



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

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January 03, 2018

The Chairman & Managing Director
State Bank of India & 18 Nationalised Banks
Axis Bank Ltd., ICICI Bank Ltd., HDFC Bank Ltd.,
Stock Holding Corporation of India Ltd.(SHCIL)

Dear Sir/Madam,

7.75% Savings (Taxable) Bonds, 2018

It has been decided by the Government of India to issue 7.75% Savings (Taxable) Bonds, 2018 with effect from January 10, 2018 in terms of GoI notification F.No.4(28) - W&M/2017 dated January 03, 2018. A copy of the Government Notification is [enclosed](#). The salient features of the Bond are detailed below. A copy of the Circular, Government Notification and [Press Release](#) with regard to this Scheme also have been placed on our website (www.rbi.org.in).

2. **Eligibility for Investment:** The Bonds may be held by –

- (i) an individual, not being a Non-Resident Indian-
 - (a) in his or her individual capacity, or
 - (b) in individual capacity on joint basis, or
 - (c) in individual capacity on any one or survivor basis, or
 - (d) on behalf of a minor as father/mother/legal guardian.
- (ii) a Hindu Undivided Family.

3. **Limit of Investment:**

There will be no maximum limit for investment in the Bonds.

4. **Tax Treatment:**

- (i) Interest on the Bonds will be taxable under the Income Tax Act, 1961 as applicable according to the relevant tax status of the Bond holders.
- (ii) The Bonds will be exempt from wealth-tax under the Wealth Tax Act, 1957.

5. **Issue Price:**

- (i) The Bond will be issued at par i.e. at ₹ 100.00.

- (ii) The Bonds will be issued for a minimum amount of ₹ 1,000 (face value) and in multiples thereof. Accordingly, the issue price will be ₹ 1,000 for every ₹1,000 (Nominal) face value.

6. **Subscription**

- (i) Subscription to the Bonds will be in the form of Cash/ Drafts/ Cheques or any electronic mode acceptable to the receiving office.
- (ii) Cheques or drafts should be drawn in favour of the bank (Receiving Office), specified in paragraph 10 below and payable at the place where the applications are tendered.

7. **Date of Issue**

The Bonds will be issued, in demat form and credited to the Bond Ledger Account (**BLA**) of the investor/s on the date of tender of cash or the date of realization of draft/ cheque.

8. **Form**

- (i) The Bonds will be issued only in the demat form and held at the credit of the holder in an account called Bonds Ledger Account (**BLA**), opened with the receiving bank.
- (ii) The Bonds issued to the credit of BLA of an investors will be held by any number of branches of the banks and SHCIL, as authorised by Reserve Bank of India, as specified in paragraph 10 below.
- (iii) A Certificate of Holding as specified in form **Annexure 1** will be issued to the holder/s of Bonds held to the credit in BLA (in Form **TBX** or Form **TBY** as applicable).

9. **Application:**

- (i) Applications for the Bonds, either in physical form or electronic form, may be made in **Form A** attached hereto as **Annexure 2** or in any other form as near as thereto stating clearly the amount, name and full address of the applicant/s.
- (ii) Applications should be accompanied by the necessary payment in the form of cash/ drafts/ cheques / electronic credit as indicated in paragraph 6 above.
- (iii) Applicants who have obtained exemption from Income Tax under the relevant provisions of the Income Tax Act, 1961, shall make a declaration to that effect in the application (in Form A) and submit a true copy of the certificate obtained from Income Tax Authorities.

10. **Receiving Offices**

Applications for the Bonds will be received at:

- (a) Any number of branches of State Bank of India, Nationalised Banks, three private sector banks and SCHIL, as specified in the **Annexure 3**.
- (b) Branches of any other bank as specified by the Reserve Bank of India in this behalf from time to time.

11. Nomination:

- (i) A sole holder or all the joint holders (investors) of a Bond, being individual/s, may nominate in **Form B** annexed to this notification (**Annexure 4**) or as near thereto as may be, one or more persons who in the event of death of the sole holder/all the joint holders, as the case may be, would be entitled to the Bonds and to the payment due thereon, provided that the person or each of the persons nominated is himself/herself is competent to hold the Bond.
- (ii) Where the nomination has been made in favour of two or more nominees and either or any of them dies before such payment becomes due, the title to the Bonds shall vest in the surviving nominee or nominees and the amount being due thereon shall be paid accordingly.
- (iii) In the event of the nominee or nominees predeceasing the holder, the holder may make a fresh nomination.
- (iv) The investor(s) can make separate nomination for each investment.
- (v) No nomination shall be made in respect of the Bonds issued in the name of a minor.
- (vi) A nomination made by a holder of a Bond can be changed by a fresh nomination in **Form B**, or as near there to as may be, or may be cancelled by giving notice in writing to the Receiving Office in **Form C**, annexed to the notification (**Annexure 5**).
- (vii) Every nomination and every cancellation or variation shall be registered at the Receiving Office where the Bond is issued and shall be effective from the date of such registration.
- (viii) If the nominee is a minor, the holder of Bonds may appoint any person to receive the Bonds/ amount due in the event of his / her / their death during the period the nominee is a minor.

12. Transferability:

The Bonds held to the credit of Bonds Ledger Account of an investor shall not be transferable.

13. Interest:

- (i) The Bonds will be issued in 'Cumulative' or 'Non-cumulative' form, at the option of investor and will bear interest at the rate of 7.75% per annum.
- (ii) Interest on non-cumulative Bonds will be payable at half-yearly intervals from the date of issue in terms of paragraph 7 above and interest on cumulative Bonds will be compounded with half-yearly rests and will be payable on maturity along with the principal.
- (iii) In the latter case, the maturity value of the Bonds shall be ₹ 1,703.00 (being principal and interest) for every ₹ 1,000/-(Nominal).
- (iv) Interest to the holders opting for non-cumulative Bonds will be paid from date of issue in terms of paragraph 7 above up to 31st July / 31st January as the case may

be, and thereafter half-yearly for period ending 31st July and 31st January on 1st August and 1st February.

- (v) Interest on Bonds held to the credit of Bonds Ledger Account of an investor will be paid, electronically by credit to bank account of the holder as per the option exercised by the investor/ holder.

14. Tax Deduction at Source

- (i) Tax will be deducted at source while making payment of interest on the Non-Cumulative Bonds from time to time and credited to Government Account.
- (ii) Tax on the interest portion of the maturity value will be deducted at source at the time of payment of the maturity proceeds on the Cumulative Bonds and credited to Government Account.

Provided that tax will not be deducted while making payment of interest/ maturity proceeds, as the case may be, to individual/s who have made a declaration in the application form that they have obtained exemption from tax under the relevant provisions of the Income Tax Act, 1961 and have submitted a true copy of the certificate obtained from Income Tax Authorities.

15. Advances/ Tradability against Bonds

The Bonds shall not be tradable in the secondary market and shall not be eligible as collateral for availing loans from banks, financial Institutions and Non-Banking Financial Companies.

16. Repayment

- (i) The Bonds shall be repayable on the expiration of 7 years from the date of issue.
- (ii) Premature encashment in respect of the Bonds shall be allowed for individual investors in the age group of 60 years and above, subject to submission of document relating to date of birth of the investor in support of age to the satisfaction of the issuing bank, after minimum lock in period from the date of issue as indicated below:
 - (a) Lock in period for investors in the age bracket of 60 to 70 years shall be 6 years from the date of issue.
 - (b) Lock in period for investors in the age bracket of 70 to 80 years shall be 5 years from the date of issue.
 - (c) Lock in period for investors in the age of 80 years and above shall be 4 years from the date of issue.
- (iii) In case of joint holders or more than two holders of the Bond, the above lock in period will be applicable even if any one of the holders fulfills the above conditions of eligibility.

- (iv) After aforesaid minimum lock in period from the date of issue an eligible investor can surrender the bonds at any time after the 12th, 10th and 8th half year corresponding to the respective lock in period but redemption payment will be made on the following interest payment due date. Thus, the effective date of premature encashment for eligible investors will be 1st August and 1st February every year. However, 50% of interest due and payable for the last six months of the holding period will be recovered in such cases, both in respect of Cumulative and Non-cumulative bonds.

17. Brokerage:

- (i) Brokerage at the rate of ₹ 1.00 per ₹ 100 will be paid to the brokers registered with the Receiving Offices, as listed in paragraph 10 above, on the applications tendered by them and bearing their stamp, on behalf of their clients.
- (ii) Brokerage and commission will be paid by CAS, Nagpur on a monthly basis.
- (iii) Handling/service charges will be paid by PDO of jurisdiction.

Yours faithfully

(A. Mangalagiri)
Chief General Manager

Encls: As above