

RBI to offer CPI-linked bonds in Dec.

The Reserve Bank of India (RBI) has decided to launch [Inflation Indexed National Savings Securities-Cumulative \(IINSS-C\)](#) for [retail investors](#) in the second half of December. These will be sold through banks.

"These securities are being launched against the backdrop of the announcement made in the Union Budget 2013-14 to introduce instruments that will protect savings from inflation, especially the savings of the poor and middle classes," said RBI on Friday.

Interest rate on these securities will be linked to the final combined Consumer Price Index (CPI). "Interest rate would comprise two parts - fixed rate (1.5 per cent) and inflation rate based on CPI-and the same will be compounded in the principal on a half-yearly basis and paid at the time of maturity," said RBI.

Early redemptions will be allowed after one year from the date of issue for senior citizens (above 65 years) and three years for all others, subject to penalty charges at 50 per cent of the last coupon payable for early redemption. Early redemptions, however, would be made only on coupon dates, said RBI.

The central bank said the date of issuance for subscription would be announced shortly. The issuance of non-cumulative IINSS for retail investors would be examined in due course, RBI added.

Eligible investors for these [bonds](#) would include individuals, Hindu Undivided Family (HUF), charitable institutions registered under section 25 of the Indian Companies Act and Universities incorporated by Central, State or Provincial Act or declared to be a university under Section 3 of the University Grants Commission Act, 1956 (3 of 1956), RBI said in a statement.

The face value of one security would be Rs 5,000 and the minimum investment would be Rs 5,000, said RBI. Besides, maximum investment would be Rs 5 lakh per applicant per annum. The tenor would be 10 years.

According to RBI, these securities will be eligible as a collateral for loans from banks, financial institutions and non-banking financial companies.

RBI said the tax treatment on interest and principal repayment would be in line with the extant taxation provision.

According to RBI, these bonds would be sold or distributed through all agency banks, including Stock Holding Corporation of India (SHCIL) in the form of bond ledger account (BLA). The BLA for each applicant will be maintained in the centralised depository on the RBI's portal (E-Kuber).

RBI also said that the banks, including SHCIL, would act as interface for all customer services related to these bonds (such as receipts, repayments, recording change of address, nomination, transfer, early redemption, lien marking, etc).

These securities would be issued in the form of bond to be held in the BLA and all the provisions of Government Securities Act, 2006 will be applicable, RBI added.

(Business Standard)