

Inflation Indexed National Saving Securities - Cumulative (IINSS-C)

1. What is the inflation index to which inflation rate will be linked?

- Inflation rate will be based on the final combined Consumer Price Index [(CPI) base: 2010=100].
- The final combined CPI will be used as reference CPI with a lag of three months. For example, the final combined CPI for September 2013 will be used as reference CPI for whole of December 2013.

2. Who is eligible to invest in the Inflation Indexed National Saving Securities-Cumulative (IINSS-C)?

- Only retail investors would be eligible to invest in these securities. The retail investors 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).

3. What is the interest rate on these securities?

- There will be two parts in the interest rate. One, fixed rate of 1.5% per annum and second, inflation rate.
- For example, if inflation rate during the six months is 5%, then interest rate for this six months would be 5.75% (i.e. fixed rate -0.75% and inflation rate -5%).

4. Is there any floor as inflation may turn into deflation at times?

- Yes, fixed rate of 1.5% would act as a floor, which means that 1.5% per annum interest rate is guaranteed if there is deflation.
- For example, if inflation rate is (-) 5%, then interest rate should be (-) 3.5% by simple calculation. But in such case, negative inflation will not be recognised and investors would get fixed rate of 1.5% (please see example 2 at 23).

5. When do I get interest?

- Interest will be accrued and compounded in the principal on half-yearly basis and paid along with principal at the time of redemption.

6. What will I get on redemption?

- On redemption, investors will get principal and compounded interest.

7. An example of cash flows/ compounding of principal for illustration purpose is as under:

Issue/ Coupon/ maturity date	Fixed rate 1.5% per annum				Principal
	Fixed rate	CPI	Inflation rate *	Interest rate (Compounding rate) V=II+IV	
I	II	III	IV	V=II+IV	VI=VI*V
25-Dec-13		150			5000
25-Jun-14	0.75	160	6.67	7.4	5371
25-Dec-14	0.75	166	3.75	4.5	5613
25-Jun-15	0.75	175	5.42	6.2	5959
25-Dec-15	0.75	185	5.71	6.5	6344
25-Jun-16	0.75	190	2.70	3.5	6563
25-Dec-16	0.75	200	5.26	6.0	6958
25-Jun-17	0.75	210	5.00	5.8	7358
25-Dec-17	0.75	218	3.81	4.6	7693
25-Jun-18	0.75	228	4.59	5.3	8104
25-Dec-18	0.75	235	3.07	3.8	8414
25-Jun-19	0.75	246	4.68	5.4	8870
25-Dec-19	0.75	255	3.66	4.4	9262
25-Jun-20	0.75	265	3.92	4.7	9694
25-Dec-20	0.75	280	5.66	6.4	10316
25-Jun-21	0.75	290	3.57	4.3	10761
25-Dec-21	0.75	305	5.17	5.9	11399
25-Jun-22	0.75	316	3.61	4.4	11895

25-Dec-22	0.75	330	4.43	5.2	12512
25-Jun-23	0.75	340	3.03	3.8	12985
25-Dec-23	0.75	355	4.41	5.2	13655

*Inflation rates are calculated on half yearly basis.

8. What will be the process of investing?

- Investors can invest through the authorised banks and Stock Holding Corporation of India (SHCIL).
- They will fill an application form and submit the same along with other documents and payment to the bank.
- On receipt of money, the bank will register the investor on the RBI's web-based platform (E-Kuber) and on validation, generate the Certificate of Holding.

9. What will be the form of these securities?

- These securities will be issued in the form of Bonds Ledger Account (BLA).
- The securities in the form of BLA will be issued and held with RBI and thus, RBI will act as central depository.
- A certificate of holding will be issued to the holder of securities in BLA.

10. Whether investor needs to open a BLA account with a bank for making an investing?

- Investor does not need to open a BLA with any bank for making investment.
- After receiving the money and registration of the investor on RBI's CBS (E-Kuber), the RBI will open a BLA for each investor and issue a "Certificate of Holding" indicating number of units of IINSS-C held by the investor.

11. Which are the authorised banks?

- The authorised banks are SBI & Associates, Nationalised Banks, HDFC Bank, ICICI Bank, and Axis Bank.

12. Should the customer apply through the bank in which he/she has an account?

- Customers can approach any of the authorised banks, including SHCIL for such investment irrespective of whether they hold an account or not with that bank.

13. Who will provide the other customer services to the investors after issuance of securities?

- The banks through which these securities have been purchased will provide other customer services.
- Investors can approach the banks for other services such as change of address, early redemption, nomination, lien marking, etc.

14. Whether joint holding will be allowed?

- Yes, joint holding will be allowed.

15. What is the minimum and maximum limit for investment?

- The minimum investment limit is Rs. 5,000/- (five thousand).
- The maximum limit is Rs. 10 lakh per annum for eligible individual investors and Rs. 25 lakh per annum for institutions such as HUFs, Charitable Trusts, Education Endowments and similar institutions which are not pro-profit in nature.

16. Whether premature redemption is allowed?

- Yes premature redemption is allowed.
- For senior citizens above 65 years, the premature redemption is allowed after one year. For others, it is allowed after 3 years.
- Penalty at the rate of half of the last payable coupon will be charged from the investors. For example, if last payable coupon is Rs. 1,000/-, then Rs. 500 would be charged as penalty..

17. How do I redeem these securities?

- In case of redemption prematurely before the maturity date, investors can approach the concerned bank few days before the coupon date and apply.

- In case of redemption on maturity, the investor will be advised one month before maturity regarding the ensuing maturity of the bond advising them to provide a Letter of Acquaintance, confirming the NEFT account details, etc.
- If everything is in order, the investor has to be paid immediately on the maturity date for payments through electronic mode and within maximum five days for any payment through physical instruments.

18. Whether these securities transferable?

- Transferability is allowed to the nominee(s) only for individual investors on death of holder.
- Transferability is not allowed for other investors

19. Can I use these securities as collateral for loans?

- Yes, these securities are eligible to be used as collateral for loans from banks, financial Institutions and Non Banking Financial Companies, (NBFC).

20. Banks will offer loans against the collateral of IINSS-C at what rate of interest?

- As per extant RBI's guidelines, banks will be free to decide interest rate on loans against these securities, subject to the condition that such interest rate is to be at base rate or above.

21. What are the tax implications?

- Existing taxation applicable to Government of India securities issued as part of the market borrowing will be applicable to these securities.

22. Whether TDS will be applicable?

- Existing taxation applicable to Government of India securities will be applicable to these securities.
- Sub-section (iv) of the Section 193 of the Income Tax Act, 1961 stipulates that no tax shall be deducted from any interest payable on any security of the Central Government or a State Government, provided that nothing contained in this clause shall apply to the interest exceeding rupees ten thousand payable on 8% Savings (Taxable) Bonds, 2003 during the financial year.
- As per the above Section, TDS shall not be deducted from any interest payable on IINSS-C, until and unless notified by the Government of India otherwise.

23. Who will do the KYC?

- As customers will be owned by the banks, KYC will also be done by the banks.

24. When will customers be issued securities?

- The customers should be issued the securities after receiving clear money. After receiving clear money, banks should register the customer on CBS and generate Certificate of Holding.

25. Where can investors get the application form?

- The [application form](#) can be downloaded from the RBI's website. However, banks shall also get forms printed and made available to the investors.