Frequently Asked Questions (FAQs): Standardised Base Rate ("SBR")

Q1: **What is Standardised Base Rate?**

A1: The SBR is the reference rate that all banks will use starting from 1 August 2022 in the pricing of new retail floating-rate loans/financings, refinancing of existing retail loans/financings, and the renewal of revolving retail loans/financings from 1 August 2022. Retail loans/financings refer to loans/financings to individuals (not SMEs or businesses), while 'floating-rate loans/financings' refer to loans/financings where the interest/profit rate can change during the lifetime of the loan/financing. The SBR 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 being introduced?

A2: Unlike the Base Rate (BR) or Islamic Base Rate (IBR), the SBR will remain the same across all banks. The main purpose of the SBR is to make it simple for consumers to understand and compare loan/financing facilities across all banks in view of making an informed decision.

Q3: What is the difference between SBR and Base Rate ("BR") /Islamic Base Rate ("IBR")?

A3: SBR is directly linked to BNM's OPR where all banks will use the same rate whereas BR/IBR is different for different banks as it is derived from the banks' cost of fund and statutory reserve cost.

Q4: How long does it take for banks to adjust the SBR after the change in OPR?

A4: Bank Negara Malaysia requires banks to adjust the SBR by the same amount as the OPR within seven (7) working days from the date of the OPR change.

Q5: Is there any difference between whether I take a new loan/financing before or after 1 August 2022?

A5: Loans/financing taken ***before* 1 August 2022** will still be priced against the BR/IBR (i.e. BR/IBR + spread)

Loans/financing taken ***from* 1 August 2022 onwards** will be priced against the SBR (i.e. SBR + spread). Whichever the case, both BR/IBR and SBR will move exactly in tandem with the OPR from 1 August 2022.

Whether a loan/financing is priced against the BR/IBR or the SBR, the interest/profit rate on a loan/financing (or 'effective lending rate' / 'effective profit rate') will continue to be competitively determined and influenced by multiple factors, including a customer's risk profile and banks' business strategy.

Q6: Do existing loans/financing priced against the BR/IBR/BLR/IFR be affected and revised to SBR?

A6: Existing loans/financing facilities will continue to be priced against the BR/IBR/BLR/IFR until the loan/financing is fully repaid.

However, existing overdraft facilities (OD) will be updated to SBR from August 2022 onwards with notification letters.

Q7: Does SBR applies to company loans/financing?

A7: No. SBR only applies to loans/financing for individuals. Non-individual loans/financing will continue to be offered in BLR/IFR.

Q8: What is the comparison between effective lending rate / effective profit rate under SBR vs BR/IBR?

A8: The effective lending rate / effective profit rate between the SBR vs BR/IBR shall be the same

Effective Lending Rate / Effective Profit Rate under BR / IBR:
BR/IBR + 0.47% = 3.13% + 0.47% = **3.60%**

*Assuming BR / IBR = 3.13%

Same effective lending/profit rate!!

Effective Lending Rate / Effective Profit Rate under SBR:
SBR + 1.35% = 2.25% + 1.35 = **3.60%**

*Assuming SBR = 2.25%

How changes in the OPR affect new loans/financing priced with reference to the SBR and existing loans/financing priced with reference to BR/IBR/BLR/IFR.

SBR = OPR. Therefore, when SBR is revised due to OPR changes, the SBR, BR/IBR, BLR/IFR will also change in the same magnitude. This applies to both upward and downward adjustments in the OPR.

Q9: How does an OPR change affect SBR?

A9: SBR = OPR. Therefore, when the OPR is revised, banks will adjust the SBR by the same amount as the change in the OPR. This applies to both upward and downward adjustments in the OPR.

Q10: Are banks allowed to change the spread during the loan/financing tenure?

A10: Banks are not allowed to increase the spread above the SBR 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 repayments/payments).

Q11: Why is my spread higher under SBR? Am I being charged higher?

A11: You are not being charged more just because the spread is larger.

This can be seen from the "effective lending rate (ELR)"/ "effective profit rate (EPR)", which is the interest/profit rate charged on the loan/financing. If the ELR / EPR is the same, you are not charged more.

However, as the SBR 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.

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 credit risk profile changes.

In comparison, currently, a bank may change its BR/IBR because of changes in its funding costs, and this is less transparent to borrowers.

Q12: If I have a BR/IBR or BLR/IFR-based loan/financing, would it be affected by a change in the SBR?

A12: Yes. Both BR/IBR and BLR/IFR will move exactly in tandem with the SBR. This means that for any change to the SBR, following a change in the OPR, banks will adjust the BLR/IFR and BR/IBR by the same magnitude in SBR.

Q13: Would my loan/financing instalment amount be affected when there is a change in SBR, BR/IBR, and BLR/IFR?

A13: Yes. When the SBR, BR/IBR and BLR/IFR 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 final repayment 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.

Q14: What happens if I cannot meet the higher loan/financing instalment amount when the SBR, BR/IBR or BLR/IFR increase?

A14: You may request to maintain the original instalment amount. The loan/financing account may be classified as "rescheduled and restructured". We will inform you on such classification and its implication, including:

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

Q15: How would the customer be informed when there will be an instalment change?

A15: Customers will be sent notification letters the preceding month before the instalment change. For example, if the instalment were to be revised in October 2022, notification letters will be sent to customers by September 2022.

Q16: Why is HLB allowed to continue offering floating (variable) rate auto loans that are priced against the BLR instead of the SBR?

A16: HLB shall continue to use the BLR for floating (variable) rate auto loans due to the requirements under the Hire Purchase Act 1967 (HPA). If the HPA is revised in the future, HLB will use the SBR as the reference rate for floating (variable) rate auto loans. Nevertheless, as the BLR will move exactly in tandem with the SBR, there will be no difference in the impact to your payments whether the auto loan is quoted in the BLR or SBR.
Please take note that HLISB does not offer floating (variable) rate auto financing facility.

Q17: Where can I view the SBR, BR/IBR & BLR/IFR?

A17: HLB/HLISB will publish the SBR, BR/IBR and BLR/IFR at all our branches and websites.

Information on the SBR, BR/IBR and BLR/IFR is available on our websites at: www.hlb.com.my or www.hlisb.com.my

For new customers, HLB/HLISB will disclose the SBR and the interest/profit rate on a loan/financing (or 'effective lending rate'/'effective profit rate') in the product disclosure sheet. This includes the historical series of SBR, BR/IBR and BLR/IFR.

Mortgage/Property Financing-i customers may refer to the product disclosure sheet in the mortgage loan/property financing-i info centre under the Product Disclosure Sheet sub-header.

Product Disclosure Sheet Mortgage Loan URL:
https://www.hlb.com.my/en/personal-banking/help-support/product-faq/mortgage-loan-info-centre.html

Product Disclosure Sheet Property Financing-i URL:
https://www.hlisb.com.my/en/personal-i/help-support/product-faq/property-financing-info-centre.html

Q18: Where can I make inquiries relating to the Reference Rate Framework or lodge a complaint regarding Reference Rate of HLB/HLISB?

A18: If you wish to complain on the Reference Rate of HLB/HLISB, you may contact us at:
Customer Advocacy Hong Leong Bank Berhad, Level 13A, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.

Tel: +603-7626 8801 / 7626 8802 / 7626 8812
Email: customerservice@hlbb.hongleong.com.my

Alternatively, you may contact:
Bank Negara Malaysia LINK or TELELINK via https://telelink.bnm.gov.my/

or Block D, Bank Negara Malaysia, Jalan Dato' Onn, 50480 Kuala Lumpur.
Tel: 1-300-88-5465
Fax: +603-2174 1515
Email: **bnmtelelink@bnm.gov.my**

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