

# **CALCULATION METHODOLOGY FOR SIBOR<sup>1</sup> TO SORA<sup>2</sup> ADJUSTMENT SPREAD (RETAIL) – HISTORICAL MEDIAN**



**Steering Committee for SOR & SIBOR Transition to SORA ("SC-STS")**

Last updated: 30 June 2023

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<sup>1</sup> Singapore Interbank Offered Rate ("SIBOR")

<sup>2</sup> Singapore Overnight Rate Average ("SORA")

## Background on SIBOR to SORA Retail Transition Approach

In June 2023<sup>3</sup>, the Steering Committee for SOR & SIBOR Transition to SORA (“SC-STs”) recommended that the retail loan SIBOR to SORA transition comprise two phases:

1. First, an **active transition phase** from 1 September 2023 to 30 April 2024, during which customers may choose to take up either the SORA Conversion Package (“SCP”) or any of their bank’s prevailing packages. In this phase, the SCP would be structured as:

**3-month Compounded SORA<sup>4</sup> + customer’s existing SIBOR margin<sup>5</sup> +  
Adjustment Spread (spot-spread)**

**Adjustment Spread (spot-spread)** in each period will be computed as the average difference between the applicable SIBOR and 3-month Compounded SORA in the preceding three-month period, and floored at zero. This Adjustment Spread (spot-spread) will be published by the ABS Co on the first Singapore business day of each month, and will be used for customers transitioning to the SCP in the particular month. For example, the Adjustment Spread (spot-spread) published on 1 December 2023 will be used for to customers who actively transition to the SCP in December 2023. After the transition, the adjustment spread applied would remain fixed for the remaining tenor of the loan.

2. Second, an **automatic conversion** in June 2024 for customers<sup>6</sup> who did not participate in the active transition. Banks will automatically convert all remaining SIBOR retail loans to the SCP by applying an adjustment spread based on the 5-year historical median spreads between the applicable SIBOR and 3-month Compounded SORA. In this phase, the SCP will be structured as:

**3-month Compounded SORA + customer’s existing SIBOR margin +  
Adjustment Spread (historical median)**

**Adjustment Spread (historical median)** was computed as the 5-year historical median spreads<sup>7</sup> between the applicable SIBOR and 3-month Compounded SORA over the period 30 June 2018 to 30 June 2023, and published by SC-STs on 30 June 2023. Specifically, the Adjustment Spread (historical median) to automatically convert outstanding retail loans referencing respectively the 1-month and 3-month SIBOR to 3-month Compounded SORA was set at **0.2426%** and **0.3571%**.

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<sup>3</sup> See SC-STs’ Response to Consultation on Adjustment Spreads for the Conversion of SIBOR Loans to SORA (30 June 2023), <https://abs.org.sg/docs/library/response-to-feedback-on-consultation-on-adjustment-spreads-for-the-conversion-of-legacy-sibor-loans-to-sora.pdf>

<sup>4</sup> The 3-month Compounded SORA published by MAS at <https://eservices.mas.gov.sg/statistics/dir/DomesticInterestRates.aspx>. The 3-month compounded SORA is used in the SCP as it has been assessed to be more stable than the 1-month compounded SORA and less lagged than the 6-month compounded SORA. It is also the most common tenor setting in SORA loan packages offered by banks in Singapore.

<sup>5</sup> Banks will carry over the customer’s existing SIBOR margin (as a component of the all-in interest rate) in the SCP.

<sup>6</sup> Refers to customers who continued to service their loan via their existing or other payment methods, and who did not switch out of their SIBOR loans by the end of the active transition phase (i.e. by 30 April 2024).

<sup>7</sup> The 5-year historical median is computed based on the applicable SIBOR and Compounded SORA data published on Singapore business days.

### Calculation Methodology for SIBOR to SORA Adjustment Spread (historical median)

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|-------------------------------------|---|
| <b>Calculation Methodology</b>      | <b>Adjustment Spread (historical median) = Median value of daily differences between the applicable SIBOR rate and 3-month Compounded SORA, over the period from 30 June 2018 to 30 June 2023.</b>  |
| <b>No. of Decimal Points</b>        | Rounded to 4 decimal places   |
| <b>Published Values</b>             | <p>The following two (2) Adjustment Spreads (historical median) are computed:</p> <ol style="list-style-type: none"><li>1. 1-month SIBOR to 3-month Compounded SORA = <b>0.2426%</b></li><li>2. 3-month SIBOR to 3-month Compounded SORA = <b>0.3571%</b></li></ol> <p>The above Adjustment Spreads (historical median) will be used for customers converting from a 1-month SIBOR and/or 3-month SIBOR loan respectively to the SCP at the <b>automatic conversion in June 2024</b>.</p> <p>The adjustment spread applied will remain fixed for the remaining tenor of the loan.</p> |
| <b>Date and Time of Publication</b> | The Adjustment Spreads (historical median) was published by the SC-STS on 30 June 2023. This is available at <a href="https://abs.org.sg/benchmark-rates/publications">https://abs.org.sg/benchmark-rates/publications</a> .  |