



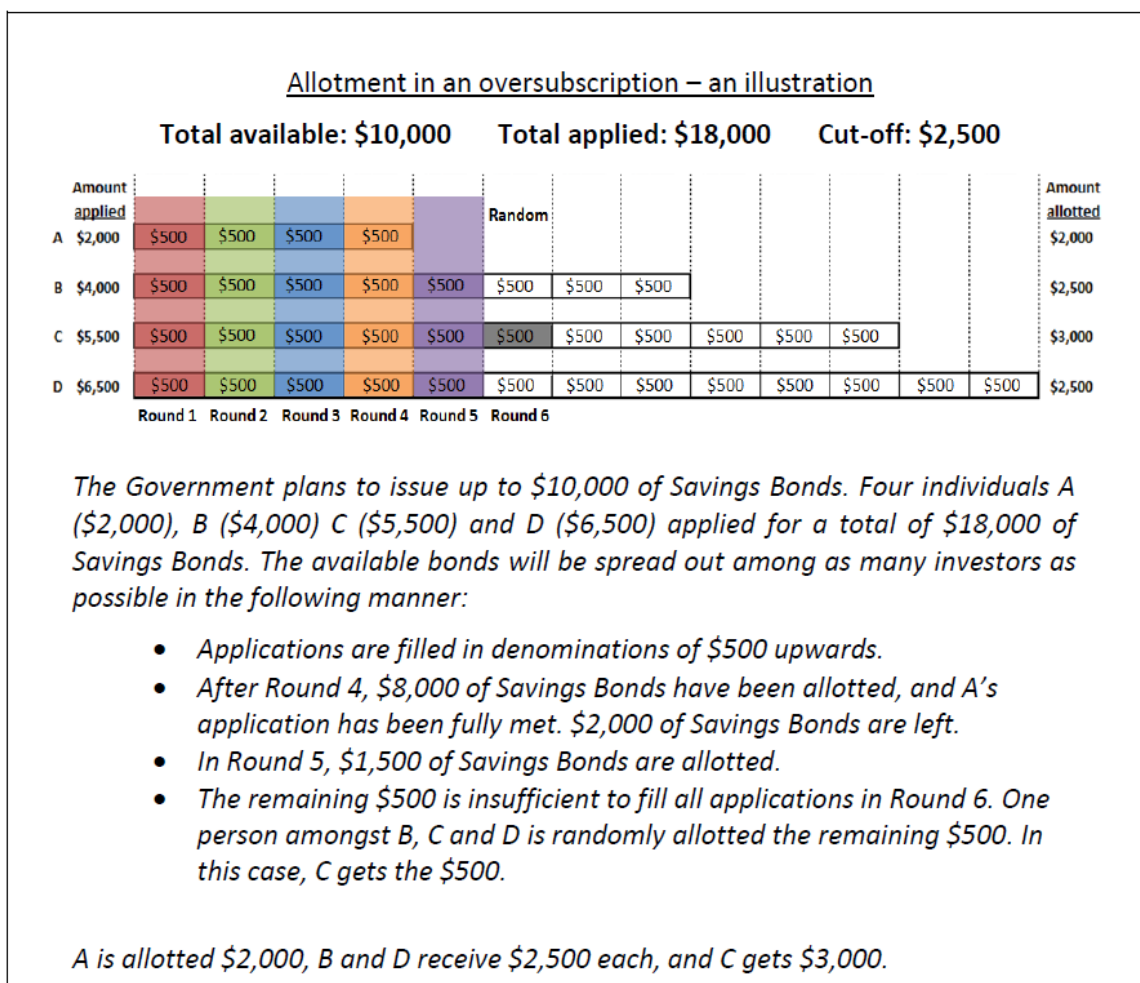
Annex 1 – Frequently asked questions

Q1. How does the SSB allotment mechanism work when there is an oversubscription?

When there is an oversubscription, each applicant will be allotted \$500 of SSB, with the amount increasing in multiples of \$500 for every applicant until he has either received the full amount applied for, or until all the available bonds have been allotted, whichever comes first.

If the number of applicants is so large that issuing \$500 per applicant will exceed the amount of bonds available, then the \$500 of bonds will be allotted among applicants on a random basis.

This means that when SSB are oversubscribed, an investor may not receive the full amount applied for and smaller applications will have a higher chance of being fully allotted. The below illustration shows how applications are filled.



This method of allocation is known as the “quantity ceiling” method and seeks to allocate the available amount of SSB as equally as possible.

Q2. How are SSB interest rates determined?

SSB interest rates are linked to the yields of Singapore Government Securities (SGS). As SGS are traded, the yields of SGS fluctuate daily based on changes in market conditions. SGS closing yields are published by MAS at the end of each business day.

The SSB on offer in any given month are linked to the daily average SGS yields as published by MAS in the previous month. The investor’s average annual compounded return over any period (e.g. 5 years) should broadly correspond to the SGS yield of the same holding period (e.g. 5 year SGS).

The interest rates and returns on SSB are therefore determined by the market and will fluctuate according to changes in market conditions, albeit with a one-month lag.

A more detailed treatment of how interest rates are computed can be found here (<http://www.sgs.gov.sg/~media/SGS/SGS%20Announcements%20pdf/SSB%20PDF/SSB%20Technical%20Specifications/SSB%20Technical%20Specifications.pdf>)