

### **SIBOR to SORA Transition:**

*The Steering Committee for SOR & SIBOR Transition to SORA (SC-STS) was established by the Monetary Authority of Singapore (MAS) to oversee the industry-wide interest rate benchmark transition from SOR to SORA in August 2019. The MAS subsequently expanded the committee's mandate in December 2020, to include the SIBOR-to-SORA transition as well. As the transition from SOR to SIBOR involves many industry participants, as well as commercial and retail customers, SC-STS will ensure adequate stakeholder engagement and a well-managed transition.*

### ***What is the Need for Transition?***

*The need to transition away from SIBOR to SORA arises from the timeline of phasing out of 1M/3M/6M SIBOR suggested by The Steering Committee for SOR & SIBOR Transition to SORA ("SC-STS")*

*SC-STS have published a report announcing new industry timelines to cease issuance of SOR derivatives and SIBOR-linked financial products by end-September 2021.*

*On 31 March 2021, the SC-STS announced the following new industry timelines:*

- All financial institutions and customers to cease usage of SOR in new derivative contracts by end September 2021*
- All financial institutions and customers to cease usage of SIBOR in new contracts by end September 2021*

*To recap all previously announced key milestones for the SGD Benchmark Transition:*

- All lenders and borrowers to cease issuance of SOR-linked new loans and securities that mature after end-2021 by end April 2021*
- 6M SIBOR will discontinue on 31 March 2022*
- All tenors of SOR will discontinue after 30 June 2023*

- *1M and 3M SIBOR will discontinue by the end of 2024*
- *Fallback Rate (SOR) will discontinue after end 2024*

*For the latest industry announcements on this transition, please visit The Association of Banks in Singapore website <https://abs.org.sg/benchmark-rates/announcements>*

## ***ABOUT SORA***

*The Singapore Overnight Rate Average (SORA) is the volume-weighted average rate of borrowing transactions in the unsecured overnight interbank SGD cash market in Singapore between 8am and 6.15pm. SORA is accessible at no charge on the MAS website.*

*SORA is computed based on actual transactions and meets the standards of international best practice as set out in the IOSCO Principles for Financial Benchmarks. The key features and calculation methodology of SORA can be found here.*

*SORA for a given business day in Singapore is currently published by 9am the next business day on the MAS website and through third party redistributors. The following information is published alongside SORA:*

- *SORA Index*
- *1-month Compounded SORA*
- *3-month Compounded SORA*
- *6-month Compounded SORA*
- *Aggregate Volume of SORA Transactions*
- *Highest Transacted Rate from Reporting Banks for SORA*
- *Lowest Transacted Rate from Reporting Banks for SORA*
- *SORA Calculation Method*

## ***Benefits of SORA as an interest rate benchmark***

- *SORA is a robust benchmark underpinned by a deep and liquid overnight interbank funding market.*
- *SORA has been published by MAS since 1 July 2005. The availability of a long historical time series allows market participants to perform technical analysis and model trends for risk management, asset-liability pricing, and trading purposes. This should be supportive of a broad-based market adoption of SORA-based financial products.*
- *The market convention for the use of overnight interest rates such as SORA is to reference its compounded average. Compounded SORA rates are significantly more stable compared to forward-looking term rates (e.g. SOR) which are exposed to idiosyncratic market factors on a single day's fixing, such as quarter/year-end volatility.*
- *The use of an overnight interest rate benchmark in SGD financial products is in line with similar developments in key global markets, particularly in derivatives. Measures needed to transition to SORA will thus have significant synergies with market participants' ongoing efforts to develop trading capabilities in other near risk-free rates (RFR)-based financial products (e.g. SONIA, SOFR, SARON, TONA based derivatives).*
- *Cash market products (e.g. loans, bonds) that reference compounded SORA will benefit from the availability of SORA-based derivatives, which will be the market standard for SGD derivatives in the coming years.*

## **FAQ:**

### **Mortgage Loans:**

- 1. I currently have a property loan referencing SIBOR. How does the discontinuation of SIBOR affect my property loan? Do I have to take any action now?**

*If you have a property loan that references SIBOR, the bank will contact you at the appropriate time, giving you enough notice to consider switching to other loan packages which reference SORA, and guide you through the transition. There is no immediate action required from you.*

- 2. When the transition happens, will I be subject to re-computation of the Total Debt Servicing Ratio (TDSR) to switch my property loan referencing SIBOR/SOR to another loan package?**

*As the offering of replacement property loan packages is an industry wide exercise driven by the discontinuation of SIBOR/SOR, MAS will not require financial institutions to re-compute the TDSR for affected customers who switch to replacement loan packages.*

*Please note that under other refinancing scenarios (for example, should you initiate a refinancing with another financial institution), you may be subject to TDSR computation under the prevailing refinancing rules.*

- 3. Can I choose not to replace my property loan referencing SIBOR?**

*As 6M SIBOR and 1M/3M SIBOR are expected to be discontinued after the March 2022 and end of 2024 respectively, there will be a need to replace your property loan referencing SIBOR before these dates.*

- 4. Would my other retail loans be affected by this transition?**

*If you have other retail loans referencing SIBOR, the loans will similarly be affected by this transition. There is no immediate action required from you unless you wish to reprice or restructure these loans before the industry wide exercise where your bank will contact you to transition to other loan packages referencing SORA.*

## ***Student Loans:***

- 1. I currently have a study loan referencing SIBOR. How does the discontinuation of SIBOR affect my study loan? Do I have to take any action now?***

*If you have a study loan that references SIBOR, the bank will contact you at the appropriate time, giving you enough notice to consider switching to other loan packages which reference SORA, and guide you through the transition. There is no immediate action required from you.*

- 2. Can I choose not to replace my study loan referencing SIBOR?***

*As 6M SIBOR and 1M/3M SIBOR are expected to be discontinued after the March 2022 and end of 2024 respectively, there will be a need to replace your study loan referencing SIBOR before these dates.*

- 3. Will my monthly dues increase or decrease?***

*The interest rate will be pegged to SORA upon transition and no major variance is envisaged in the proposed repayment commitments.*

- 4. Do I need to execute any revised Loan documents/contract remediation?***

*Yes. The transition requires amendment in the existing loan document/contract remediation and the same needs to be executed.*

- 5. Would my other retail loans be affected by this transition?***

*If you have other retail loans referencing SIBOR, the loans will similarly be affected by this transition. There is no immediate action required from you unless you wish to reprice or restructure these loans before the industry wide exercise where your bank will contact you to transition to other loan packages referencing SORA.*