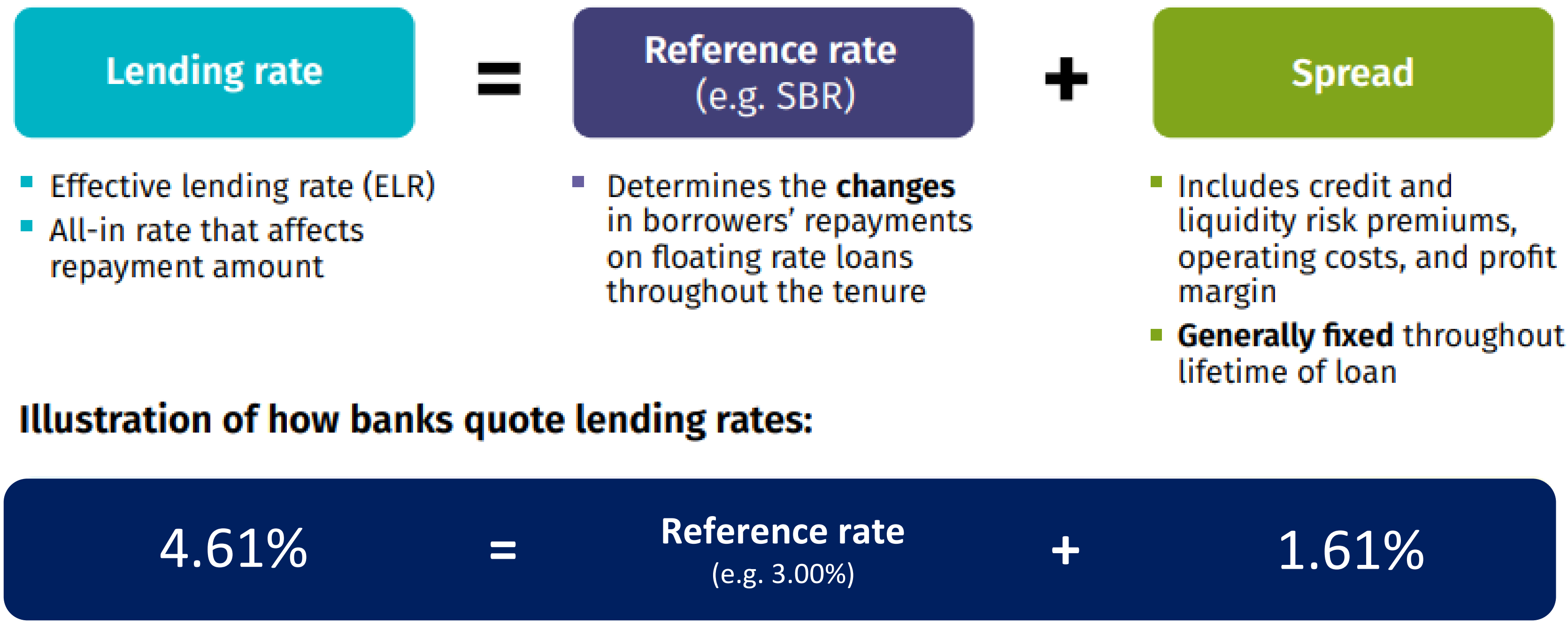
UOB Malaysia Standardised Base Rate/ Standardised Islamic Base Rate: Frequently Asked Questions (FAQs)

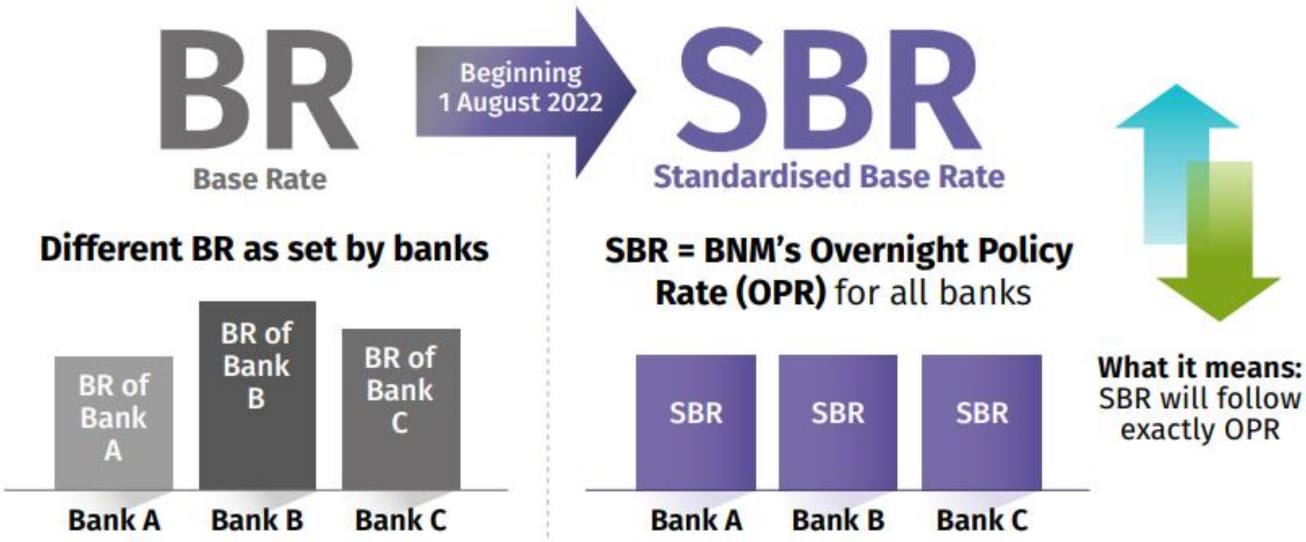
Introduction of Revised Reference Rate Framework

a) What is a reference rate?



The source of illustration is taken from *https: //www.bnm.gov.my/documents/20124/7923034/ba2.pdf*

b) What is new in the revised Reference Rate Framework?



c) Which loans would the SBR apply to?

d) How does the move to SBR benefit you?

- **Easier to understand** that repayment instalment will only change when there is a change in the OPR, unless there is an increase in your credit risk, for example, if you fail to make repayments.
- No longer need to compare differences in computation of BRs across banks.

e) How would lending rates be affected by the revision to the RRF?

For existing borrowers

The move to SBR does not affect lending rates of existing retail floating-rate loans

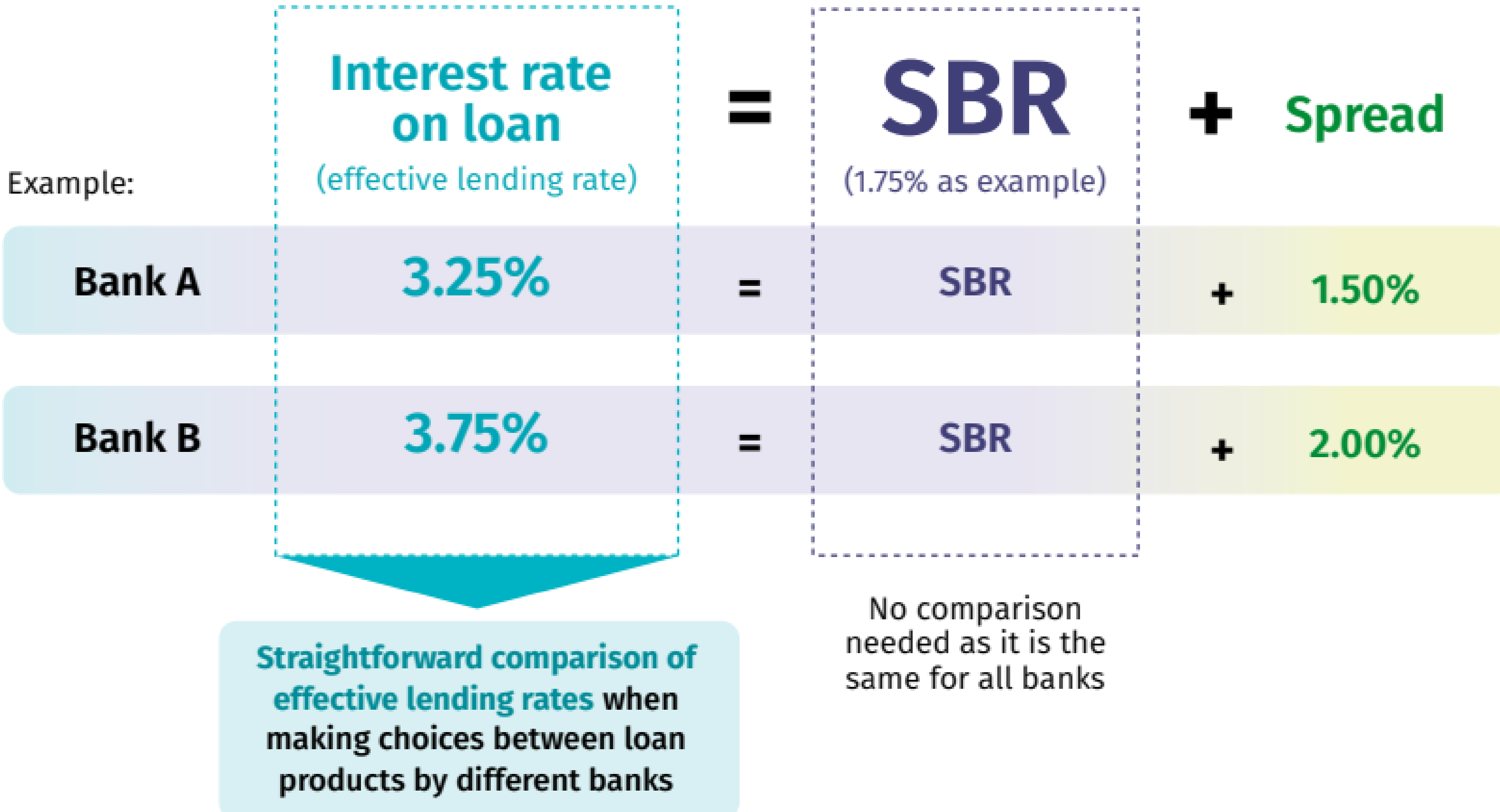
For new borrowers

Lending rates for retail borrowers should be largely unaffected by the move to SBR

However, as is the case now, borrowers' lending rates and loan repayments may still be affected by other factors, such as borrowers' credit risk profile (e.g. repayment track record).

The source of illustration is taken from *https: //www.bnm.gov.my/documents/20124/7923034/ba2.pdf*

f) How should you compare lending rates across banks?

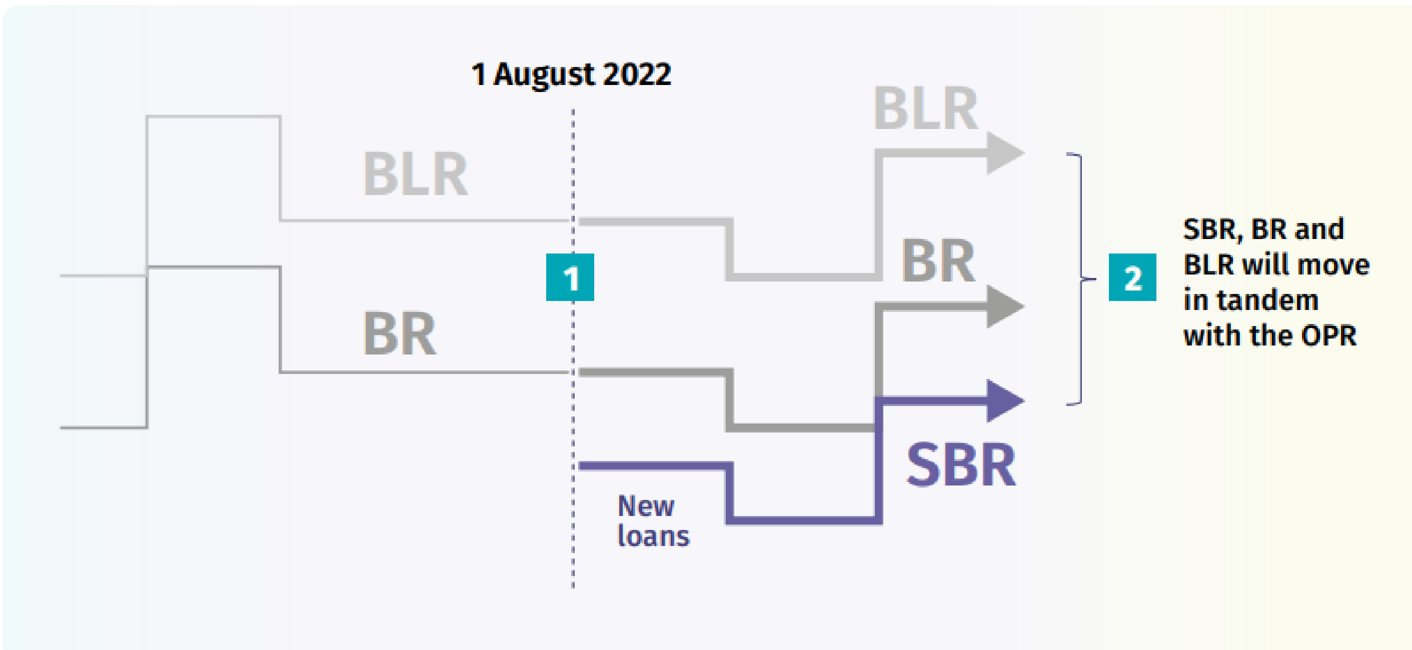


The source of illustration is taken from *https: //www.bnm.gov.my/documents/20124/7923034/ba2.pdf*

g) What would happen to your BR- and Base Lending Rate (BLR)- based loans from 1 August 2022?

1. BR- and BLR- based loans taken prior to 1 August 2022 will continue to be priced against the BR and BLR until the loan is fully repaid.
2. BR and BLR, just like the SBR, will all move exactly in tandem with the OPR from 1 August 2022.

For illustration purposes:



h) What should you do as a borrower?

1. **Compare** the effective lending rates (ELR) or the spread above the SBR quoted by different banks before taking a new loan.
2. **Read** the Product Disclosure Sheet (PDS). It provides key information on financial products offered by banks, including on the ELR and total repayment amount for the loan you are considering.
3. **Understand** that your monthly repayment amount will increase or decrease when there is a change in the OPR going forward.
4. **Assess** whether you can continue to afford the loan repayments if the effective lending rate increases in the future.

The source of illustration is taken from *https: //www.bnm.gov.my/documents/20124/7923034/ba2.pdf*

Frequently Asked Questions

Q1. What is Stadardised Base Rate (SBR)/ Standardised Islamic Base Rate (SIBR)?

A1. The SBR/SIBR is the reference rate that all banks will use starting from 1 August 2022 in the pricing of new retail floating-rate loans/ financing, refinancing of existing retail loans/ financing, and the renewal of revolving retail loans/financing from 1 August 2022. Retail loans/ financing refer to loans/ financing to individuals (not SMEs or businesses), while ‘floating-rate loans/ financing’ refer to loans/ financing where the interest/ profit rate can change during the lifetime of the loan/ financing. The SBR/ SIBR is linked solely to the Overnight Policy Rate (OPR), as determined by the Monetary Policy Committee (MPC) of Bank Negara Malaysia.

Q2. Why is the SBR/ SIBR being introduced?

A2. The SBR/ SIBR will be the same across all banks, unlike the Base Rate (BR)/ Islamic Base Rate (IBR) which is different for each bank. With the SBR/ SIBR, future changes to the BR/ IBR can be driven by factors that vary across banks. The SBR/ SIBR makes it simple and easy for you to understand and compare loans/ financing across banks. This will help you in making a more informed decision as you consider and decide on which bank to take a new floating-rate loan/ financing from.

Q3. How is SBR/ SIBR determined and how does the SBR/ SIBR pricing work?

A3. The SBR/ SIBR is determined by Benchmark Rate where the benchmark rate shall be set as the prevailing Overnight Policy Rate (OPR), as set out in the Monetary Policy Statement of the Monetary Policy Committee of Bank Negara Malaysia.

Standardised Base Rate (SBR)/ Standardised Islamic Base Rate (SIBR) = Benchmark rate

Lending/ financing rate = SBR/ SIBR + spread

For illustration purpose; the effective lending/financing rate for a 30-year loan/financing of RM350,000 with no lock-in period is 4.61%. This package is subject to change from time to time.

Q4. How does an OPR change affect the SBR/ SIBR?

A4. When the OPR is revised, banks will adjust the SBR/SIBR by the same amount as the change in the OPR. This applies to both upward and downward adjustments in the OPR.

Q5. If the SBR/ SIBR can change, and that affects the interest/profit rate on a loan/financing, what about the spread above the SBR/ SIBR? Are banks allowed to change the spread during the loan/ financing tenure?

A5. Banks are not allowed to increase the spread above the SBR/SIBR during your loan/ financing tenure, unless there is a change in your credit risk profile (for example if you fail to pay your loan/financing repayment/payment).

Q6. Why is the spread above the SBR/ SIBR larger than the spread above the BR/ IBR? Am I being charged more given the larger spread above SBR/ SIBR?

A6.

1. You are not being charged more just because the spread is larger. This can be seen from the “effective lending/financing rate (ELR/EFR)”, which is the interest/profit rate charged on the loan/financing. If the ELR/EFR is the same, you are not charged more.
2. However, as the SBR/ SIBR is linked solely to the OPR for all banks, individual banks will take into account their specific business or funding costs in the spread instead, which are different across banks.
3. After you have entered into a loan/financing contract, banks are not allowed to increase the spread during the tenure of the loan/financing, except when a borrower’s/customer’s credit risk profile changes. In comparison, currently, a bank may change its Base Rate because of changes in its funding costs, and this is less transparent to borrowers/customers.

Q7. If I have a BR/IBR- or BLR/BFR-based loan/financing, would it be affected by a change in the SBR/ SIBR?

A7. Yes. Both BR/IBR and BLR/BFR will move exactly in tandem with the SBR/ SIBR. This means that for any change to the SBR/ SIBR, following a change in the OPR, banks will adjust the BLR/BFR and BR/IBR by the same amount of change in the SBR/ SIBR.

Q8. How long does it take for banks to adjust the SBR/ SIBR, BR/ IBR and BLR/ BFR after a change in the OPR?

A8. Bank Negara Malaysia requires banks to adjust the SBR/ SIBR, BR/ IBR and BLR/ BFR by the same amount as the OPR within 7 working days from the date of the OPR change.

Q9. Would my loan/financing instalment be affected when there is a change in the SBR/ SIBR, BR/ IBR and BLR/ BFR?

A9. - Yes. When the SBR/ SIBR, BR/ IBR and BLR/ BFR are reduced, banks will reduce your loan/financing instalment amount. Similarly, if they are increased, banks will increase your loan/financing instalment amount.

- If the change in your instalment amount is less than RM10 per month, some banks may keep your instalment amount unchanged, and then adjust the loan/financing tenure or final repayment/payment amount accordingly. Your bank is required to inform you in such cases and provide you with details on how this might affect your loan/financing tenure or overall interest/profit costs where relevant.

Q10. When my loan/financing instalment amount is revised, will the bank inform me?

A10. Bank Negara Malaysia requires banks to inform borrowers/customers on any revisions to their loan/financing instalment amount at least 7 calendar days before the new instalment amount is due for payment. Banks may communicate to borrowers/customers via mail or electronic means (e.g. SMS, emails)

Q11. What happens if a borrower/customer cannot meet the higher loan/ financing instalment amount when the SBR/ SIBR, BR/ IBR or BLR/ BFR are increased?

A11. A borrower/customer who is facing financial difficulty in repaying/paying the new, higher instalment amount can request to maintain the original instalment amount. The loan/ financing account may be classified as 'rescheduled and restructured'. The bank will inform the borrower/customer on such classification and its implications, including:

- increase in the total cost of borrowing/financing;
- extension / addition to the loan/ financing tenure;
- when to repay/pay the additional interest/profit amount, if any.

Q12. Is there any difference whether I take a new loan/ financing before or after 1 August 2022?

A12.
- Loans/ financing taken before 1 August 2022 will still be priced against the BR/IBR (i.e. BR/IBR + spread), while loans/ financing taken from 1 August 2022 will be priced against the SBR/ SIBR (i.e. SBR/ SIBR + spread).
- Whether a loan/ financing is priced against the BR/ IBR or the SBR/ SIBR, the interest/ profit rate on a loan/ financing (or 'effective lending/ profit rate') will continue to be competitively determined and influenced by multiple factors, including a customer's risk profile and banks' business strategy.
- Whichever the case, both BR/ IBR and SBR/ SIBR will move exactly in tandem with the OPR from 1 August 2022.

Q13. Why are banks allowed to continue offering floating-rate car loan/financing that are priced against the BLR/BFR, instead of SBR/ SIBR?

A13.
- Banks may use the BLR/ BFR for floating-rate car loan/financing due to the requirements under the Hire Purchase Act 1967. If the Hire Purchase Act 1967 is revised in the future, banks will have to use the SBR/ SIBR as the reference rate for floating-rate car loan/financing.
- Nevertheless, as the BLR/ BFR will move exactly in tandem with the SBR/ SIBR, there will be no difference in the impact to customer's repayment/payment whether the car loan/financing is quoted in BLR/ BFR or SBR/ SIBR.

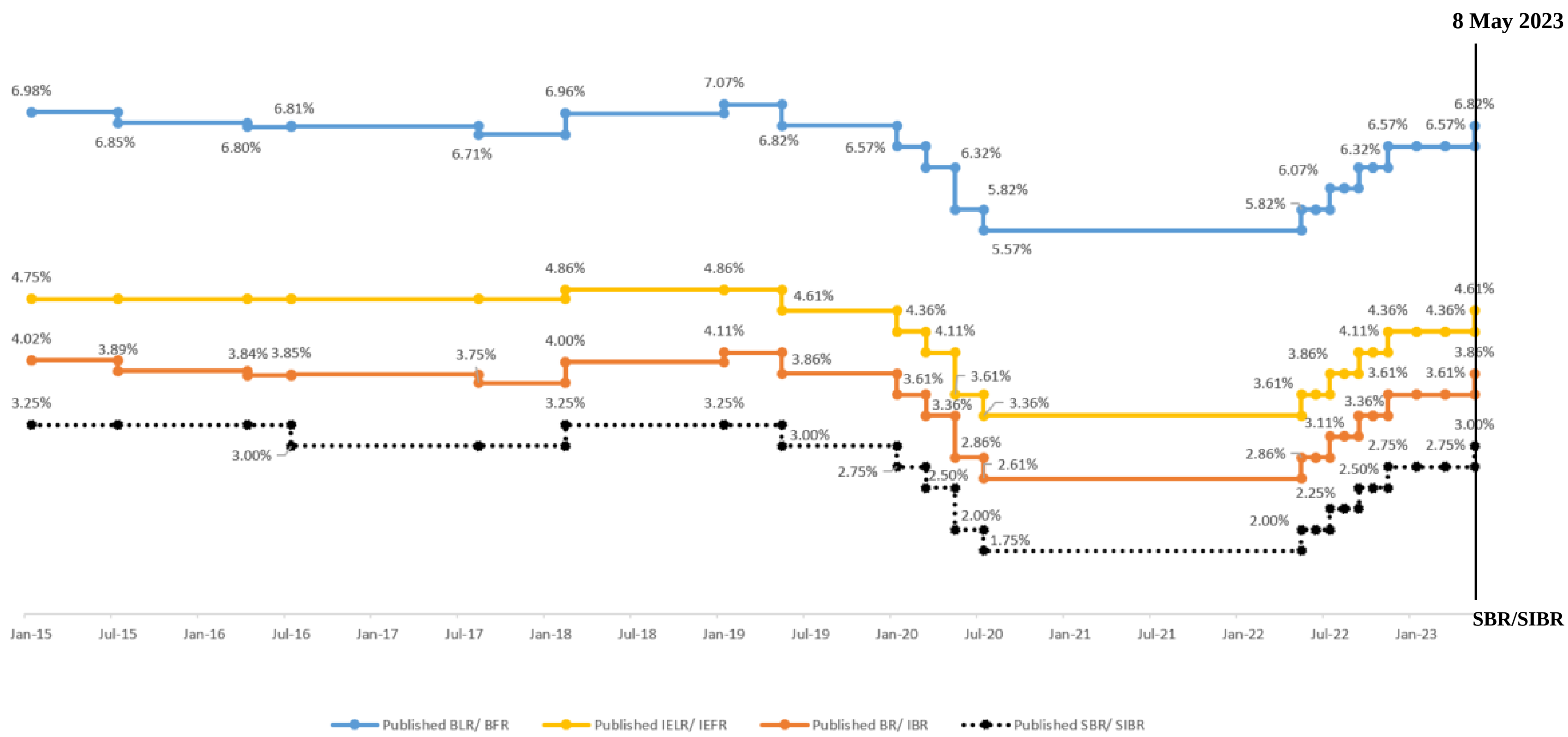
Q14. Where can I view the SBR/ SIBR, BR/ IBR and BLR/ BFR?

A14.
- Banks will publish their SBR/ SIBR, BR/ IBR and BLR/ BFR at all their branches and websites. For new customers, banks will disclose the SBR/SIBR and the interest/profit rate on a loan/ financing (or 'effective lending/ profit rate') in the product disclosure sheet of the loan/ financing.

- The historical series of the SBR/ SIBR, BR/ IBR and BLR/ BFR will also be available on banks' websites.

Q15. Historical trend of reference rates since January 2015

A15.



	Jan-15	Jul-15	Apr-16	Jul-16	Aug-17	Feb-18	Jan-19	May-19	Jan-20	Mar-20	May-20	Jul-20	May-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Jan-23	Mar-23	May-23
Published BLR/ BFR	6.98%	6.85%	6.80%	6.81%	6.71%	6.96%	7.07%	6.82%	6.57%	6.32%	5.82%	5.57%	5.82%	6.07%	6.07%	6.32%	6.32%	6.57%	6.57%	6.57%	6.82%
Published IELR/ IEFR	4.75%	4.75%	4.75%	4.75%	4.75%	4.86%	4.86%	4.61%	4.36%	4.11%	3.61%	3.36%	3.61%	3.86%	3.86%	4.11%	4.11%	4.36%	4.36%	4.36%	4.61%
Published BR/ IBR	4.02%	3.89%	3.84%	3.85%	3.75%	4.00%	4.11%	3.86%	3.61%	3.36%	2.86%	2.61%	2.86%	3.11%	3.11%	3.36%	3.36%	3.61%	3.61%	3.61%	3.86%
Published SBR/ SIBR	3.25%	3.25%	3.25%	3.00%	3.00%	3.25%	3.25%	3.00%	2.75%	2.50%	2.00%	1.75%	2.00%	2.25%	2.25%	2.50%	2.50%	2.75%	2.75%	2.75%	3.00%

Notes:

- The SBR/ SIBR was introduced on 1st August 2022. The dotted line in the graph and the grey numbers in the table shows the historical series of OPR, which is the benchmark rate of the SBR/ SIBR.
- Indicative effective lending/ financing rate (IELR/ IEFR) refers to the indicative annual effective lending/financing rate for a standard 30-year housing loan/ home financing product with financing amount of RM350,000 and has no lock-in period.

Q16. Can UOB's interest/ profit spread differ from other banks?

A16. Yes, each bank's interest/ profit spread differs as each bank has its own cost structure, operate based on different business models and has different risk profiles and appetite.

THIS FAQ IS VALID as at 8th May 2023