A. INTRODUCTION AND PRODUCT FEATURES

A.1 INTRODUCTION

1. **What are Savings Bonds? What are the main features?**
    - Savings Bonds are a special type of Singapore Government Securities (SGS) with features that make them suitable for individual investors:
        - Safe: Savings Bonds are backed by the Singapore Government. In addition, you can always redeem your bonds in exchange for the amount invested, i.e. no capital losses.
        - Long-term: You can invest for up to 10 years and earn interest that increases over time. The longer you hold your bond, the higher your return.
        - Flexible redemption option: You don’t have to decide at the start how long you want to hold your Savings Bonds. You can get your funds back within a month, with no penalty.

2. **Why is the Government introducing Savings Bonds? Why is this necessary?**
    - The Government is providing a long-term savings option that offers safe returns, for Singaporeans who can and wish to save more for the long-term. Savings Bonds will complement the CPF system and other savings and investment options already available (e.g. deposits, equities, unit trusts, endowment plans), offering more choices for the individual investor.

3. **Does the Government need the money? What will the Government use the money for?**
    - The Government is not issuing Savings Bonds to finance its expenditure. The money raised from issuing Savings Bonds cannot be spent and will be invested.

4. **Are Savings Bonds going to be a permanent feature?**
    - The Government is committed to maintaining the Savings Bond programme for at least 5 years.

5. **Is Singapore the first to have Savings Bonds? Do other countries have similar products?**

- Other developed countries such as US and UK, as well as regional neighbours such as Malaysia and Thailand have issued savings bonds with differing features to the retail public.

6. **When can I start buying Savings Bonds?**

- Applications for the first Savings Bond issue will open on 1 Sep 2015 at 6pm, and close on 25 Sep 2015. If your application is successful, you will receive your bonds on 1 Oct 2015.
- A new Savings Bond will be issued every month after that. Application dates for each issue will be published on the Savings Bonds website (www.sgs.gov.sg/savingsbonds) as well as in local newspapers one month before the bonds are issued.

A.2 ELIGIBILITY

7. **Can corporates purchase Savings Bonds?**

- Only individual investors can apply for and hold Savings Bonds.
- Savings Bonds are intended for individuals, as an alternate way for them to save. As such, the features of the bonds, such as the small minimum investment amount and non-transferability, have been designed with individual savers in mind. Savings Bonds returns are based on those of conventional Singapore Government Securities (SGS). Institutions, organisations, or corporates who are interested to invest in Government securities should consider conventional SGS instead. There is no limit on the amount of SGS that these institutional investors can hold.

8. **Is there a minimum age requirement?**

- You need to be at least 18 years old to open an individual CDP Securities account to hold Savings Bonds.

A.3 INTEREST

9. Why is there a need to give "step-up" interest?

- Savings Bonds offer you a return that depends on how long you hold them for. You receive less interest at the start, but the amount "steps up" or increases over time so that the longer you invest in Savings Bonds, the higher your effective return.
- As investors can choose to redeem their Savings Bonds in any month, we do not know how long an investor intends to hold the Savings Bond for. Take two investors, A and B, who start investing in Savings Bonds at the same time. If investor A eventually holds the bonds for 10 years and investor B holds the bonds for 2 years, investor A should get higher returns per year to compensate for the longer investment period. But because their investment durations are not known at the start, we cannot pay investor B the 10-year rate from the start. To make it fair for both investors, we make sure that the average return they get matches their investment period.

10. Where can I check the interest rates of each Savings Bond issue? How do I calculate the returns on my Savings Bonds investment?

- MAS will announce the interest rates as well as the returns over different holding periods when applications for each Savings Bond issue open. The information will be published on the Savings Bonds website (www.sgs.gov.sg/savingsbonds) and in local newspapers.
- The interest rates and returns will be shown in a table in the announcement (see example on the next page). The first row shows the number of years since that particular Savings Bond has been issued. Each Savings Bond has a term of 10 years.
- The second row of the table shows the actual interest that will be paid out each year. It is in percentage terms and steps up over time. This means that every year, you will receive a different amount of interest according to the step-up interest rate schedule.
  - For example, in the first year, you will get 0.96% interest. This means that if you invest $1,000, you will earn 0.96% * $1,000 = $9.60. In the second year, you will get 1.09% interest. Again, you need to multiply this by your invested amount. So for $1,000, you will earn 1.09% * $1,000 = $10.90. And so on for all ten years.

Interest Payment Schedule

Year*	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
Interest, %	0.96	1.09	1.93	2.93	3.25	3.25	3.25	3.25	3.30	3.70
Average p.a. return, %**	0.96	1.02	1.32	1.71	2.01	2.20	2.34	2.44	2.53	2.63

*From issue date **At end of each year, on a compounded basis

11. When is interest paid? When will I receive the interest payments?

- Interest is paid every 6 months, on the 1st business day of the month. The first interest payment will be made 6 months after you receive your Savings Bonds. In general, for a Savings Bond that is issued on 1 Oct, the interest payments will be made on 1 Apr and 1 Oct (assuming these are business days) of each subsequent year for the next 10 years as long as you continue to hold the Savings Bond.
- Using the example in the table above, if you invest $1,000, half of the $9.60 in interest (i.e. $4.80) will be paid on 1 Apr 2016, and the other half paid on 1 Oct 2016. Similarly, in the second year, you will get a total of $10.90 in interest: $5.45 each on in 1 Apr 2017 and 1 Oct 2017.
- Interest will be automatically credited into your designated DCS bank account. This is the bank account that is linked to your individual CDP Securities account.

12. How do I compare SSB to other savings or investment products?

- The last row of the table (see above) shows the average return that you will get by investing in Savings Bonds, since the interest steps up over time. You can compare this rate with the rate offered by another product e.g. 5-year fixed deposit.
- For example, if you hold the Savings Bond for 5 years, you will get an average return of 2.01% per year over 5 years. The actual interest you receive steps up from 0.96% in the first year to 3.25% in the 5th year.
- If you hold the Savings Bond for 10 years, you will get an average return of 2.63% per year over 10 years.

13. [Refer to example on page 4] Why is the simple average of the interest rate (in the second row) higher than the corresponding average return (in the third row)?

- For example, if you take the average of all the interest rates in the second row, you get 2.69%; but the average return shown in the third row is 2.63%.
- The reason for the difference is due to the step-up interest, which pay lower interest at first and higher interest later and which therefore gives you a different return than if you are paid the same interest every year.
- The aim of the Savings Bond is to pay you a return that matches the 10-year SGS rate as closely as possible, if you hold the Savings Bond for 10 years. In the Savings Bond example on page 4, the 10-year SGS rate is 2.63%, which is equivalent to you being paid 2.63% in interest every year for ten years. However, the Savings Bond pays you less interest in the first few years (e.g. 0.96% in the first year Year 1, 1.09% in the second year Year 2 and 1.93% in the third year Year 3). Although the interest payment steps up in later years, it is better to get paid 2.63% earlier, so that you can spend or re-invest it.
- In Finance, this is called time value of money. A dollar paid out as interest in the early years is more valuable than a dollar paid out as interest in the later years. So a dollar less interest paid in the early years will need to be compensated with more than a dollar paid out as interest in later years. Therefore, under the Savings Bond interest rate schedule, you receive more interest in later years that more than makes up for the lower interest in the earlier years. That's why the simple average is higher at 2.69%. If we take the time value of money into account, the average return is 2.63%.

14. Will I make or lose money if market interest rates change?

- Once a Savings Bond is issued, interest rate changes will have no effect on the bond's value. Unlike conventional SGS, whose values fluctuate with interest rate movements, Savings Bonds are always redeemable at par.
- Future interest rate levels could turn out to be higher (or lower) than the interest rates you receive from your Savings Bond holdings. You have the option to redeem your Savings Bond for the full invested capital with no penalty, and apply for new Savings

Bond issues with higher interest rates, if you find that the latter is more attractive. Before you do this, you will have to consider whether a new Savings Bond with lower initial interest payments outweighs the stepped-up coupons you will be receiving on an existing Savings Bond that you may have held for some years.

A.4 INVESTMENT AMOUNTS

15. How much can I invest in Savings Bonds? Why are there limits on the maximum investment amount?

- You may invest a minimum of $500, and in subsequent multiples of $500 up to a maximum of $50,000 for each Savings Bond issue. This “Issue Limit” ensures that each Savings Bond issue is made available to as many people as possible.
- At any point in time, you may hold up to a maximum of $100,000 in Savings Bonds. This “Overall Limit” is sufficient to meet the needs of most individuals as more than 90% of individual bank deposit accounts have balances of $100,000 or lower. Individuals with larger sums to invest may wish to consider investing in SGS.

16. Will everyone get as much Savings Bonds as he/she wants, as long as he keeps to the limits on the maximum investment amount?

- If the total amount of applications for a particular Savings Bond issue exceeds the amount of bonds available, you may not get the full amount of bonds that you have applied for. If this happens, you can consider applying for the next Savings Bond issue.

17. If I have reached my “Overall Limit” but have submitted a redemption request, will I be able to apply for new Savings Bonds within the same month to bring my total holdings back to the “Overall Limit”?

- Yes.

A.5 ISSUANCE AND REDEMPTION

18. How often are Savings Bonds issued? When can I redeem my Savings Bonds?

- Savings Bonds will be issued every month from Oct 2015. You will be able to redeem your Savings Bonds in any month before the bond matures with no penalty.

19. Is there a minimum holding period?

- You can redeem your Savings Bonds as early as the month in which the bond is issued. Redemption proceeds will be paid out on the 1st business day of the following month.

A.6 TRANSFERABILITY

20. Is there any scenario under which I am allowed to transfer my Saving Bonds?

- Savings Bonds cannot be transferred except in specific situations such as the death of the bondholder. In such cases, the bonds can be transferred to the rightful beneficiaries according to the deceased person’s will or under the intestacy law.

21. Are Savings Bonds tradable? Can I trade this on SGX?

- Savings Bonds cannot be bought or sold in the open market, or traded on SGX like shares. They cannot be pledged as collateral.

A.7 COMPARISON WITH SINGAPORE GOVERNMENT SECURITIES (SGS) AND FIXED DEPOSITS

22. How are Savings Bonds different from conventional SGS?

- Firstly, Savings Bonds are not tradable while conventional SGS can be traded on SGX. This means that the prices of conventional SGS can change, depending on market interest rates movements and financial market conditions. So you may receive more or less than your invested capital if you sell your conventional SGS before maturity. However, you will always receive your principal when investing in Savings Bonds.

- Secondly, unlike Savings Bonds, conventional SGS cannot be redeemed early.
- Finally, Savings Bonds have a lower minimum investment amount and unit size of $500 compared to $1,000 for conventional SGS. Individuals can hold up to $100,000 of Savings Bonds at any point, but there are no investment limits on conventional SGS.

23. If SGS has been largely successful, why is there a need to launch Savings Bonds? Will Savings Bonds replace the conventional SGS?

- The Government and MAS have in recent years made it easier for individuals to buy and sell SGS. One example is the ability to purchase SGS through ATMs and through SGX via brokers. However, despite these efforts, participation from individuals in the SGS market remains low. Many individual investors lack familiarity with SGS, and some may not want to subject themselves to price risks if they sell the bonds before maturity.
- Savings Bonds are intended to give individuals an accessible way to receive the same interest or return that they receive when they invest in SGS. They are not intended to replace SGS. The overall size of the Savings Bond programme is expected to be small compared to the amount of outstanding SGS.

24. How do Savings Bonds compare with fixed deposits?

- Savings Bonds offer individual investors another way to save for the long term. Most fixed deposits have tenors of up to 2 or 3 years. Savings Bonds allow you to save for up to 10 years. In addition, Savings Bonds are backed by the Government, rather than a bank.
- As there are many banks offering fixed-deposit products with differing terms and conditions (e.g. minimum investment sums, penalties for early withdrawal, promotional rates), you may wish to get more information on the products offered by banks and compare these against the Savings Bonds to see which better suits your needs.