

**RBI/2005-06/357**

**Ref DGBA.CDD No H- 15765 / 13.01.298 / 2005 - 06**

April 12, 2006  
Chaitra 22, 1928 (Saka)

The General Manager  
State Bank of India and Associate Banks  
and 17 Nationalised Banks  
The Managing Director  
ICICI / IDBI / HDFC / UTI Bank and SHCIL

Madam / Dear Sir,

**6.5 % Savings Bonds, 2003 (Non-Taxable) - Premature Encashment**

The captioned bonds, issued with effect from March 24, 2003 vide Government of India Notification No. F 4 (9)-W & M / 2003 dated March 13, 2003 are repayable on expiry of 5 years from the date of issue. However, the scheme provides for '**Premature Encashment**' after a minimum lock-in period of 3 years from the date of issue and, as such, an investor can surrender the bonds at any time after 6<sup>th</sup> half-year, but **redemption payment will be on the following interest payment due date**. The amount payable per Rs. 1,000 invested will be as indicated below:

Payable on	Amount payable per Rs. 1,000 invested	
	Non-cumulative	Cumulative
7 <sup>th</sup> half-year	Rs. 1016.25	Rs. 1231.25
8 <sup>th</sup> half-year	Rs. 1016.25	Rs. 1271.20
9 <sup>th</sup> half-year	Rs. 1016.25	Rs. 1312.50

The effective date of premature encashment for **Non-cumulative** bonds will be 1<sup>st</sup> July and 1<sup>st</sup> January every year after completion of three years and for **Cumulative** bonds, the notionally 7<sup>th</sup> half-yearly interest payment due date (The date can be any date and not necessarily 1<sup>st</sup> July and 1<sup>st</sup> January). 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. The bonds issued in **March 2003** have completed 3 years in **March, 2006** and have become eligible for premature encashment on **July 1, 2006** (Non-cumulative) and notionally with effect from September 24, 2006 onwards in respect of Cumulative bond i.e. 7<sup>th</sup> half-yearly interest due date and so on.

2. In this connection, we draw your attention to para 15 of our Loan Circular No 77 (Ref. No CO.DT.13.01.298 / H- 3572 / 2002-03) dated March 15, 2003, wherein

broad guidelines for premature encashment were issued. In continuation thereof, we further clarify the provisions for premature encashment as under:

- i) Premature encashment means encashment of **entire amount invested through any single application for 6.5 % Savings Bonds, 2003** which has completed 3 years from the date of issue. As such, investors can be allowed to withdraw entire amount of investment made on **any single application**. In the case of BLA where there are multiple investments on the same day, the same would be considered for pre-redemption based on the investment number. That is, if the person has more than one investment in the scheme with different investment numbers, then you may allow total premature-encashment of a particular investment number as mentioned by the investor. At the same time, the other investments in the same BLA under the same scheme will remain untouched.
- ii) **Partial encashment** of amount invested on any single application is not allowed. However, if a holder is having multiple investments in the same BLA, he can make one or more request(s) for prematurely encashing entire amount(s) of one or more investment(s) which has/have completed 3 years period from the date of issue. However, for all such requests received after 6<sup>th</sup> half-year, redemption would be made once on the due date for 7<sup>th</sup> half-yearly interest payment. For requests received after 7<sup>th</sup> half-year, redemption would be on 8<sup>th</sup> half-yearly interest payment due date and so on.
- iii) Where post dated interest warrants have been issued to Senior Citizens at the time of investment, they are required to surrender the same along with request for pre-mature encashment.
- iv) There is no specific form / declaration which the investor has to fill-up while submitting his request for premature encashment.
- v) The investor needs to submit a request letter along with discharge certificate in usual form **1A**, as is being obtained now, for the full amount to be prematurely withdrawn.
- vi) The premature encashment of investment may be allowed even after despatch of interest warrant, but such requests, received after despatch of interest warrants, must be accompanied with the interest warrant of latest half-year issued to the investor. However, in cases where interest warrants have already been despatched, but not yet received by the holders or not tendered by the holder, requests for premature encashment may be accepted on the condition that 50 % of the interest due and payable for the last six months of the holding period will be recovered from the principal amount and credited to the Interest

Account maintained with CAS, Nagpur. In case of receipt of requests for premature encashments well in advance, Payment Orders for redemption amount / credit to account through EFT / NEFT / ECS will be made on due date i.e. 1<sup>st</sup> July / 1<sup>st</sup> January or 7<sup>th</sup>, 8<sup>th</sup>, or 9<sup>th</sup> half-yearly interest payment due dates, as the case may be, and in case where such request is not received well in advance, the issuing offices may take five clear working days, as stipulated in Citizens Charter to make the payment.

3. Suitable instructions to designated branches operating the scheme may be issued.

4. Please acknowledge receipt.

Yours faithfully,

(B. B. Sangma)  
General Manager