

Government securities offer the benefit of safety, liquidity and attractive returns to investors. With the enactment of the Government Securities Act, 2006 Government securities, including the Relief/Savings Bonds issued by the Government of India, have become more investor friendly. Investors of such bonds will particularly benefit from such changes in the Act. To create public awareness in this regard and as a customer friendly measure, the following Frequently Asked Questions (FAQs) along with the answers have been released by the Reserve Bank of India (RBI).

1. What does one mean by Government security?

Government security (G-Sec) means a security created and issued by the Government for the purpose of raising a public loan or any other purpose as notified by the Government in the Official Gazette and having one of the following forms.

- i. a Government Promissory Note (GPN) payable to or to the order of a certain person; or
- ii. a bearer bond payable to a bearer; or
- iii. a stock; or
- iv. a bond held in a Bond Ledger Account (BLA).

2. What is the Government Securities Act, 2006?

The Government Securities Act, 2006 (G S Act) is an Act to consolidate and amend the laws relating to Government securities and its management by the RBI and for matters connected therewith.

3. What are the Government Securities Regulations, 2007?

Government Securities Regulations, 2007 (G S Regulations) have been framed by the RBI to carry out the purposes of the G S Act.

4. When did the G S Act and the G S Regulations come into force and to which Government securities do they apply?

The G S Act and the G S Regulations came into force with effect from December 1, 2007. The G S Act applies to Government securities created and issued by the Central Government or a State Government, whether before or after the commencement of this Act. The G S Act will apply to all Government securities created and issued even prior to December 1, 2007.

5. What about the applicability of the Public Debt Act, 1944 and the Indian Securities Act, 1920 to the Government securities?

The Public Debt Act, 1944 shall cease to apply to the Government securities to which the G S Act applies, while the Indian Securities Act, 1920 has been repealed.

6. Are Relief/Savings Bonds also Government securities? Does the G S Act and the G S Regulations apply to them as well?

Yes. Relief/Savings Bonds are also Government securities. They are issued in the form of Stock Certificate and BLA by the RBI and in the form of BLA by the Agency Banks. All the provisions of the G S Act and the G S Regulations apply to them as well. However, Relief/Savings Bonds may have certain features of their own as per the specific Government Loan Notification announcing their issue. For example, Savings Bonds are not transferable except as explained at Question No. 46 below.

7. Are all the above forms of Government securities issued by RBI as well as Agency banks?

Government securities in the form of GPN, bearer bond, stock and BLA are issued by RBI, while the Agency Banks are presently eligible to issue Relief/Savings Bonds in the form of BLA only.

8. Who are eligible to invest in Government securities?

The G S Act and the G S Regulations do not specify the eligibility criteria for investment in a G-Sec. The eligibility criteria are specified in the respective Government Notifications. Usually any person is eligible to invest in Government securities.

9. What does one mean by Government security in the form of Stock?

Stock means a Government security registered in the books of RBI for which a Stock Certificate (SC) is issued or which are held at the credit of the holder in the Subsidiary General Ledger (SGL) account maintained in the books of RBI and transferable by registration in the books of RBI.

10. What does one mean by the CSGL account?

CSGL, i.e. Constituents' Subsidiary General Ledger account, means an SGL account opened and maintained with RBI by an agent on behalf of the constituents of such agent, i.e. a second SGL account opened by an agent with the RBI to hold the securities on behalf of their constituents. The constituents are known as the Gilt Account Holders (GAHs). Additional CSGL and / or Gilt Account can be opened only with the prior / specific permission of the Bank.

11. Who is deemed to be the holder of the Government securities in CSGL account?

A CSGL account holder shall be deemed to be the holder of the securities held in the respective account with RBI, however, the constituents i.e. GAHs, as the beneficial owners of the Government security held therein, shall be entitled to claim from the CSGL account holder all the benefits and be subjected to all the liabilities in respect of the Government securities held in the CSGL account.

12. What does one mean by BLA?

A BLA or Bond Ledger Account means an account with RBI or an agency bank in which the Government securities are held in a dematerialized form to the credit of the holder. The investor in this case receives a Certificate of Holding or Certificate of Investment from RBI/Agency Banks.

13. Are the National Saving Certificates/Postal Saving Certificates also covered under the G S Act?

No. They are not covered under the G S Act or the G S Regulations.

14. How can a Government security be transferred?

Government security held in the form of GPN is transferable by endorsement and delivery, while a bearer bond is transferable by delivery and the person in possession of the bond shall be deemed to be the holder of the bond. Government securities held in the form of SC, SGL/CSGL and BLA are transferable, before maturity, by execution of forms - III, IV and V respectively, appended to the G S Regulations, provided that the same are eligible for transfer as per the specific Government Loan Notification. Further, these transfer forms may also be executed in electronic form under digital signature.

15. How does a person who is unable to write, execute or endorse a document?

In such cases, he/she may apply to the Executive Magistrate to execute the document or make endorsement on his/her behalf after producing sufficient documentary evidence about his/her identity and satisfying the Executive Magistrate that he/she has understood the implications of such execution or endorsement.

16. Whether there has been any simplification in the process/documentation for recognition of title to Government security of deceased sole holder or joint holders?

Yes. The title to Government security can now be recognised not only on the basis of a Succession Certificate issued under Part X of the Indian Succession Act, 1925 but also on the basis of a decree, order or direction passed by a competent court or on the basis of a certificate issued or order passed by any other authority who might have been empowered under any statute to confer on any such person a title to the Government security. Further, the title to Government security of deceased sole or joint holders may also be recognized by the RBI/Agency Banks on the basis of any one of the following six documents as prescribed in the G S Regulations.

- a. a "Will" executed by the deceased holder of the Government security bequeathing thereby the security in favour of the person claiming title thereto, provided the probate issued in respect of such Will has been submitted to the Bank by the claimant; or

- b. a registered deed of family settlement, wherein the Government security claimed has been included and given to the claimant; or
- c. a gift deed executed in accordance with the law relating thereto, in respect of the Government security claimed; or
- d. a deed of relinquishment executed by other legal heir or successor of the deceased in accordance with law in favour of the claimant in respect of the Government security claimed; or
- e. a decree passed by a foreign court in respect of the Government security claimed, the execution whereof is permissible in accordance with the provisions of Section 44A of the Civil Procedure Code, 1908 (5 of 1908); or
- f. a deed of partition executed and acted upon in accordance with law, wherein the Government security claimed has been included and given to the share allotted to the claimant.

17. Whether the G S Act provides for nomination facility?

Yes. The G S Act provides for nomination facility for a Government security other than in the form of GPN and bearer bond. The sole holder or all the joint holders of such a Government security may nominate one or more persons, who in the event of death of the sole holder or the death of all the joint holders, would become entitled to the Government security and payment thereon.

18. What happens if one of the joint nominees to a Government security dies?

In such cases where a nomination in respect of a Government security has been made in favour of two or more persons and either or any of the nominees is dead, the surviving nominee or nominees will be entitled to the Government security and payment thereon.

19. Whether a minor can be a nominee?

Yes. A minor can be a nominee. However, the sole holder or all the joint holders of a Government security may appoint another individual, not being a minor, to receive the proceeds of the Government security on behalf of the nominee in the event of the death of the sole holder or all the joint holders during the minority of the nominee.

20. Does conversion, sub-division, renewal or issue of duplicate Government security affect the rights of the nominee(s)?

No. The nominee(s) will continue to have the same rights and will be the nominees in respect of each new security issued in lieu of such Government security.

21. Can a Government securities holder nominate an individual other than blood relation as a nominee?

Yes. A Government securities holder may nominate any one as a nominee provided that the nominee, as an individual or institution, should be eligible to invest in the particular loan as per the specific Government Loan Notification.

22. Can a Government securities holder choose to nominate and donate the proceeds of investment to institutions, trusts, etc.?

Yes. One can donate the proceeds of his/her investments in Government securities to institution/trust by naming such institution/trust as their nominee subject to the condition that such institution/trust shall be eligible to invest in the particular loan as per the specific Government Loan Notification.

23. Can the payment of a Government security be made to minor or insane person?

No. If a Government security is held on behalf of a minor, the payment for the same may be made to the father or mother of such minor and in case neither parent is alive then the payment is made to a person entitled, as per law, to take care of the property of the minor. However, if a Government security, whose principal value does not exceed Rupees One lakh, belongs to a minor or person who is insane and incapable of managing his affairs, RBI may make a vesting order in terms of Regulation 17 of the GS Regulations in favour of a person to represent the minor or insane person.

24. Whether duplicate Government security can be issued in lieu of a Government security that has been lost, stolen or destroyed, or has been defaced or mutilated?

Yes. A duplicate Government security may be issued if the holding was in the form of SC and GPN. However, no duplicate Government security will be issued for Bearer Bonds/Prize Bonds. Further, no duplicate Government security will be issued in case of matured loans and the redemption proceeds will be paid to the investor after following the procedure for issuing duplicate Government security.

25. What is the procedure to be followed for issue of duplicate Government security?

When a Government security is lost, stolen, destroyed, mutilated or defaced, then the investor(s) may apply to RBI for issue of a duplicate GPN or SC in terms of Regulations 11 and 13, respectively, of GS Regulations.

26. Whether Government securities are eligible for conversion, consolidation, sub-division, renewal?

Yes. Government securities are eligible for conversion from one form of holding to another as well as consolidation, sub-division and renewal as per the terms and conditions prescribed in the G S Regulations.

27. Are Government securities eligible for stripping or reconstitution?

Yes. Government securities, as per eligibility, can be stripped separately for interest and principal and reconstituted as well.

28. What is STRIPS? What is the benefit of stripping Government securities?

STRIPS is the acronym for 'Separate Trading of Registered Interest and Principal of Securities'. These are basically "zero-coupon" securities where the investor receives a payment at maturity only. STRIPS allow investors to hold and trade the individual interest and principal components of eligible Government securities as separate securities of varying tenure. They are popular with investors who want to receive a known payment on a specific future date and want to hold securities of desired maturity.

29. Are there any fees to be paid for conversion, consolidation, sub-division, renewal and issue of duplicate Government securities?

Yes. A fee of Rupees twenty is payable for renewal, conversion or sub-division of Government security and a fee of Rupees One hundred is payable for issue of a duplicate Government security. However, no fee is payable for conversion of GPN into SC and SGL/CSGL or SC into SGL/CSGL, consolidation of Government securities and renewals due to filling up of interest cages at the back of the GPN or filling up of transfer endorsement cages at the back of the SC.

30. Is there any period of limitation of Government's liability in respect of interest due on Government security?

Yes. The liability of the Government in respect of any interest payment due on a Government security shall terminate on the expiry of six years from the date on which the amount due by way of interest became payable, i.e., investors are expected to claim interest on their Government security within six years from the date it becomes payable and Government may refuse to pay such unclaimed interest payment after six years. However, Government may allow a bonafide claim for payment of interest even after the expiry of the limitation period of six years.

31. Is there any provision for tax to be deducted at source for interest paid in respect of Government securities?

As per clause (iv) of Section 193 of the Income Tax Act, 1961, no tax shall be deducted from any interest payable on any security of the Central Government or a State Government effective from June 1, 1997. However, as per Finance Act, 2007 and Government of India Notification No. F.4(10)-W&M/2003 dated May 31, 2007, tax has to be deducted at source on the interest exceeding Rupees ten thousand payable during a financial year on 8% Savings (Taxable) Bonds, 2003 with effect from June 1, 2007.

32. Whether application for grant of information or inspection relating to a Government security is allowed?

Yes. RBI or its agent may permit grant of information or inspection of document relating to Government security on being satisfied that the security in question has stood in the name of the applicant or of a person in whom the applicant has a representative/bonafide interest.

33. Are Government securities eligible for creation of pledge, hypothecation or lien?

Yes. Pledge, hypothecation or lien may be created in respect of Government securities held in the form of SC, BLA, SGL/CSGL and the holder of Government securities in such forms may avail of loan facility by keeping such securities as collateral towards loan, subject to the stipulation mentioned in Question No. 34. However, Government securities issued in the form of GPN and bearer bonds are not eligible for creation of pledge, hypothecation or lien.

34. Is the facility to create pledge, hypothecation or lien against Government securities available across all the loans?

No. The facility to create pledge, hypothecation or lien against Government securities is not available for those loans which, as per the specific Government Loan Notification, are non-transferable or not eligible for collateral to avail of loan facility.

35. Who will create/note pledge in respect of Government securities?

Pledge towards Government securities will be created/noted by RBI or its agent, as the case may be, maintaining the account in respect of such security, i.e., in case of SC, BLA & SGL for which the records and accounts are maintained by RBI, the pledge will be noted in the books of RBI while in case of BLAs issued by Agency Banks or securities held in a CSGL account, the pledge will be noted by the concerned Agency Bank or CSGL Account holder respectively.

36. What is the automatic redemption facility for Government securities?

An investor in Government securities, held in the form of SC, BLA and SGL/CSGL, can avail of the facility of automatic redemption, i.e., the maturity proceeds along with the interest accruing thereon will be credited to the investor's bank account on due date and the investor need not submit physical discharge in respect of such securities provided the investor has furnished his/her bank account details to the RBI or its agent (*A model format is given at the end of these FAQs*). However, in case, the investor does not submit his/her bank details to the RBI or the Agency Bank, he/she would be required to submit physical discharge towards the Government securities to receive the redemption proceeds.

37. Are there any other requirements for availing the facility of automatic redemption?

Yes. In case the maturity proceeds of a Government security exceeds Rupees One lakh, the investor(s) should furnish the PAN details in advance so as to avail the facility of automatic redemption and receive the maturity proceeds along with the accruing interest thereon in his/her account on due date.

38. What are the powers of RBI for carrying out the purposes of the G S Act?

RBI may call for information from any agent or SGL/CSGL account holder and cause an inspection or scrutiny to be made of any agent or SGL/CSGL account holder. Further, RBI may issue directions to the SGL/CSGL account holders, agents and to any other person dealing with the Government securities.

39. What are the penalties for contravention of the G S Act?

If any person, for the purpose of obtaining for himself or any other person any title to a Government security, makes false statement then he shall be punishable with imprisonment for a term which may extend to six months, or with fine, or with both. Further, RBI may impose on any person who contravenes any provision of the G S Act, or contravenes any regulation, notification or direction issued under the G S Act, or violates the terms and conditions for opening and maintenance of SGL/CSGL account a penalty not exceeding five lakh rupees and where such contravention is a continuing one, further penalty, which may extend to five thousand rupees for every day after first day during which the contravention continues.

FAQs in respect of Relief/Savings Bonds

As mentioned above, Relief/Savings Bonds are Government securities and they are issued in the form of Stock and BLA by RBI and in the form of BLA by the Agency banks. The provisions of the G S Act and the G S Regulations also apply to them. For the convenience of the Relief/Savings Bonds holders, certain specific aspects have been elaborated here.

40. Are nomination facilities available for Relief/Savings Bonds?

Yes. As Relief/Savings Bonds are Government securities, nomination facility is available for these as explained at Question Nos. 17, 18, 19, 20, 21 & 22 above.

41. Is the facility of automatic redemption available to the Relief/Savings Bonds holder?

Yes. The facility of automatic redemption, i.e., the facility to receive maturity proceeds along with interest accruing thereon on due date without the hassle of visiting the RBI/Agency Bank and submitting physical discharge in respect of the maturing

Relief/Savings Bonds is available to all the Relief/Savings Bond investors as explained at Question Nos. 36 & 37 above.

42. How the interest is paid in case of Relief/Savings Bonds?

Relief/Savings Bonds provide the investors to opt for cumulative/non-cumulative interest payment. In case of cumulative bonds, the interest is payable along with the principal at the time of redemption. However, in case of non-cumulative bonds, the same is paid at half-yearly intervals. If an investor requires regular income flow then it is suggested that he/she should opt for non-cumulative mode of interest payment. Interest can be paid through interest warrants delivered through registered post or can be credited to the investor's bank account on due date, in case the investor has submitted the bank details as per the ECS Mandate form available in the offices of RBI and the Agency Banks. (A [model format](#) is given at the end of these FAQs).

43. Is there any TDS towards interest payment in respect of Relief/Savings Bonds?

As explained at Question No. 31, with effect from June 1, 1997, there is no TDS upon interest payable on Government Security. However, as per Finance Act, 2007 and Government of India Notification No. F.4(10)-W&M/2003 dated May 31, 2007, tax has to be deducted at source on the interest exceeding Rupees ten thousand payable during a financial year on 8% Savings Bonds, 2003 (Taxable) with effect from June 1, 2007. Accordingly, there is no TDS upon interest payment in respect of Relief/Savings Bonds other than 8% Savings Bonds, 2003 (Taxable).

44. Is the facility to create pledge, hypothecation or lien against Relief/Savings Bonds available to the investors for availing loan against the Relief/Savings Bonds as collateral?

Yes. The facility to create pledge, hypothecation or lien against Relief/Savings Bonds is available as in case of other Government securities as explained at Question Nos. 33 & 34. The Government of India has amended the notifications relating to 7% Savings Bonds, 2002, 6.5% Savings Bonds, 2003 (Non-Taxable) and 8% Savings (Taxable) Bonds, 2003 schemes allowing for pledge or hypothecation or lien of these bonds as collateral for obtaining loans from the scheduled banks with effect from August 19, 2008. However, such collateral facility is available only for the loans to be availed by the holders of the bonds and **not** in respect of the loans availed by third parties.

45. What is the procedure/documentation for recognition of title to Relief/Savings Bonds of deceased sole holder or joint holders?

The title to Relief/Savings Bonds of a deceased sole holder or joint holder may be recognised as per the simplified procedure explained at Question No. 16.

46. Whether Relief/Savings Bonds can be transferred?

Yes. Relief/Savings Bonds, like other Government securities, can be transferred by execution of transfer forms as explained at Question No. 14. However, the specific Government loan notifications issued for the 7% Savings Bonds, 2002, 6.5% Savings Bonds, 2003 (Non taxable) and 8% Savings Bonds, 2003 (Taxable) have prescribed the specific conditions subject to which such transfers may take place. While all the three Savings Bonds are transferable to the nominee in case of death of the holder, the 7% Savings Bonds, 2002 and 6.5% Savings Bonds, 2003 (Non taxable) are also transferable by way of gift to a "relative" as defined in section 6 of the Indian Companies Act, 1956. Section 6 of the Indian Companies Act, 1956 defines "relative" as under:

A person shall be deemed to be a relative of another if and only if,

- a) they are members of a Hindu undivided family; or*
- b) they are husband and wife; or*
- c) the one is related to the other in the manner indicated in Schedule 1A of the Indian Companies Act, 1956.*

Apart from the above, the three Savings Bonds shall also be transferable in favour of the pledgee/creditor, if the pledgee/creditor invokes the pledge, hypothecation or lien as per Regulation 21 (3) of the G S Regulations.

47. Whether an investor is entitled for any compensation for the late receipt/delayed credit of interest warrants/maturity value of investments, etc.?

The bank shall compensate the investors for the above mentioned financial loss at a fixed rate of 8% per annum (with effect from April 10, 2012).

Electronic Clearing Service (Credit Clearing) Mandate Form

(Investor (s)'s option to receive redemption proceeds and interest payments through Credit Clearing Mechanism)

- 1. Investor(s) Name and Address :**
- 2. Member ID No./BLA No. :**
- PAN/GIR No.* :**
- Telephone No./Mobile No./E-mail ID :**

3. Particulars of Bank account

Name of the Bank :
 Name of the branch :
 Address :
 Telephone No. :

9-Digit MICR code number of the bank and :
branch appearing on the MICR cheque :
issued by the bank
Type of the account (Savings, Current or
Cash Credit) with codes -10/11/13
Ledger and Ledger folio number :
Account number (as appearing on the
cheque book) :
:

(In lieu of the bank certificate to be obtained as under, please attach a blank cancelled cheque or photocopy of a cheque or front page of your savings bank passbook issued by your bank for verification of the above particulars)

4. Date of effect :

I/We hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I/We would not hold the user institution responsible. I/We have read the option invitation letter and agree to discharge the responsibility expected of us as a participant under the scheme.

Date:

(.....)
Signature(s) of the Investor(s)

(In case of joint holdings, all the investors, whose signatures are registered with PDOs, should sign here)

Certified that the particulars furnished above are correct as per our records.

Bank's Stamp:

Date:

(.....)
Signature of the authorised official of the Bank

**** Compulsory for investors due to receive maturity proceeds exceeding Rs. One lakh***

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decisions made on the basis of the same. For clarifications or interpretations, if any, investors are requested to be guided by the relevant circulars and notifications issued from time to time by the Bank and the Government as well as the relevant provisions of the Government Securities Act, 2006 and the Government Securities Regulations, 2007.