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20
YEARS

Product Note

RBI - Floating Rate Savings Bond

Jan 04, 2023



RBI - Floating Rate Savings Bond – Product Note

RBI - Floating Rate Savings Bonds: A floating rate savings bond is a debt instrument issued by the Reserve Bank of India. Interest rate or the coupon rate in a Floating rate instrument is not fixed and will fluctuate from time to time. Interest rate on floating rate savings bonds is reset every six months (January 01 & July 01) and is always set at a spread of 35 bps over the prevailing NSC (National Saving Certificate) rate.

Salient Features – RBI - Floating Rate Savings Bonds (Taxable):

Instrument	RBI - Floating Rate Savings Bonds
Who can invest	Resident Individuals (including Joint Holdings) and Hindu Undivided Families (HUF) NRIs are not eligible to invest
Issue Price	At par – i.e. Rs 1,000 for every Rs 1,000 (nominal) face value
Minimum Amount	Rs 1,000 (Face value) in multiples thereof
Maximum Amount	No maximum limit
Subscription	In Cash (upto Rs 20,000 only)/ drafts/ cheques or any electronic mode acceptable to the Receiving Office^
Maturity/ Repayment of Principal	7 years (lock-in-period) from the date of issue. Premature encashment at interest payment date shall be allowed to individuals who are 60 years and above subject to minimum lock-in-period*
Floating Interest Rate & Reset	National Savings Certificate (NSC) rate (Base rate) + 35bps. The coupon/interest of the bond would be reset half yearly - every 1st Jan and 1st July
Interest/Coupon Rate	7.35% (7.00% + 0.35%) for period 1st Jan – 30th Jun 2023. Payable on 1st Jul, 2023
Interest Rate Option and Frequency	Only Non-cumulative option with Half-yearly interest payouts (1st Jan & 1st July). No option to pay interest on cumulative basis
Interest Rate Calculation	Interest on the bond accrues from the date of receipt of funds/realization of cheque /draft and will be credited to the bank account of the holder on every 01st Jan & 1st July
Tax treatment	Interest on these bonds will be taxable under the Income-tax Act, 1961
TDS on interest	At the time of making payment to investors; provided individual(s) have made a declaration in the application pertaining to exemption under relevant provisions in Income Tax Act
Transferability/Tradability	Not Transferable (except transfer to a nominee(s)/legal heir in case of death of the holder of the bonds), Not Tradeable in the secondary market
Eligibility for Collateral	Not eligible as collateral for loans from Bank, Non-banking financial companies (NBFCs) or financial institutions
Nomination Facility	Available (Form C)
Form of Holding	The Bonds will be issued only in the electronic form and held at the credit of the holder in an account called Bond Ledger Account (BLA), opened with the Receiving Office. A Certificate of Holding will be issued in electronic form within 7 days from date of application
Risk	100% risk free investment option

^Receiving Office: designated branches of SBI, nationalized banks, IDBI Bank, Axis Bank, HDFC Bank and ICICI Bank

*Premature encashment for senior citizens allowed subject to penalty charges equivalent to 50% of last coupon/interest payment:

Age bracket: 60 – 70 years; lock-in-period of 6 years from the date of issue

Age bracket: 70 – 80 years; lock-in-period of 5 years from the date of issue

Age bracket: 80 years & above; lock-in-period of 4 years from the date of issue

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How to Invest:

Investment in these bonds will be in the form of cash (up to Rs 20,000)/drafts/cheques or any electronic mode acceptable to the Receiving Office. Applications for the bonds in the form of Bond Ledger Account will be received in the designated branches of SBI, nationalized banks, IDBI Bank, Axis Bank, HDFC Bank and ICICI Bank (Receiving Office). The bonds will be issued only in electronic form and held at the credit of the holder in an account called Bond Ledger Account, opened with the Receiving Office.

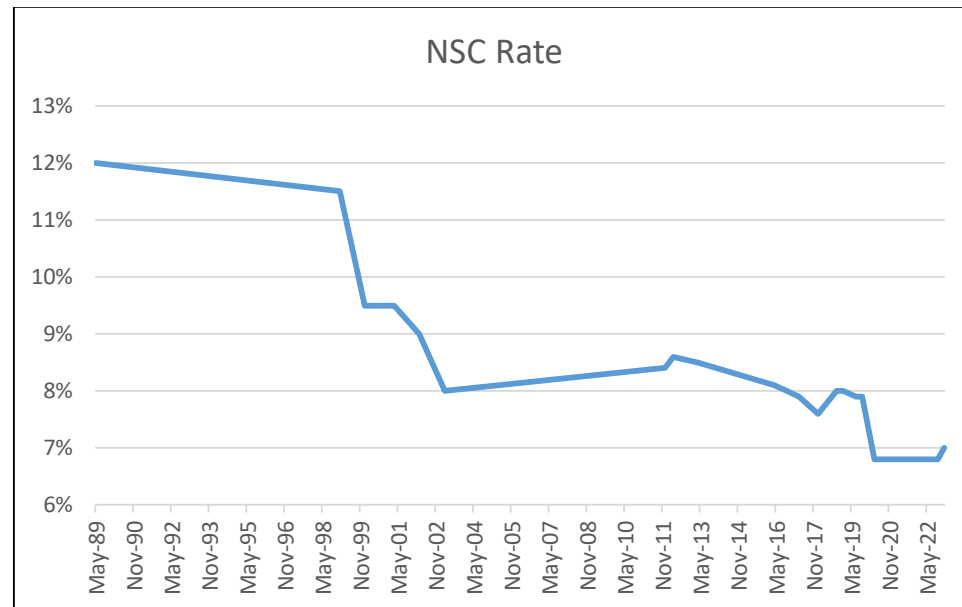
Advantages:

- Sovereign in nature as it is issued by the RBI
- Provides higher returns than National Savings Certificate (NSC)
- Suitable option for a hold to maturity product with an investment horizon of 7 years

Limitation:

- Liquidity – the bond has a lock-in of 7 years

Trend in NSC Rate:



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Investment in securities market are subject to market risks, read all the related documents carefully before investing.

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