

6.5 % Savings Bond, 2003 (non-taxable) - Banks

Ref.No.CO.DT.13.01.298/H-3566/2002-03

15th March 2003

The Chairman & Managing Director
State Bank of India & Associate Banks
& 17 Nationalised Banks
UTI Bank Ltd., ICICI Bank Ltd.,
HDFC Bank Ltd., IDBI Bank Ltd., &
Stock Holding Corporation of India Ltd.

Dear Sir

6.5 % Savings Bond, 2003 (non-taxable)

It has been decided by the Government of India to issue 6.5 % Savings Bond, 2003 (non taxable) with effect from **24th March 2003** in terms of their Notification No.4 (9)-W&M/2003 dated 13th March 2003. A copy of the Government Notification is enclosed. The salient features of the Bond are detailed below:

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 anyone 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 concession:

- (i) Income-tax: Interest on the Bonds will be exempt from Income-tax under the Income-tax Act, 1961.
- (ii) Wealth tax: The Bonds will be exempt from Wealth-tax under the Wealth- tax Act, 1957.

5. Issue Price

- (i) The Bonds will be issued at par i.e. at Rs.100.00 percent.
- (ii) The Bonds will be issued for a minimum amount of Rs. 1000/- (face value) and in multiples thereof. Accordingly, the issue price will be Rs.1000/- for every Rs.1,000/- (Nominal).

6. Subscription

Subscription to the Bonds will be in the form of Cash/Drafts/Cheques. Cheques or drafts should be drawn in favour of the Receiving Offices, specified in paragraph 10 below and payable at the place where the applications are tendered.

7. Date of Issue

- (i) The Bonds will be issued with effect from **24th March 2003** and will remain on tap till further notice.

(ii) The date of issue of the Bonds in the form of Stock Certificate or Bond Ledger Account will be the date of receipt of subscription in cash or the date of realisation of draft/cheque.

8. **Form**

i) The Bonds will be issued in the form of Stock Certificate or may be held at the credit of the holder in an account called **Bond Ledger Account (BLA)**

a) Existing Bond Ledger series are to be continued. Any investment in 6.5% Savings Bonds by an existing BLA holder will be viewed as a new investment under the same BLA. However, if the investor does not have any BLA in his/her name, then a new BLA is to be opened.

b) The Bonds in the form of Bond Ledger Account will be issued by and held with the Public Debt Offices of the Reserve Bank of India, designated branches of the agency banks and SHCIL as authorised by Reserve Bank of India in terms of paragraph 10 below. A certificate of holding as specified in Annex 1 will be issued to the holder of Bonds in the form of Bond Ledger Account (in Form X or Form Y as applicable).

c) The Bonds in the form of Stock Certificate will be issued only at the Offices of Reserve Bank of India referred to in paragraph 10(i) (a) below.

d) The Certificate of Holding in respect of Bond Ledger Account and Stock Certificate will be issued in Green and Brown colour for cumulative and non-cumulative Bonds respectively.

ii) The Bonds issued in one form **will not be eligible** for conversion into the other form.

iii) The Certificate of Holding in respect of cash applications may be issued on the same day as per the extant instructions.

9. **Applications:**

(i) Applications for the Bonds may be made in Form 'A' (Annex 2) or in any other form as near as thereto stating clearly the amount and the full name and address of the applicant.

(ii) Applications should be accompanied by the necessary payment in the form of cash/drafts/cheques as indicated in paragraph 6 above.

10. **Receiving Offices**

(i) Applications for the Bonds in the form of Bond Ledger Account will be received at:

(a) Offices of the Reserve Bank of India, at Ahmedabad, Bangalore, Bhubaneswar, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai (Fort), Mumbai (Byculla), Nagpur, New Delhi, Patna and Thiruvananthapuram, or

(b) Authorised Branches of State Bank of India, Associate Banks, Nationalised Banks, four private sector banks and SHCIL as specified in the Annex 3.

(c) Any other bank or branches of the banks and SHCIL as specified by the Reserve Bank of India in this behalf from time to time.

(ii) Applications for Bonds in the form of Stock Certificate will be received only at the offices of Reserve Bank of India, mentioned in sub-paragraph 10 (i)(a) above.

11. **Nomination:**

A sole holder or a sole surviving holder of a Bond, being an individual, may nominate in form B (Annex – 4) or as near thereto as may be, one or more persons who shall be entitled to the Bond and the payment thereon in the event of his/her death.

12. **Transferability:**

The Bonds in the form of Bond Ledger Account shall **not** be transferable except **by way of gift** to a relative as defined in Section 6 of the Indian Companies Act, 1956, by execution of Transfer Form as given in Annex 6A and execution of an affidavit by the holder. A list of relatives is given in Annex 7.

13. **Interest:**

(i) The bonds will be issued in cumulative and non-cumulative form, at the option of the investor.

(ii) The Bonds will bear interest at the rate of 6.5% per annum. Interest on non-cumulative bonds will be payable at half-yearly intervals from the date of issue in terms of paragraph 7 above. Interest on cumulative bonds will be compounded with half-yearly rests and will be payable on maturity along with the principal. In the latter case, the maturity value of the Bonds shall be Rs.1377/- (being principal and interest) for every Rs.1,000/-(Nominal). Interest to the holders opting for non-cumulative Bonds will be paid from date of issue in terms of paragraph 7 above upto 30th June/31st December, as the case may be and thereafter at half-yearly for period ending 30th June/31st December on 1st July and 1st January.

Interest on Bond in the form of “Bond Ledger Account” will be paid, by **cheque/warrant or through ECS by credit to bank account of the holder as per the option exercised by the investor/holder.**

14. **Advances/Tradeability against Bonds**

The Bonds shall **not** be tradeable in the secondary market and shall **not** be eligible as collateral for loans from banks, financial Institutions and Non Banking Financial Companies, (NBFC) etc.

15. **Repayment**

(i) The Bonds shall be repayable on the **expiry of 5 (Five) years** from the date of issue. **No interest would accrue after the maturity of the Bond.**

(ii) **Provision for Premature Encashment**

After minimum lock in period of 3 years from the date of issue, an investor can surrender the Bonds at any time after the 6th half year but redemption payment will be made on the following interest payment due date (as indicated below). Thus the effective date of premature encashment will be 1st July and 1st January every year. However 50% of the 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.

Tenor of holding	Amount payable per Rs.1000 invested	
	Non cumulative	Cumulative
7th half year	Rs. 1016.25	Rs.1231.25
8th half year	Rs. 1016.25	Rs.1271.20
9th half year	Rs. 1016.25	Rs.1312.50

16. **Brokerage & Handling charges :**

i) Brokerage at the rate of Re. 1.00 (Rupee one only) per Rs. 100 will be paid to the brokers including PPF and UTI agents registered with the Receiving Office listed in paragraph 10 (b) & (c) above and also to authorised banks on the applications tendered by them on behalf of their clients and bearing their stamp.

ii) Brokerage and commission will be paid by CAS, Nagpur on monthly basis.

iii) Handling/service charges will be paid by PDO of jurisdiction.

17. Submission of Return

It may be ensured that the instructions contained in para 1.7 of the Memorandum of Procedure read with Circular No.CO.DT.13.01.272/ H.2906/2002-03 dated February 26, 2003 are meticulously adhered to by the agencies.

18. You may please go through the Notification and familiarise with the salient features of the Bond. You may also please ensure that all necessary measures/steps are taken to issue the Bonds across the counters at your designated branches with effect from March 24, 2003 as stipulated in the Government Notification. You may refer to local Office of RBI for any further clarifications in regard to the Bond. Initially the issue of these Bonds may be monitored by a Senior Officer in your Office.

19. You may follow the same pattern of reporting of transaction to CAS, Nagpur as advised earlier for 7% Savings Bonds, 2002.

20. The guidelines issued in respect of 9% Relief Bonds 1999, as detailed in the Memorandum of Procedure (MOP) will be applicable *mutatis mutandis*, in respect of the 6.5% Savings Bonds, 2003 (non-taxable) read with extant instructions issued thereon subsequently.

21. Please acknowledge receipt.

Yours faithfully

(R.C. Das)
General Manager