Key Highlights of the Revised Reference Rate Framework

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

1 The revised Reference Rate Framework (RRF) will only take place on **1 August 2022**.

2 The new framework offers **greater transparency and comparability of loans across banks**. This will help consumers make more informed decisions.

a. There are two parts to lending rates: the reference rate, which banks use as a basis for pricing, and the spread. Under the revised RRF, **the reference rate, which is the Standardised Base Rate (SBR), will be the same across banks**. The SBR will be linked solely to the Overnight Policy Rate (OPR), which is determined by the Monetary Policy Committee of Bank Negara Malaysia.

b. As such, borrowers can **more easily compare lending rates across banks** as the difference in lending rates will only reflect the spread. This spread is usually different across individuals and banks as it is based on your own credit risk and each bank's risk appetite and business strategies.

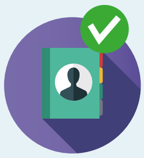
Lending rate	=	Reference rate	+	Spread
Borrowing cost of your loan		E. g. Base Rate, Standardised Base Rate		Includes credit and liquidity risk premiums, operating costs and profit margins

Base Rate (BR)		Standardised Base Rate (SBR)
Not standardised across banks, and components less transparent to consumers	Beginning 1 August 2022	Standardised across banks and will only change when OPR moves
Bank A ≠ Bank B ≠ Bank C		Bank A = Bank B = Bank C

3 This new framework ONLY applies to **new floating-rate loans and financing for individuals** beginning 1 August 2022.

Applicable to:

(Floating-rate) Housing loans



(Floating-rate) Personal loans

Generally not applicable to:

(Fixed-rate) Hire purchase loans

SME or corporate loans

4 If you are an existing borrower who has taken a loan before 1 August 2022, the introduction of the Standardised Base Rate under this revised framework **will not affect your contracted lending rate**.

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

For more detailed explanation, please refer to the Consumer Guide and Frequently Asked Questions (FAQs) on the Revised Reference Rate Framework at bnm.gov.my/RRF2021