

Bank Loans only against Relief Bonds

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It was reported in a section of the press today that the Reserve Bank of India has allowed banks to sanction loans against Relief Bonds.

The Reserve Bank of India has clarified that as per Government of India instructions, banks are allowed to sanction loans against Relief Bonds only. This facility is not available against 7 per cent Savings Bonds, 2002, which is a new scheme introduced in October 2002.

The 7 per cent Savings Bonds 2002, which were introduced from October 1 this year, are not eligible as collateral for loans from banks, financial institutions and non-banking financial institutions. Unlike 8 per cent Relief Bonds, 2002 there is no upper limit for investments in 7 per cent Savings Bonds. Income tax and wealth tax exemptions are, however, available to interest earned on both the Bonds.

**Alpana Killawala
General Manager**

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