



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

[www.rbi.org.in](http://www.rbi.org.in)

DGBA.CDD. No. 3431/13.01.999/2013-14

December 05, 2013

**URGENT ACTION**

The Chairman/Managing Director  
Head Office (Government Accounts Department)  
State Bank of India and Associates, All Nationalized Banks  
Axis Bank Ltd./ICICI Bank Ltd./HDFC Bank Ltd./  
Stock Holding Corporation of India Ltd. (SHCIL).

Dear Sir/Madam,

**Inflation Indexed National Savings Securities – Cumulative (IINSS-C)**

As you are aware, Government of India has decided to launch the captioned bonds for the retail investors in the second half of December 2013. A press release to this effect was issued on November 29, 2013 by RBI. The same is available on the Bank's website.

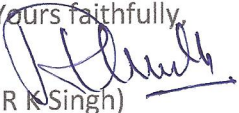
2. These bonds would be sold/distributed through the agency banks in the form of Bond Ledger Accounts (BLA) to be maintained in the centralised depository on the RBI's portal (e-Kuber). The product design of the bonds is given in Annex I.

3. As the bonds would be issued by the agency banks through the RBI's portal on e-kuber (CBS), a brief process flow is given in Annex II. For details, you may urgently get in touch with our CBS help desk through email on [ekuberhelpdesk@rbi.org.in](mailto:ekuberhelpdesk@rbi.org.in) and/or through phone on 022-27595591, 27595592 or 27595999.

4. It may be noted that the agency banks would act as interface for all the customer service aspects, related to these bonds, including receipt, repayment, registering nomination, marking lien, transfers, premature redemption, etc. Brokerage would be paid to the agency banks for undertaking these activities. Details about the same would be communicated on a later date.

5. You are advised to be in readiness and keep your staff sensitised with regard to the launch of these bonds. In case you need any further clarification in the matter, you may contact the undersigned on Phone No. 022- 23016282 or email on [ramksingh@rbi.org.in](mailto:ramksingh@rbi.org.in).

6. Please acknowledge receipt.

Yours faithfully,  
  
(R K Singh)

Deputy General Manager

Encl. - As above

सरकारी और बैंक खाता विभाग, केन्द्रीय कार्यालय, चौथी मंजिल, भायखला ऑफिस बिल्डिंग, मुंबई सेंट्रल स्टेशन के सामने, भायखला, मुंबई - 400 008  
टेलिफोन: 022 2308 04121, फैक्स: 022 2300 0370/2301 6072/2301 0095, ई-मेल: [cgmicdgbaco@rbi.org.in](mailto:cgmicdgbaco@rbi.org.in)

Department of Government and Bank Accounts, Central Office, 4th Floor, Byculla Office Building, Opposite Mumbai Railway Station, Byculla, Mumbai-400 008  
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हिन्दी आसान है. उसका प्रयोग बढ़ाए।

चेतावनी: रिज़र्व बैंक द्वारा ई-मेल, डाक, एसएमएस या फोन काल के जरिये किसी की भी व्यक्तिगत जानकारी जैसे बैंक के खाते का ब्यौरा, पासवर्ड आदि नहीं मांगी जाती है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी तरीके से जवाब मत दीजिये।  
Caution: RBI never sends emails, SMSs or makes calls asking for personal information like bank account details, passwords, etc. It never keeps or offers funds to anyone. Please do not respond in any manner to such offers.



## Annex I

### 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 details of the product design and other operational issues are furnished below.

#### Product design

- Face value of one security - Rs. 5,000 (Rupee five thousand) and minimum investment - Rs.5,000 (Rupee five thousand).
- Maximum investment - Rs. 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 Rs. 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.).





## Annex II

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

#### Process flow of issue of IINSS-C

A broad process flow for issue of the IINS security will comprise of three steps:

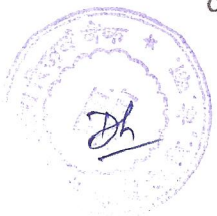
1. Registration of investor
2. Subscription details
3. Issue of holding certificate in lieu of the investment

#### **The detailed process flow is as follows:**

- Customer approaches the agency bank with the prescribed application.
- The bank does the KYC for the customer and records the details:
  - ❖ through the entry screen in the e-kuber portal directly, or
  - ❖ by preparing a file in the given format and uploading to e-Kuber.
- Details on being validated by the e-kuber system, the customer will get a IINSS a/c no (which is in the form of BLA)
- The total amount of subscription is directly debited form the bank's current a/c (banks to provide a one-time mandate to RBI for the same)
- The amount for the total subscription received from the various agency banks will be credited to the Govt a/c maintained for this purpose.(This account will be directly mapped CAS Govt A/c)
- Simultaneously a bond number will be generated and a certificate of holding will be available for the bank to down load and print.

#### Registration process would capture the following

- a) Name of the BLA holder
- b) Address
- c) Category



- d) Gender
- e) Contact details
- f) DOB
- g) Personal Identification Details
- h) Details of the bank a/c with all the required information to enable electronic credit of maturity or redemption proceeds

**Subscription Process: \*\***

**Following details are captured during subscription**

- a) Amount Invested
- b) No. of units Subscribed
- c) Total consideration
- d) Nominee details

\*\* the subscriber has to quote the IINSS a/c no for any future subscriptions.

Note: Lien marking procedure, tax treatment and redemption procedures would be finalised in due course.

Note: Stock Holding Corporation of India Ltd (SHCIL) would be given access through a banker of their choice (presently IDBI) as they are not presently members of INFINET. The sharing, if any, of compensation may be worked out between the bank and SHCIL

