OCBC's new shares loan scheme a hit
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OCBC Securities has enjoyed a 50 per cent monthly surge in new share financing accounts opened after introducing tiered interest rates on loans to buy shares.

It is the first stock broking firm in Singapore to offer tiered interest rates for share financing.

Under the new loan scheme, unveiled in April, investors get a lower interest rate if the shares they offer as collateral are high quality. For instance, loans to buy blue-chip stocks are charged at only 3.5 per cent a year on a Singapore dollar loan – well below the industry norm of about 6 per cent.

Investors borrowing funds to buy small-cap stocks will be charged a higher interest rate of between 6.5 per cent and 7.5 per cent a year.

"By reducing the interest charged on their loans, customers can lower their borrowing costs, hence enhancing their potential investment returns," said OCBC Securities in a statement.

"Given today's volatile investment climate, investors look for opportunities to increase investment returns, either by investing in products with higher returns or by lowering borrowing costs, or by being able to do both," said Mr Hui Yew Ping, OCBC Securities managing director.

The product, called a quality-priced loan feature, was developed after analysing the firm's customers' portfolio holdings.

It was discovered that a majority of customers held Grade 1 or Grade 2 type securities, and sought preferential interest rates to maximise returns.

The feature appeals to customers who have idle blue-chip securities, such as SingTel shares, in their trading accounts, or those with quality foreign portfolio like HSBC (listed on the Hong Kong Exchanges and Clearing) or Apple (listed on the New York Stock Exchange).

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