BLA) and all the provisions of Government Securities Act, 2006 shall be applicable.
- Transferability - limited to nominee(s) on death of holder [only individuals].
- Collateral - eligible as collateral for loans from banks, financial Institutions and Non Banking Financial Companies, (NBFC).

Tax Treatment

- Tax treatment on interest and principal repayment would be as per the extant taxation provision.
- The quoting of Permanent Account Number (PAN) mandatory for investment amounting to ₹ 50,000 (Rupee fifty thousand) and more. However, following exemptions with regard to PAN requirement will apply:
 - As per Income Tax Rule 114B, any person who does not have a PAN and who enters into any specified transaction shall make a declaration in Form No.60.
 - As per Rule 114C, the requirement of PAN is not applicable to the person who has agriculture income and does not have any other income provided he makes a declaration in Form 61, non-residents as referred to in Section 2(30) of the Income Tax Act, and Central Government, State Government and Consulate Office.

Further, section 206AA of Income Tax Act 1961 on requirement to furnish PAN would be applicable.

Eligible Investors

- The eligible investors for these bonds would include individuals, Hindu Undivided Family (HUF), charitable institutions registered under section 25 of the Indian Companies Act and Universities incorporated by Central, State or Provincial Act or declared to be a university under section 3 of the University Grants Commission Act, 1956 (3 of 1956). The above proposed eligible investors in these bonds are the same as in the Relief/Savings Bonds.

Issuance/ Distribution

- These bonds would be sold/ distributed through all agency banks, including Stock Holding Corporation of India Ltd (SHCIL) in the form of Bond Ledger Account (BLA). The BLA for each applicant will be maintained in the centralised depository on the RBI's portal (E-Kuber).
- The banks, including SHCIL, would act as interface for all customer services related to these bonds (such as receipts, repayments, recording change of address, nomination, transfer, early redemption, lien marking, etc.).