OCBC Bank

THIS FAQ IS VALID EFFECTIVE 15 JULY 2017

1. What is the Base Rate (BR)?

The BR was introduced by Bank Negara Malaysia (BNM) on 2 January 2015 as the reference rate to replace the Base Lending Rate (BLR)/Base Financing Rate (BFR), which was previously applicable to retail loans/financing facilities for individuals.

OCBC Bank's approach to setting the BR combines two components:
(a) the Bank's benchmark cost of funds (COF) and
(b) the cost of maintaining the minimum Statutory Reserve Requirement (SRR) imposed by BNM.

Effective 15 July 2017, our benchmark COF reflects our internal marginal cost of funding new loans/financing, which comprises the weighted marginal cost of raising funds from new fixed deposits and other sources of funding which include interbank borrowings and other deposits such as structured deposits, negotiable instruments of deposit and so forth with a benchmark reference to the 3-month KLIBOR rate.

Changes in the BR methodology involve the choice of the benchmark COF, the triggers for a review of the BR, and the weights assigned to components used to construct the benchmark COF, and are subject to BNM approval.

2. What are the objectives of the BR?

(a) To promote transparency, thus enabling consumers to make informed decisions.

(b) To better reflect changes in funding cost arising from monetary policy and/or market funding conditions.

(c) To encourage more disciplined and efficient practices by banks in the pricing of retail loans/financing facilities.

3. What are the possible scenarios to trigger a change in the BR?

The Bank's BR/BLR/BFR may move upward or downward due to changes in the benchmark COF and/or SRR. Changes in the benchmark COF could occur due to changes in the Overnight Policy Rate (OPR) as decided by the Monetary Policy Committee of BNM or other factors such as changes in the Bank's funding strategy or cost of raising new funds.

4. Can the Bank's BR and interest rate differ from other banks?

Yes, each bank's BR may differ depending on its benchmark cost of funds based on its own funding structure and its trigger for a change in BR. The interest/profit spread differs as each bank has its own cost structure, business model, risk appetite and risk assessment of a customer's credit standing.

5. How often will the BR change? Will all banks change their BR at the same frequency?

We will adjust BR whenever there is an OPR change. Apart from changes triggered by the OPR, we will review and revise BR no sooner than on a quarterly basis depending on whether the change in benchmark COF exceeds the Bank's internal trigger for BR change. There is no common frequency of BR change amongst the banks as each has its own frequency of BR reviews and triggers.

6. How will the BR change impact my existing BLR/BFR loan?

The BLR/BFR will be adjusted by the same magnitude as a BR change. Your monthly loan/financing instalment may vary due to changes to the BR/BLR/BFR. The Bank will send you an advance notification on the revised instalment amount resulting from any BR/BLR/BFR change. You may apply to the Bank if you wish to retain your monthly instalment amount subject to the terms and conditions of your loan/financing agreement.

7. How will I know the latest BR/BLR/BFR and be informed when there is a revision to the BR/BLR/BFR?

The BR/BLR/BFR and the effective date are displayed prominently at all branches and the Bank's website. The Bank will send you an advance notification on the revised instalment amount resulting from any BR/BLR/BFR change.