



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Reference Rate Framework

Applicable to:

1. Licensed banks
2. Licensed Islamic banks
3. Prescribed development financial institutions

Issued on: 11 August 2021

BNM/RH/PD 028-23

Table of contents

PART A	OVERVIEW	3
1	Introduction	3
2	Applicability	4
3	Legal provisions	4
4	Effective date	4
5	Interpretation	4
6	Related legal instruments and policy documents	5
7	Policy documents superseded	5
PART B	POLICY REQUIREMENTS	6
8	Reference rate and financing rate	6
9	Deposit rate	8
10	Disclosure requirement	8
11	Statistical reporting requirements	9
Appendix 1	Sample Product Disclosure Sheet for housing loan/home financing ..	10
Appendix 2	Naming conventions for reporting template on Lending/Financing Rates on New Loans/Financing Approved	13

PART A OVERVIEW

1 Introduction

- 1.1 Reference rates are interest/profit rate benchmarks that are used to determine the lending/financing rates over the tenure of floating-rate loans/financing facilities. The way in which reference rates are determined and used would have implications on consumers' repayments/payments of their loans/financing facilities, financial service providers' (FSPs) practices in the pricing of loans/financing facilities and the effectiveness of monetary policy transmission.
- 1.2 The Reference Rate Framework (RRF) was introduced in January 2015 to replace the Base Lending Rate (BLR) with the Base Rate (BR) as the main reference rate for the pricing of new floating-rate retail loans and financing facilities. Under this framework, FSPs could set their respective BRs. While this provided each FSP with greater flexibility in the pricing of floating-rate loans/financing, FSPs' BR methodologies had become increasingly complex over time, thus complicating consumers' ability to compare the pricing of loan/financing products across FSPs and to understand the reasons behind changes in their repayment/payment instalments. Operational complexities with resource implications have also increased substantially to develop and maintain BR methodologies. In addition, the variability and construction of FSPs' BR methodologies had resulted in uneven and attenuated monetary policy transmission to FSPs' benchmark cost of funds.
- 1.3 The revised framework under this policy document outlines an industry-wide, standardised benchmark rate to be used by all FSPs. This revised RRF is an outcome of Bank Negara Malaysia's (the Bank) periodic review of its policies to ensure that the requirements remain relevant and fit-for-purpose in achieving the intended outcomes of the RRF, which are to-
 - (a) facilitate effective transmission of monetary policy decisions;
 - (b) promote a transparent reference rate that enables meaningful comparison of loans/financing products across FSPs to allow consumers to make informed decisions; and
 - (c) reinforce sound and efficient practices in the pricing of floating-rate retail loans/financing facilities by FSPs.
- 1.4 As per the current practice, FSPs would retain the flexibility to determine the lending/financing rates on new loans/financing facilities based on FSPs' internal and commercial considerations, subject to the Bank's guidelines and policies.

2 Applicability

- 2.1 This policy document is applicable to all licensed banks, licensed Islamic banks, and prescribed development financial institutions.
- 2.2 This policy document sets out the reference rate to be used in the pricing of retail loans or retail Shariah-compliant financing facilities, as defined in paragraph 5.2.

3 Legal provisions

- 3.1 The requirements in this policy document are specified pursuant to–
- (a) sections 47(1), 123(1) and 143(1) of the Financial Services Act 2013 (FSA);
 - (b) sections 57(1), 135(1) and 155(1) of the Islamic Financial Services Act 2013 (IFSA); and
 - (c) sections 41, 42C and 116(1) of the Development Financial Institutions Act 2002 (DFIA).

4 Effective date

- 4.1 This policy document comes into effect on 1 August 2022.

5 Interpretation

- 5.1 The terms and expressions used in this policy document shall have the same meanings assigned to them in the FSA, IFSA or DFIA, as the case may be, unless otherwise defined in this policy document.
- 5.2 For the purpose of this policy document–
- “**S**” denotes a standard, an obligation, a requirement, specification, direction, condition and any interpretive, supplemental and transitional provisions that must be complied with. Non-compliance may result in enforcement action;
- “**G**” denotes guidance which may consist of statements or information intended to promote common understanding and advice or recommendations that are encouraged to be adopted;
- “**base lending rate**” or “**BLR**” includes reference to the base financing rate (BFR) in the context of Islamic retail financing facilities;

“financial service provider” or “FSP” means–

- (a) a licensed bank under the FSA;
- (b) a licensed Islamic bank under the IFSA; and
- (c) a prescribed institution under the DFIA;

“retail loans/financing facilities” refer to loans/financing facilities extended to individuals which are priced against a reference rate, including but not limited to housing loans/financing, vehicle loans/financing and personal loans/financing.¹

6 Related legal instruments and policy documents

- 6.1 This policy document must be read together with other relevant legal instruments and policy documents that have been issued by the Bank, including any amendments or reissuance thereafter, in particular–
- (a) *Responsible Financing* issued on 6 May 2019;
 - (b) *Risk-Informed Pricing* issued 16 December 2013;
 - (c) *Credit Risk* issued on 27 September 2019; and
 - (d) *STATsmart Reporting Requirements on Data Submission for Reporting Entities* issued on 14 December 2020.

7 Policy documents superseded

- 7.1 This policy document supersedes the policy document on *Reference Rate Framework* issued on 18 August 2016.

¹ Includes retail loans/financing facilities offered to a sole proprietorship under an individual’s name for business use.

PART B POLICY REQUIREMENTS

8 Reference rate and financing rate

S 8.1 FSPs shall use the Standardised Base Rate (SBR) as the reference rate for the pricing of retail loans/financing facilities. This requirement applies to applications received for new retail loans/financing facilities, refinancing of existing retail loans/financing facilities, and the renewal of existing revolving retail loans/financing facilities, on or after the effective date.

S 8.2 The SBR shall be set as–

$$\text{Standardised Base Rate (SBR)} = \text{Benchmark rate}$$

S 8.3 The benchmark rate in respect of paragraph 8.2 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.

S 8.4 The lending/financing rate charged to the customer on a retail loan/financing facility shall be the SBR plus a spread:

$$\text{Lending/financing rate} = \text{SBR} + \text{spread}$$

S 8.5 FSPs shall reflect all other components of pricing the lending/financing rate in the spread over the SBR. Such components can include credit and liquidity risk premiums, operating costs, profit margins and other costs, including the cost of meeting the Statutory Reserve Requirement.

S 8.6 In the event of a change in the benchmark rate, FSPs shall adjust the SBR by the same quantum as the change in the benchmark rate within **seven working days** from the date of the change in the benchmark rate. The time taken by FSPs to effect adjustments to the SBR arising from a change in the benchmark rate shall be symmetrical for both upward and downward adjustments.

S 8.7 Where there are any adjustments to the SBR, FSPs shall effect a corresponding adjustment to all new and outstanding retail loans/financing facilities which are priced against the SBR.

S 8.8 Once a contract for a retail loan/financing facility is entered into, any increase to the spread over the SBR during the tenure of the retail loan/financing facility shall only be made to reflect changes in the credit risk profile of the customer throughout the tenure of the loan/financing facility.

S 8.9 FSPs shall not increase the spread over the SBR on the outstanding retail loans/financing facilities to reflect changes in FSPs' operating costs, funding management strategies or the overall portfolio default experience. FSPs shall not increase the spread over the SBR to gain a higher profit margin during the tenure of a retail loan/financing facility.

- S** 8.10 Existing retail loans/financing facilities which were granted prior to the effective date of this policy document shall continue to remain priced against the Base Rate (BR) and the base lending rate (BLR) respectively, except in the case of refinancing or renewal of retail loans/financing facilities as stipulated in paragraph 8.1.
- S** 8.11 In the event of an adjustment to the SBR, FSPs shall concurrently adjust the BR and BLR, in respect of retail loans/financing facilities under paragraph 8.10, by the same quantum of change in the SBR.
- S** 8.12 FSPs shall not adjust the BR and BLR in respect of retail loans/financing facilities under paragraph 8.10, other than the adjustments pursuant to paragraph 8.11. In respect of retail loans/financing facilities under paragraph 8.10, any increase to the spread over the BR and BLR during the tenure of the retail loan/financing facility shall only be made to reflect changes in the credit risk profile of the customer throughout the tenure of the loan/financing facility.
- S** 8.13 For any upward or downward adjustment to the SBR, BR and BLR, FSPs shall, by default, revise the instalment amount of retail loans/financing facilities which are priced against the SBR, BR and BLR. FSPs shall effect the revised instalment amount **at the earliest feasible time, and no later than ninety calendar days** from the date of the adjustment to the SBR, BR and BLR.
- S** 8.14 FSPs shall provide customers with particulars of the revised instalment amount and its effective date at least **seven calendar days** prior to the date the revised instalment amount comes into effect. FSPs must ensure that the mode of notification allows the information to reach the customer in a timely manner. If the notice is via mail, FSPs shall take into consideration the time taken before customers receive the notice on these particulars.
- S** 8.15 Notwithstanding paragraph 8.13, FSPs shall allow a customer to retain the original instalment amount upon the customer's specific request. FSPs shall only classify such retail loan/financing facility account as "*rescheduled and restructured*" in the event that a customer's request to retain the original instalment amount is due to a deterioration in the financial condition of the customer resulting in the inability of the customer to meet the revised instalment amount in accordance with the original repayment terms and conditions.² In such a case, FSPs shall inform the customer on the classification and its implications and record the customer's informed consent to the "*rescheduled and restructured*" classification of the loan/financing facility.
- S** 8.16 An FSP must comply with paragraph 8.13 at all times, unless it is able to demonstrate to the Bank's satisfaction that the FSP is facing operational challenges in meeting the requirement to revise the instalment amount of retail loans/financing facilities. For avoidance of doubt, any flexibility granted to the FSP

² Refer to the paragraph 1 in Appendix 1 of the *Credit Risk* policy document.

may only be applicable to non-revision of instalment amount whereby either the change, or the cumulative change³, in the instalment amount is less than RM10.⁴

- S** 8.17 For the purposes of paragraphs 8.15 and 8.16, FSPs shall clearly communicate to the customers the implications of any non-revision in the prevailing instalment amount, including, where applicable—
- a) changes to the total cost of borrowing/financing that will be incurred;
 - b) when additional interest/profit amount is to be repaid;
 - c) changes to the tenure of the retail loan/financing facility;
 - d) any consequential protection gaps on the status of their credit related insurance/takaful coverage, if applicable.
- G** 8.18 The mode of communication to customers under paragraphs 8.14, 8.15 and 8.17 can be via mail or electronic means.⁵

9 Deposit rate

- G** 9.1 FSPs may determine the rates payable on deposits accepted based on their funding requirements and strategies.
- S** 9.2 In the case of conventional children savings accounts, the deposit rates payable on accounts with balances of up to RM50,000 shall not be lower than the 1-month term deposit rate of the respective FSPs.
- S** 9.3 In the case of a Housing Development Account, the rate payable on the daily balance shall not be lower than—

1-month term deposit account rate – 1%, or 0%, whichever is higher

10 Disclosure requirement

- S** 10.1 FSPs shall disclose to both new and existing customers that the benchmark rate of the SBR is the OPR. The minimum requirement is that FSPs shall make this information publicly available at their websites. For new customers, FSPs shall also disclose the information in the product disclosure sheet as per the format set out in Appendix 1.
- S** 10.2 FSPs shall ensure that the SBR and its effective date are prominently displayed at all branches and websites. Apart from disclosing the SBR, FSPs shall continue to display their respective BR and BLR at all branches and websites until the

³ Taking into account previous adjustments in the SBR that were not translated into revisions in the instalment amount of the retail loans/financing facility.

⁴ For hire purchase financing, FSPs are required to comply with the requirements under the Hire Purchase Act 1967 (HPA) which include obtaining the customer's consent for any alterations to the terms and conditions of the hire-purchase agreement.

⁵ Communication via electronic means include emails, SMS messages and application notifications.

maturity of all retail loans/financing facilities priced against the BR and BLR. FSPs shall ensure that the historical series of the SBR, BR and BLR since the implementation of BR in January 2015 are available and easily accessible on their websites.⁶

- S** 10.3 FSPs shall display the changes to the SBR, BR and BLR at all branches and websites no later than the date in which the revision comes into effect.
- S** 10.4 In respect of housing loans/home financing priced against the SBR, FSPs shall disclose an **indicative effective lending/financing rate** for a standard housing loan/home financing product offered to a customer with the best credit risk profile at all branches and websites. A standard housing loan/home financing product refers to a housing loan/home financing product with financing amount of RM350,000 for 30 years and has no lock-in period.

11 Statistical reporting requirements

- S** 11.1 FSPs shall periodically submit the following reports on its interest/profit rate data using the reporting templates as may be specified by the Bank:
 - a) Report on Lending Rates on New Loans Approved during the month (only applicable to licensed banks and prescribed development financial institutions).
 - b) Report on Financing Rates on New Financing Approved during the month (only applicable to licensed Islamic banks).
- S** 11.2 FSPs shall submit the completed reporting templates of the reports listed in paragraph 11.1 in accordance with the naming conventions in Appendix 2, at a monthly interval, within 15 days after the reporting date, via FINET (Financial Institutions Network) and STATsmart Dissemination Portal.⁷
- S** 11.3 FSPs shall continue to submit other reporting templates⁸ as specified in the policy document on *STATsmart Reporting Requirements on Data Submission for Reporting Entities* through the STATsmart Submission module.

⁶ This information is for customers' reference, including for the purposes of validating the accuracy of interest/profit charged by FSPs.

⁷ For avoidance of doubt, licensed banks and licensed Islamic banks shall submit through FINET and prescribed development financial institutions shall submit through STATsmart Dissemination Portal.

⁸ Refers to 'Report on Weekly Interest and Islamic Deposit/Financing Rates' (this report is not applicable to prescribed development financial institutions) and 'Report on Monthly Interest and Islamic Deposit/Financing Rates'.

Appendix 1 Sample Product Disclosure Sheet for housing loan/home financing

<p>PRODUCT DISCLOSURE SHEET</p> <p>(Read this Product Disclosure Sheet before you decide to take out the <Name of Product>. Be sure to also read the terms in the letter of offer. Seek clarification from your institution if you do not understand any part of this document or the general terms)</p>	<p><Name of Financial Service Provider></p> <p><Name of Product></p> <p><Date></p>																
<p>1. What is this product about?</p>																	
<p>This housing loan/home financing is calculated on a variable rate basis and you are offering your house as a security for this financing.</p>																	
<p>2. What do I get from this product?</p>																	
<ul style="list-style-type: none"> • Total amount borrowed: RM [x] ([z]% of house price) • Tenure: [35] years 	<ul style="list-style-type: none"> • Standardised Base Rate (SBR): [b]% • Effective lending/financing rate: [b]% + [s]% 																
<p>3. What is the Standardised Base Rate (SBR)?</p>																	
<p>The SBR we offer on this product is based on the benchmark rate specified by Bank Negara Malaysia. The benchmark rate is currently set as the Overnight Policy Rate (OPR), which reflects the monetary policy stance as decided by the Monetary Policy Committee of Bank Negara Malaysia.</p>																	
<p>4. What are possible scenarios that may trigger a change in the SBR?</p>																	
<p>The SBR can rise or fall due to changes in the benchmark rate, i.e. changes in the Overnight Policy Rate (OPR).</p>																	
<p>5. Historical SBR for the past 3 years</p>																	
<p>[Display a chart that shows the time-series of the backdated SBR in the past 3 years]</p> <p>For a longer historical series, please refer to our website.</p>																	
<p>6. What are my obligations?</p>																	
<ul style="list-style-type: none"> • Your monthly instalment is RM [x] • Total repayment/financing payment amount at the end of [35] years is RM [x] <p>Important: Your monthly instalment and total repayment/financing payment amount will vary if the SBR changes.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;">Rate</th> <th style="width: 16.5%;">Today (SBR = [b]%)</th> <th style="width: 16.5%;">If SBR increases to [b+1] %</th> <th style="width: 16.5%;">If SBR increases to [b+2] %</th> </tr> </thead> <tbody> <tr> <td>Monthly instalment</td> <td>RM [x]</td> <td></td> <td></td> </tr> <tr> <td>Total interest/profit cost at the end of 35 years</td> <td>RM [x]</td> <td></td> <td></td> </tr> <tr> <td>Total repayment/payment amount at the end of 35 years</td> <td>RM [x]</td> <td></td> <td></td> </tr> </tbody> </table>		Rate	Today (SBR = [b]%)	If SBR increases to [b+1] %	If SBR increases to [b+2] %	Monthly instalment	RM [x]			Total interest/profit cost at the end of 35 years	RM [x]			Total repayment/payment amount at the end of 35 years	RM [x]		
Rate	Today (SBR = [b]%)	If SBR increases to [b+1] %	If SBR increases to [b+2] %														
Monthly instalment	RM [x]																
Total interest/profit cost at the end of 35 years	RM [x]																
Total repayment/payment amount at the end of 35 years	RM [x]																

- If you make loan repayment/financing payment via a standing order, you should change the instalment amount whenever there is a change to the SBR.
- *State whether the customer has to service interest/profit during construction period for a property under construction. Explain how the interest/profit is calculated.*

7. What other charges do I have to pay?

a) Stamp Duties

As per the Stamp Act 1949 (Revised 1989)

b) Disbursement Fee

Include fees for registration of charge and other related charges

c) Processing Fees

One-time fee charged for approved financing	Rate (RM)	Range (RM)
	50	Up to 30,000
	100	30,001 - 100,000
	200	100,000 and above

8. What if I fail to fulfil my obligations?

- Late payment charges of 1% p.a. on the amount in arrears, causing the total outstanding to increase.
- If you fail to pay [x] monthly instalments consecutively, we may increase the lending/financing rate.
- We may set-off any credit balance in account maintained with us against any outstanding balance in this loan/financing account.
- Legal action will be taken if you fail to respond to reminder notices. Your property may be foreclosed and you will have to bear all costs. You are also responsible to settle any shortfall after your property is sold.
- Legal action against you may affect your credit score leading to credit being more difficult or expensive to you.

To highlight other key terms and conditions.

9. What if I fully settle the loan/financing during the lock-in period?

- Lock-in period: [x] years (to start from [x]).
- Early termination/settlement fee: [y]% of outstanding amount or original financing amount.

10. Do I need any insurance/takaful coverage?

- Indicate if mortgage reducing term assurance (MRTA) / mortgage reducing term takaful (MRTT) is required.
- Indicate if other insurance/takaful coverage is required.

11. What do I need to do if there are changes to my contact details?

It is important that you inform us of any change in your contact details at the earliest possible opportunity to ensure that all correspondences reach you in a timely manner.

12. Where can I get assistance and redress?

- If you have difficulties in making repayments/financing payments, you should contact us earliest possible to discuss repayment/financing payment alternatives. You may contact us at:

ABC Bank Berhad
Tel:
E-mail:

- Alternatively, you may seek the services of Agensi Kaunseling dan Pengurusan Kredit (AKPK), an agency established by Bank Negara Malaysia to provide free services on money management, credit counselling and debt restructuring for individuals. You can contact AKPK at:

Level 5 and 6,
Menara Bumiputra Commerce
Jalan Raja Laut
50350 Kuala Lumpur
Tel : 03-2616 7766

- If you wish to complain on the products or services provided by us, you may contact us at:

ABC Bank Berhad
51, Jalan Sultan Ismail
50122 Kuala Lumpur
Tel:
E-mail:

- If your query or complaint is not satisfactorily resolved by us, you may contact Bank Negara Malaysia LINK or TELELINK at:

Block D, Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur.
Tel : 1-300-88-5465
E-mail : bnmtelelink@bnm.gov.my

13. Other housing loan/home financing packages available

- Abc
- Xyz

IMPORTANT NOTE: YOUR HOUSE MAY BE FORECLOSED IF YOU DO NOT KEEP UP REPAYMENTS/PAYMENTS ON YOUR HOME FINANCING.

The information provided in this disclosure sheet is valid as at dd/mm/yy or until dd/mm/yy.

Appendix 2 Naming conventions for reporting template on Lending/Financing Rates on New Loans/Financing Approved

1. FSPs shall name the completed reporting templates as listed in paragraph 11.1 of this policy document in accordance with the following naming conventions before submission:

Component	Data Type	Possible Values
Data Header	CHAR(3)	[ALR] Average Lending/Financing Rate
Reporting Date	DATE	[31032020] DDMMYYYY
	CHAR(2)	[LR] Lending Rates Or [FR] Financial Rates
FI Type	Numeric (2)	[02] Licensed banks [03] Licensed Islamic banks [33] Prescribed development financial institutions
FI ID	NUMERIC(2)	01 to 99
Extension		.xls

Below are examples of file naming conventions for reports as specified in paragraph 11.1 to be submitted to the Bank:

- a) Licensed Banks

ALR_31012021LR0227.xls

Report on Lending Rates on New Loans Approved for reporting date 31 January 2021 from Malayan Banking Berhad.

- b) Prescribed Development Financial Institutions

ALR_31012021LR3306.xls

Report on Lending Rates on New Loans Approved for reporting date 31 January 2021 from Bank Pertanian Malaysia Berhad (Agrobank).

- c) Licensed Islamic Banks

ALR_31012021FR0347.xls

Report on Financing Rates on New Financing Approved for reporting date 31 January 2021 from Affin Islamic Bank Berhad.