

Bonds

What are Bonds?

A **bond** is a debt security, in which the authorised issuer owes the holders a debt and, depending on the terms of the bond, is obliged to pay interest (the coupon) and/or to repay the principal at a later date, termed maturity. A bond is a formal contract to repay borrowed money with interest at fixed intervals.

How does it work?

This is an illustration on how a bond works.

For example. SGD 1 million worth of SGD Corporate Bond was bought at the price of 100.10 on 10 Aug 2010 for value 13 Aug 2010. It carries a coupon of 3.50% per annum and matures on 17 July 2017.

The investment is as follows (Assume the day convention is 365 days):

$$\begin{aligned}\text{Principal amount payable} &= \text{S\$}1,000,000 \times 100.10/100 \\ &= \text{S\$}1,001,000\end{aligned}$$

$$\begin{aligned}\text{Accrued Interest payable} &= \text{S\$}1,000,000 \times 3.50/100 \times 29/365 \\ &= \text{S\$}2,780.82\end{aligned}$$

$$\begin{aligned}\text{Total amount payable by the client} &= \text{S\$}1,001,000 + \text{S\$}2,780.82 \\ &= \text{S\$}1,003,780.82\end{aligned}$$

Charges

- There are no commission or brokerage charges
- 1% administrative fee per coupon payout, subjected to a maximum of S\$53.50 including GST (For bonds under Phillip Securities' custody) is chargeable
- There is a custody fee of 0.05%p.a and Goods & Services Tax (GST) payable monthly for bonds under Clearstream custody

How do I buy or sell?

You can call your Trading Representative, to buy or sell bonds. Please ensure that you are recognised by Phillip Securities Pte Ltd as an accredited investor prior to your bond transaction.

Definition of an Accredited Investor

An Accredited Investor is:

An individual with net personal assets exceed in value of SGD 2 million (or its equivalent in a foreign currency) or such other amount as the Authority may prescribe in place of the first amount. Loans, overdrafts and/or credit facilities which the individual has with other banks and financial institutions will have to be deducted from his gross personal assets to generate his total net personal assets;

or

Whose income in the preceding 12 months is not less than S\$300 000 (or its equivalent in a foreign currency) or such other amount as the Authority may prescribe in place of the first amount.

For Corporations

The company's total net assets (i.e. assets minus liabilities) must exceed SGD 10 million (or equivalent in foreign currency) as determined by the most recent audited balance-sheet of the company.

Am I guaranteed to get the specific quantity of bonds that I placed an order for?

It depends on the availability of the bonds in the market at the time of purchase.

How do I make payment?

Payment has to be made from a trading account with Phillip Securities and it is from this account that we deduct the funds from. Prior to purchasing the bond, you have to ensure that there are sufficient funds to cover the purchase.

Customers can transfer money into their trading account by submitting cash or a cashier's order, payable to Phillip Securities Pte Ltd at our main office on the 6th floor of the Phillip Investors Centre at Raffles City Tower.

Funds can also be transferred through the ATM machine into your trading account via Electronic Payment of Shares (EPS) or via internet banking.

Alternatively, payment can be made using cheques addressed to "Phillip Securities Pte Ltd". Cheques must be submitted 2 days before purchase date to allow for sufficient clearing period.

How do I withdraw funds from the account?

Clients can log onto the POEMS website with their password. Click onto "Stocks" > "Account Management" > "Online Form", where you can find the "Withdrawal Form".

There are three methods of withdrawal

- By Cheque. Clients can personally collect their cheque from the cashier counter at Raffles City; clients can also instruct their Trading Representatives to do a quick cheque deposit into their bank accounts, or have the cheque posted to their mailing address.
- Funds can be directly credited into POSB/DBS bank accounts. (Kindly note that these are the only two banks applicable for direct crediting).
- Telegraphic Transfer (subjected to handling fee of \$10.70) is useful for overseas clients. (Kindly check details with your bank)

**For any enquiries about Bonds, please contact your Trading Representatives*