

6.5% Savings Bond, 2003 (Non-taxable)

Government of India
Ministry of Finance and Company Affairs
Department of Economic Affairs

New Delhi, dated the 13th March, 2003

NOTIFICATION

6.5% Savings Bond, 2003 (Non-taxable)

No. F.4(9)-W&M/2003: The Government of India, hereby notifies the issue of 6.5% Savings Bond, 2003 (Non-taxable) ("the Bonds") from 24th March 2003 until further notice. The terms and conditions of the issue of the Bonds, shall be as follows:

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 per cent.
- (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 bank, Receiving Office, specified in paragraph 10 below and payable at the place where the applications are tendered.

7. **Date of Issue**

The date of issue of the Bonds in the form of Stock Certificate will be the date of receipt of subscription in cash or the date of realisation of draft/cheque as the case may be. In the case of the Bonds in the form of Bond Ledger Account, the same will be opened (issued) from the date of tender of 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) The Bonds in the form of Bond Ledger Account will be issued and held with the Public Debt Offices of the Reserve Bank of India or any number of branches of the banks and Stock Holding Corporation of India Ltd. (SHCIL) as authorised by Reserve Bank of India specified in paragraph 10 below. A certificate of holding as specified in Annexure I will be issued to the holder of Bonds in Bond Ledger Account (in Form X or Form Y as may be applicable).
 - b) 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.
- ii) Where the Bonds in the form of Stock Certificate cannot be issued immediately on receipt of the subscription due to non-availability of the Bond forms, or otherwise, the Receiving Office will issue a provisional receipt in favour of the subscriber for the value of the subscription tendered by him.
- iii) The Bonds issued in one form will not be eligible for conversion into the other form.

9. **Applications :**

- (i) Applications for Bonds may be made in the Form 'A' attached hereto as Annexure 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 Bonds in the form of Bond Ledger Account will be received at:
 - (a) Offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bhubaneswar, Mumbai (Fort and Byculla), Kolkata, Guwahati, Hyderabad, Jaipur, Kanpur, Chennai, Nagpur, New Delhi, Patna and Thiruvananthapuram, or
 - (b) Number of 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 banks or number of branches of the banks and SHCIL where the applications will be received 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 (i)(a) above.

11. **Nomination:**

- (i) A sole holder or a sole surviving holder of a Bond, being an individual, may nominate in form B annexed to this notification (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 death.
- (ii) Where any amount is payable to two or more nominees and either or any of them dies before such payment becomes due, the title to the Bond shall vest in the surviving nominee or nominees and the amount being due thereon shall be paid accordingly. In the event of the nominee or nominees predeceasing the holder, the holder may make a fresh nomination.

- (iii) No nomination shall be made in respect of the Bonds issued in the name of a minor.
- (iv) A nomination made by a holder of Bond may be varied by a fresh nomination in Form B or as near thereto as may be, or may be cancelled by giving notice in writing to the Receiving Office in Form C annexed to the notification (Annex – 5).
- (v) Every nomination and every cancellation or variation shall be registered at the Receiving Office where the Bond is issued and shall be effective from the date of such registration.
- (vi) If the nominee is a minor, the holder of the Bond may appoint any person to receive the Bond/amount due in the event of his death during the minority of the nominee.

12. **Transferability:**

The Bonds in the form of Bond Ledger Account and Stock Certificate 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 appropriate Transfer Form as given in Annexure 6A or 6B (as may be applicable) and execution of an affidavit by the holder. A list of relatives is given in Annex 7.

13. **Interest :**

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 or interest on cumulative Bonds will be compounded with half-yearly rests and will be payable on maturity along with the principal, as the subscriber may choose. In the latter case, the maturity value of the Bonds shall be Rs.1377.00 (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 half-early for period ending 30th June/ 31st December on 1st July and 1st January. Interest on Bonds in the form of Stock Certificate and in the case of 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 / Tradability against Bonds**

The Bonds shall not be tradable in the secondary market and shall not be eligible as collateral for loans from banks, financial institutions and Non-Banking Financial Company (NBFC) etc.

15. **Repayment**

- (i) The Bonds shall be repayable on the expiration of 5 (five) years from the date of issue.
- (ii) **Provision for Premature Encashment** - After minimum lock in period of 3 years from the date of issue, an investor can surrender the bond any time after the 6th half year but redemption payment will be made on the following interest payment due date. 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.

16. **Brokerage:**

Brokerage at the rate of Re.0.50 (Fifty paise only) per Rs.100/- will be paid to brokers including PPF and UTI agents registered with Receiving Offices of Reserve Bank of India and Re.1/- (Rupee one only) per Rs.100/- will be paid to the brokers including PPF and UTI agents

registered with the Receiving Offices 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.

By Order of the President of India

sd/-

(D.Swarup)
Additional Secretary(Budget)

NOTIFICATION 13032003