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## **OCBC BANK LAUNCHES SINGAPORE'S FIRST COMPOUNDED SORA HOME LOAN**

*Following the 90-Day SORA home loan launch in July, OCBC Bank continues to lead the way in launching another new SORA-based home loan.*

**Singapore, 18 August 2020** – OCBC Bank has scored another first in launching a new SORA-based home loan referencing the 3-month Compounded Singapore Overnight Rate Average (SORA) published by the Monetary Authority of Singapore (MAS). It is another step by OCBC Bank to contribute to Singapore's development of new SORA markets

On 13 July 2020, OCBC Bank had launched Singapore's first SORA-based home loan. Interest rates for this loan were based on a simple average of the daily SORA rates in the preceding 90 calendar days. In the first two weeks of its launch, more than \$50 million of such loans were approved.

With the launch of the new OCBC 3-month Compounded SORA home loan package, the OCBC 90-Day SORA (Simple Average) home loan package will no longer be offered.

Customers of the 3-month Compounded SORA home loan will benefit from the availability of the Compounded SORA rates that MAS has started to publish since 5 August 2020, which provides users with a transparent and convenient reference to track their loan rates.

### **The OCBC 3-month Compounded SORA Package**

The OCBC 3-month Compounded SORA Home Loan is available for all loan types: Completed properties, properties under construction, new home loans and repricing of existing home loans.

The package has a two-year lock-in period, which means customers can choose to switch to another home loan package after two years. Customers would be able to make pre-payments of up to 50% of the loan amount in the first two years with no penalty.

A summary of the key differences between the 3-month SIBOR home loan package and a 3-month Compounded SORA home loan package is set out below:

	<b>3M SIBOR</b>	<b>3-Month Compounded SORA</b>
<b>What is it</b>	<p>Pegged to the 3M SIBOR.</p> <p>Rate reviewed every 3 months.</p> <p>Instalments can increase or decrease depending on the SIBOR rate.</p>	<p>The 3M Compounded SORA is published by MAS at 9:00 am on all business days in Singapore and is computed by compounding the published SORA rate over the historical 3-month period.</p>
<b>How is the reference rate determined</b>	<p>SIBOR is based on interest rates used by banks in Singapore when lending unsecured funds to each other. Simply put, SIBOR reflects how much it would cost banks to borrow from each other.</p> <p>SIBOR is administered by the ABS Benchmarks Administration Co Pte Ltd (ABS Co.).</p> <p>On a daily basis, the rates from a panel of 20 banks are compiled and the compiled rates are then ranked. Those on the upper and lower quartiles are trimmed from the list before the remaining rates (which should come from at</p>	<p>SORA is the volume-weighted average rate of borrowing transactions in the unsecured overnight interbank SGD cash market in Singapore between 8.00 am and 6.15 pm.</p> <p>The 3M Compounded SORA is computed by compounding the daily published SORA rate over the historical 3-month period.</p> <p>If the 3M Compounded SORA is less than zero, zero will be applied.</p>

	least ten banks) are averaged to make the day's SIBOR.	
<b>Loan details</b>	<ul style="list-style-type: none"> <li>• Flexibility to prepay up to 50% of the loan amount within the lock-in period</li> <li>• 2-year lock-in period</li> <li>• Year 1: 3M SIBOR + 1.00%</li> <li>• Year 2: 3M SIBOR + 1.00%</li> <li>• Year 3: 3M SIBOR + 1.00%</li> </ul> <p>Thereafter: 3M SIBOR + 1.00%</p>	<ul style="list-style-type: none"> <li>• Flexibility to prepay up to 50% of the loan amount within the lock-in period</li> <li>• 2-year lock-in period</li> <li>• Year 1: 3M Compounded SORA + 1.20%</li> <li>• Year 2: 3M Compounded SORA + 1.30%</li> <li>• Thereafter: 3M Compounded SORA + 1.40%</li> </ul>

Mr Sunny Quek, Head, Consumer Financial Services, OCBC Bank, said “We received a positive response to the industry’s first retail SORA-pegged home loan that was launched last month with more than \$50 million in loans approved in its first two weeks of launch. This shows that consumers are receptive to SORA as the new interest rate benchmark for SGD markets. With MAS’ publication of the key features and calculation methodology of SORA as well as the actual compounded SORA rates, consumers should be even more open to adopting SORA as the transparency and data availability are further enhanced. Therefore, we are confident that this first compounded SORA home loan launched by OCBC will do even better than the earlier SORA-based home loan using simple average calculation. We now offer the most comprehensive range of home loan options in the market.”

### **How the 3-month Compounded SORA package works**

MAS publishes SORA<sup>1</sup> for a given business day in Singapore by 9.00am on the next business day in Singapore. Alongside SORA, the Compounded SORA rates for the 1-month, 3-month and 6-month tenors are also published.

<sup>1</sup> Refer to <https://www.mas.gov.sg/monetary-policy/sora> for more information

The OCBC 3-month Compounded SORA Package will reference the 3-month Compounded SORA rate, published by MAS, to compute the monthly loan instalment. The rate will be updated every month instead of every three months as is the case for the 3-month SIBOR-based home loan.

The first applicable 3-month Compounded SORA rate will be the one published by MAS on the date that the bank disburses the loan, and will apply for a period of one month. If the 3-month Compounded SORA is less than zero, zero will be applied.

For each subsequent 1-month period, the applicable 3-month Compounded SORA will be the rate published by MAS on the first day of the 1-month period (rate review date) and will apply for such subsequent 1-month period.

This provides certainty to the customer as the customer will be notified at the start of the month of the applicable interest rate and instalment amount that will be charged at the end of the month. This arrangement helps the customer better plan his or her finances. *(Refer to Annex A for an illustration on how this works)*

The 3-month Compounded SORA rate applicable on a Saturday, Sunday and Public Holiday would be the last published 3-month Compounded SORA rate. For example, if the rate review date falls on a weekend, the 3-month Compounded SORA rate applied for the next 1-month period would be the 3-month Compounded SORA rate published on the working Friday of that week.

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## SOCIAL MEDIA ASSETS

**Official hashtags:** #ocbcbank #sora #compoundedsora #homeloan

**Keywords:** OCBC, SORA, Compounded SORA, home loan



**Suggested tweet:** OCBC Bank scored another first in launching a home loan based on the 3-month Compounded SORA published by MAS.



**Suggested Facebook post:** OCBC Bank scored another first in launching a home loan referencing the 3-month Compounded SORA published by MAS.

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## About OCBC Bank

OCBC Bank is the longest established Singapore bank, formed in 1932 from the merger of three local banks, the oldest of which was founded in 1912. It is now the second largest financial services group in Southeast Asia by assets and one of the world's most highly-rated banks, with an Aa1 rating from Moody's. Recognised for its financial strength and stability, OCBC Bank is consistently ranked among the World's Top 50 Safest Banks by Global Finance and has been named Best Managed Bank in Singapore by The Asian Banker.

OCBC Bank and its subsidiaries offer a broad array of commercial banking, specialist financial and wealth management services, ranging from consumer, corporate, investment, private and transaction banking to treasury, insurance, asset management and stockbroking services.

OCBC Bank's key markets are Singapore, Malaysia, Indonesia and Greater China. It has about 530 branches and representative offices in 19 countries and regions. These include over 260 branches and offices in Indonesia under subsidiary Bank OCBC NISP, and over 80 branches and offices in Mainland China, Hong Kong SAR and Macau SAR under OCBC Wing Hang.

OCBC Bank's private banking services are provided by its wholly-owned subsidiary Bank of Singapore, which operates on a unique open-architecture product platform to source for the best-in-class products to meet its clients' goals.

OCBC Bank's insurance subsidiary, Great Eastern Holdings, is the oldest and most established life insurance group in Singapore and Malaysia. Its asset management subsidiary, Lion Global Investors, is one of the largest private sector asset management companies in Southeast Asia.

For more information, please visit [www.ocbc.com](http://www.ocbc.com).

For media queries, please contact:

Dominic Ying

Vice President

Group Brand and Communications

OCBC Bank

HP: (65) 9023 4650

Lim Zi Hao

Assistant Vice President

Group Brand and Communications

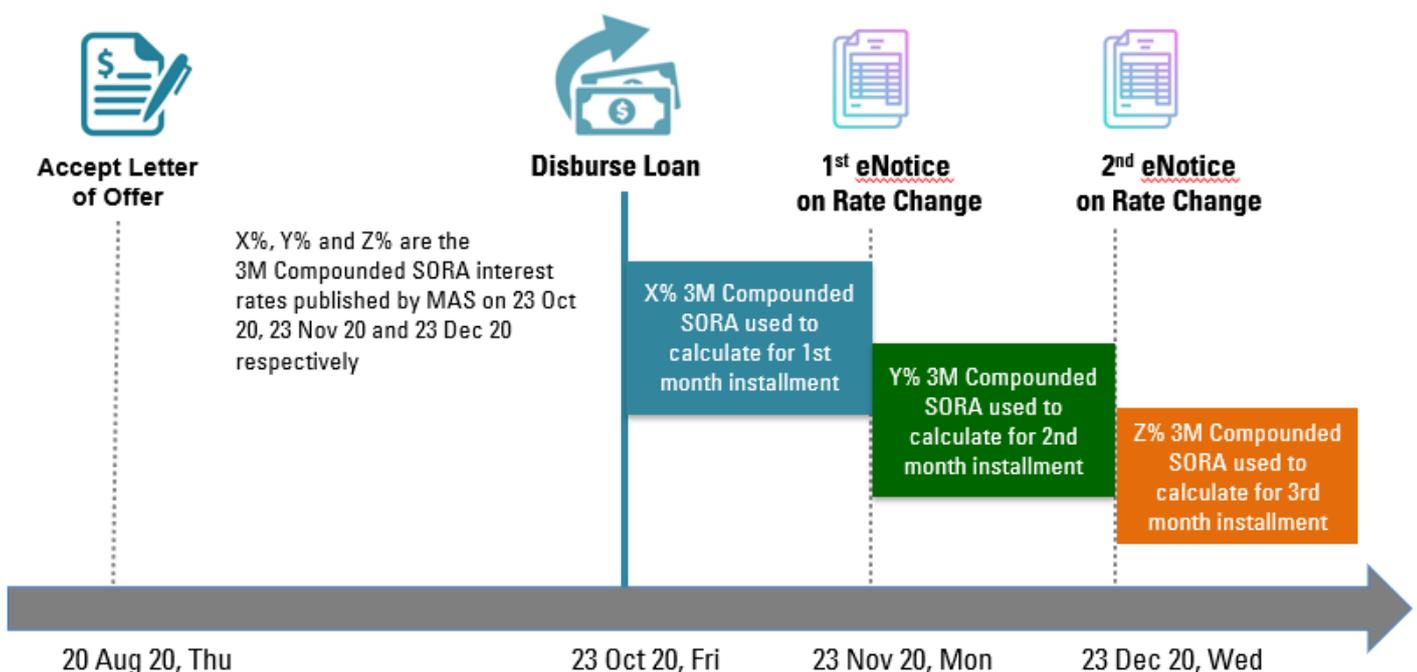
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HP: (65) 9026 5901

## **ANNEX A**

SORA	<ul style="list-style-type: none"> <li>• SORA is the volume-weighted average rate of borrowing transactions in the unsecured overnight interbank SGD cash market in Singapore between 8.00am to 6.15 pm. It has been published by the Monetary Authority of Singapore (MAS) since 1 July 2005.</li> <li>• On 5 August 2020, MAS announced initiatives to support SORA adoption including: <ul style="list-style-type: none"> <li>○ Prescribing SORA as a financial benchmark under the Securities and Futures Act (SFA). This will ensure that regulatory and enforcement powers, including criminal and civil actions, can be taken against any market misconduct related to SORA.</li> <li>○ Issuing a Statement of Compliance with the IOSCO Principles for Financial Benchmarks (IOSCO Principles) for SORA. Compliance with IOSCO Principles means that the administration of SORA meets international best practice relating to benchmarks administration.</li> <li>○ Start publishing the Compounded SORA and SORA index, to provide market participants with a standardised and transparent basis to derive rates for given tenors, which can be easily referenced in new SORA products.</li> </ul> </li> </ul>
3-month Compounded SORA	<ul style="list-style-type: none"> <li>• The 3-month Compounded SORA for a given business day in Singapore is published by the MAS on the MAS' website by 9 am on the next business day in Singapore (<a href="https://eservices.mas.gov.sg/Statistics/dir/DomesticInterestRates.aspx">https://eservices.mas.gov.sg/Statistics/dir/DomesticInterestRates.aspx</a>).</li> </ul>
Interest Rate Benchmark	<ul style="list-style-type: none"> <li>• An interest rate reflects the funding cost which banks lend and customers borrow, depending on the prevailing economic conditions.</li> <li>• An interest rate benchmark is an aggregated single number that reflects the funding cost in the financial system.</li> <li>• An interest rate benchmark is widely used in a broad range of banking products. It is an important reference point that facilitates a transparent comparison across savings, loans and investments.</li> <li>• Therefore, an interest rate benchmark has to be credible, reliable, transparent and independently published.</li> </ul>
Difference between SORA and SIBOR	<ul style="list-style-type: none"> <li>• SORA as an overnight rate published by the MAS daily is a robust and stable interest rate benchmark to price a home loan.</li> <li>• SORA is a backward-looking overnight rate as compared to a forward-looking reference rate commonly used for floating home loan packages in Singapore, such as Singapore Interbank Offered Rate (SIBOR) where the interest rate is determined at the start of the interest period.</li> <li>• As an overnight lending and borrowing rate among banks, SORA lacks a term and credit risk premium. This economic difference results in SORA being typically lower than SIBOR as shown in the table below.</li> </ul>

Date	3-month Compounded SORA	3-month SIBOR	3-month Compounded SORA vs. 3-month SIBOR
5 Aug 20, Wed	0.0813%	0.4382%	-0.3569%
6 Aug 20, Thu	0.0814%	0.4378%	-0.3564%
7 Aug 20, Fri	0.0865%	0.4378%	-0.3513%
11 Aug 20, Tue	0.0869%	0.4319%	-0.3450%
12 Aug 20, Wed	0.0873%	0.4360%	-0.3487%
13 Aug 20, Thu	0.0879%	0.4362%	-0.3483%
14 Aug 20, Fri	0.0910%	0.4368%	-0.3458%
17 Aug 20, Mon	0.0916%	0.4366%	-0.3450%



The 3-month Compounded SORA rate used to compute the monthly loan instalment is updated every month instead of every three months in the case of a 3-month SIBOR-based home loan.

The first applicable 3-month Compounded SORA on the loan account will be the one published by MAS on the date the bank releases the facility and will apply throughout the first one month.

For each subsequent 1-month period, the applicable 3-month compounded SORA will be one published by MAS on the first day of the 1-month period (rate review date) and will apply for such subsequent 1-

month period. If for any of the periods, the 3-month Compounded SORA is zero or less, zero will be applied.

The customer is given advance notice at the start of each 1-month period regarding the SORA-based interest rate to be paid for the coming 1-month.