RBI Floating Rate Savings Bond (FRSB)

A sovereign bond paying one of the highest safe rates, 8.05%, reset every 6 months.

8.05% p.a. (Jul–Dec 2026) | Interest taxable at slab

What is RBI FRSB?

The RBI Floating Rate Savings Bond (FRSB 2020) is a government bond that pays one of the highest guaranteed rates available to retail investors, currently 8.05%, with a sovereign guarantee. The rate "floats": it is pegged to the NSC rate plus 0.35% and reset every six months, and the interest is paid out half-yearly (there is no cumulative option). It suits conservative investors who want a safe, high, regular income for the medium term.

In brief

Suits	Investors who want sovereign safety with a rate that moves with small-savings rates.
You get	The NSC rate plus 0.35%, reset every six months; paid half-yearly.
Your money	7-year term; early exit only for senior citizens after a minimum period.
Tax	Interest is taxed at your slab.
Watch for	There is no cumulative option, so it suits regular-income needs.

Key facts

Interest rate	8.05% p.a. (NSC rate + 0.35%, reset every 6 months)
Tenure	7 years
Interest paid	Half-yearly (1 Jan & 1 Jul), no cumulative option
Minimum	₹1,000 · no maximum limit
Tax	Fully taxable at slab; TDS applicable

What's new

Jul 2026 RBI set the rate at 8.05% (NSC 7.7% + 0.35%) for 1 July–31 December 2026. The next reset is 1 January 2027.

Questions and answers

THE BASICS

What is the RBI Floating Rate Savings Bond?

It's a 7-year bond issued by the Reserve Bank of India on behalf of the Government of India, paying interest that is reset twice a year. Being a sovereign instrument, both the capital and the interest are as safe as it gets in India.

Why is it called "floating rate"?

Because the coupon isn't fixed, it's linked to the National Savings Certificate (NSC) rate plus a spread of 0.35%. Every 1 January and 1 July the rate is reset to the prevailing NSC rate + 0.35%. So today, with NSC at 7.7%, the FRSB pays 7.7% + 0.35% = 8.05%.

How and when is interest paid?

Interest is paid half-yearly, on 1 January and 1 July each year. There is NO cumulative (reinvestment) option, you cannot let it compound; the interest must be paid out. That makes it an income bond, not a growth bond.

RATE & RETURNS

What is the current rate, and can it change?

The rate is 8.05% for the 1 July–31 December 2026 period. It can (and does) change every six months with the NSC rate. If NSC rises, your FRSB pays more at the next reset; if NSC falls, it pays less. Our calculator lets you enter the rate you expect.

Is it better than a bank FD?

On rate, usually yes, 8.05% beats most bank FDs, and it carries a direct sovereign guarantee (vs the ₹5 lakh DICGC cap on bank FDs). The trade-offs: a longer 7-year tenure, a floating (not fixed) rate, no cumulative option, and limited liquidity. It's a strong choice for safe medium-term income.

BUYING & ELIGIBILITY

Who can invest and how?

Resident individuals (singly or jointly) and HUFs. NRIs are not eligible. You can buy through most major banks (SBI, HDFC, ICICI, etc.) and via RBI Retail Direct, with a minimum of ₹1,000 and no upper limit.

Can I sell or exit early?

The bonds are NOT tradable in the market and cannot be transferred (except to a nominee/legal heir on death). Premature encashment is allowed only for senior citizens, after a lock-in that depends on age (6 years for 60–70, 5 years for 70–80, 4 years for 80+). For everyone else, it's a hold-to-maturity, 7-year commitment.

TAX

How is the interest taxed?

The interest is fully taxable at your income-tax slab in the year of receipt, there is no tax exemption. TDS is deducted at source. This is the main drawback for high-slab investors: at 30%, the post-tax yield drops to around 5.6%.

GOOD TO KNOW

Who is FRSB best suited to?

Conservative investors in lower tax brackets who want a safe, high, regular income for 7 years and don't need liquidity, for example retirees building a laddered income, or anyone wanting a sovereign-guaranteed alternative to long FDs. High earners should weigh the post-tax return against tax-free options like PPF.

Can I add a nominee?

Yes, nomination is allowed and recommended, so the bond passes smoothly to your beneficiary. Joint holding with "either or survivor" is also available.

Sources: RBI – Floating Rate Savings Bonds 2020 (Taxable); RBI press release.

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