

DGBA.CDD. No.H- 4836 /15.02.001/2011-12

Dated: January 20, 2012

Clarification on regulation of interest rates for Small Savings Schemes

As per the decision of the Government on the recommendations of the Committee for Comprehensive Review of National Small Savings Fund (NSSF), the rate of interest on small savings schemes will be aligned with G-Sec rates of similar maturity with a spread of 25 basis points (bps), with two exceptions. The spread on 10 year National Savings Certificate (NSC) will be 50 bps and on Senior Citizens Savings Scheme, 2004 (SCSS, 2004) 100 bps. The interest rates for every financial year will be notified before April 01st of that year. Notifications on changes in the interest rates, in various small savings schemes with effect from December 01, 2011 have already been issued by Government of India. We have also, vide our circular No. RBI/2011-12/291 dated December 05, 2011 circulated Government's Notification dated November 25, 2011 indicating change in the interest rate on Public Provident Fund Scheme, 1968 (PPF, 1968).

2. It is observed that news items are appearing in certain sections of the press, which convey an impression that the interest rates on small savings schemes linked to G-Sec rates, are floating in nature and will undergo change depending on the yields on G-Sec during the currency of an instrument.

3. As per the rules of small savings schemes, the rate of interest on an investment made in all schemes except PPF, 1968 on a particular date, remains unchanged for the entire duration of the investment, till maturity, irrespective of the revisions in subsequent years.

4. The above clarification may be brought to the notice of the branches of your bank operating the PPF Scheme, 1968 and SCSS, 2004 advising them to display the same on their notice boards.

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This document has been compiled as service to our clients. We recommend that you seek professional advise prior to initiating action on specific issues.

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