

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



**ABS Benchmarks Administration Co. Pte Ltd (“ABS Co.”)**

[absCo@abs.org.sg](mailto:absCo@abs.org.sg)

Last updated: 4 September 2023

---

<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 that particular month. For example, the Adjustment Spread (spot-spread) published on 1 December 2023 will be used for 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%**.

<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 (spot-spread)

<b>Calculation Methodology</b>	<p><b>Adjustment Spread (spot-spread) = (Simple average of the applicable SIBOR rates in the past three months) – (Simple average of 3-month Compounded SORA in the past three months)</b></p> <p>The Adjustment Spread (spot-spread) is applied to account for recent differences in interest rate levels between the applicable SIBOR and 3-month compounded SORA.</p> <p>The computed adjustment spread value will be floored at zero if negative for the month.</p> <p><i>Please refer to the Example in the Annex for an illustration of the calculation of Adjustment Spreads (spot-spread) for 4 September 2023.</i></p>
<b>No. of Decimal Points</b>	Rounded to 4 decimal places
<b>Published Values</b>	<p>The following two (2) Adjustment Spreads (spot-spread) will be published each month:</p> <ol style="list-style-type: none"> <li>1. 1-month SIBOR to 3-month Compounded SORA</li> <li>2. 3-month SIBOR to 3-month Compounded SORA</li> </ol> <p>The above Adjustment Spreads (spot-spread) will be used for customers actively transitioning from a 1-month SIBOR and/or 3-month SIBOR loan respectively to the SCP <b>during the active transition phase from 1 September 2023 to 30 April 2024.</b></p> <p>The published Adjustment Spreads (spot-spread) at the start of the month will apply to all SIBOR loans which are transitioning to the SCP in that month.</p> <p>The adjustment spread applied will remain fixed for the remaining tenor of the loan.</p>
<b>Date and Time of Publication</b>	<p>The Adjustment Spreads (spot-spread) will be published on the first Singapore business day of each month at 11:00am Singapore time.</p> <p>Final publication date of the Adjustment Spreads (spot-spread) is expected to be 1 April 2024.</p>

## Annex - Example: Calculation of Adjustment Spreads (spot-spread) for 4 September 2023

### Calculation of 1M SIBOR to 3M Compounded SORA Adjustment Spread (spot-spread) to be published on 4 September 2023 (1 September 2023 is a Singapore Public Holiday)

Simple Average of 1M SIBOR from 1 June 2023 to 31 August 2023 = 3.972221587 %  
 Simple Average of 3M Compounded SORA from 1 June 2023 to 31 August 2023 = 3.673922222 %

#### 1M SIBOR to 3M Compounded SORA Adjustment Spread (spot-spread)

= (Simple Average of 1M SIBOR from 1 June 2023 to 31 August 2023) - (Simple Average of 3M Compounded SORA from 1 June 2023 to 31 August 2023)  
 = 3.972221587 - 3.673922222  
 = 0.2983 % ← Rounded to 4 decimal places. To be published on 4 September 2023 at 11:00am Singapore time

### Calculation of 3M SIBOR to 3M Compounded SORA Adjustment Spread (spot-spread) to be published on 4 September 2023 (1 September 2023 is a Singapore Public Holiday)

Simple Average of 3M SIBOR from 1 June 2023 to 31 August 2023 = 4.078104603 %  
 Simple Average of 3M Compounded SORA from 1 June 2023 to 31 August 2023 = 3.673922222 %

#### 3M SIBOR to 3M Compounded SORA Adjustment Spread (spot-spread)

= (Simple Average of 3M SIBOR from 1 June 2023 to 31 August 2023) - (Simple Average of 3M Compounded SORA from 1 June 2023 to 31 August 2023)  
 = 4.078104603 - 3.673922222  
 = 0.4042 % ← Rounded to 4 decimal places. To be published on 4 September 2023 at 11:00am Singapore time

Publication Date	1M SIBOR	3M SIBOR	3M Compounded SORA
1/6/2023	3.95238	4.08964	3.6241
5/6/2023	3.95238	4.08964	3.6313
6/6/2023	3.95238	4.08964	3.6337
7/6/2023	3.95238	4.08964	3.6355
8/6/2023	3.95238	4.08929	3.6394
9/6/2023	3.95238	4.08929	3.6431
12/6/2023	3.95238	4.08964	3.6535
13/6/2023	3.95238	4.09000	3.6520
14/6/2023	3.95238	4.09000	3.6500
15/6/2023	3.95238	4.09000	3.6501
16/6/2023	3.95238	4.09000	3.6531
19/6/2023	3.95238	4.08964	3.6445
20/6/2023	3.95238	4.08929	3.6416
21/6/2023	3.95238	4.08929	3.6397
22/6/2023	3.95238	4.08929	3.6361
23/6/2023	3.95238	4.08929	3.6346
26/6/2023	3.95238	4.08929	3.6352
27/6/2023	3.95238	4.08929	3.6371
28/6/2023	3.95238	4.08929	3.6396
30/6/2023	3.95238	4.08964	3.6414
3/7/2023	3.95238	4.08786	3.6549
4/7/2023	3.95238	4.08786	3.6600
5/7/2023	3.95238	4.08786	3.6621
6/7/2023	3.95238	4.08786	3.6653
7/7/2023	3.95238	4.08786	3.6685
10/7/2023	3.95238	4.08786	3.6794
11/7/2023	3.95238	4.08786	3.6844
12/7/2023	3.95238	4.08786	3.6890
13/7/2023	3.95238	4.08786	3.6926
14/7/2023	3.95238	4.08786	3.6955
17/7/2023	3.95238	4.08786	3.7016
18/7/2023	3.95238	4.08786	3.7044
19/7/2023	3.95238	4.08786	3.7069
20/7/2023	3.95238	4.08786	3.7093
21/7/2023	3.95238	4.08786	3.7111
24/7/2023	3.95238	4.08786	3.6996
25/7/2023	3.95238	4.08786	3.6947
26/7/2023	3.95238	4.08786	3.6914
27/7/2023	3.95238	4.08786	3.6883
28/7/2023	3.95238	4.08786	3.6844
31/7/2023	3.95238	4.08786	3.6774
1/8/2023	3.95238	4.08786	3.6748
2/8/2023	4.02500	4.05983	3.6706
3/8/2023	4.00000	4.05697	3.6676
4/8/2023	4.00000	4.05697	3.6663
7/8/2023	4.02500	4.05697	3.6796
8/8/2023	4.02500	4.05697	3.6844
10/8/2023	4.02500	4.05697	3.6872
11/8/2023	4.00000	4.05697	3.6878
14/8/2023	4.00000	4.05697	3.6938
15/8/2023	4.00000	4.05697	3.6954
16/8/2023	4.00000	4.05697	3.6965
17/8/2023	4.00000	4.05697	3.6976
18/8/2023	4.00000	4.05697	3.6985
21/8/2023	4.00000	4.05697	3.7078
22/8/2023	4.00000	4.05697	3.7076
23/8/2023	4.00000	4.05697	3.7051
24/8/2023	4.02500	4.05697	3.7046
25/8/2023	4.02500	4.05644	3.7034
28/8/2023	4.02500	4.05644	3.7000
29/8/2023	4.02500	4.05644	3.6996
30/8/2023	4.02500	4.05644	3.6976
31/8/2023	4.02500	4.05644	3.6949
<b>Simple Average</b>	<b>3.972221587</b>	<b>4.078104603</b>	<b>3.673922222</b>