

MEDIA RELEASE

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JOINT INDUSTRY CONSULTATION ON THE SIBOR REFORM AND A SHIFT TO A SORA-CENTERED SGD INTEREST RATE MARKET

1 Singapore – The Association of Banks in Singapore (“ABS”), the Singapore Foreign Exchange Market Committee (“SFEMC”), and the Steering Committee for SOR Transition to SORA (“SC-STS”) today issued a consultation report (“Report”), titled *SIBOR Reform and the Future Landscape of SGD Interest Rate Benchmarks*. The Report recommends the discontinuation of the SGD Singapore Interbank Offered Rate (“SIBOR”) in three to four years, and a shift to the use of the Singapore Overnight Rate Average (“SORA”) as the main interest rate benchmark for SGD financial markets. This shift will support the deepening of SORA markets, result in more transparent loan market pricing for borrowers, and more efficient risk management for lenders.

2 Arising from global efforts on interest rate benchmark reform, ABS and SFEMC earlier initiated a reform of SIBOR and an industry transition from SOR to SORA. ABS and SFEMC consulted on a new waterfall methodology for SIBOR in December 2017¹, and transitional testing was conducted from July 2019 to June 2020 to validate this new methodology. Concurrently, SORA was identified in August 2019 as the replacement interest rate benchmark to the SGD Swap Offer Rate (“SOR”), which will be discontinued together with the USD LIBOR benchmark after end-2021². Over the past 6 months, the SC-STS has made good progress in developing SORA markets. This includes establishing key SORA market conventions and infrastructure, enhancing industry and system readiness, and piloting new SORA products that cater to customers’ needs.

3 The SIBOR transitional testing showed that while the resulting rate – termed the New Polled Benchmark – was relatively robust, it displayed noticeable differences in volatility and levels compared to SIBOR. This posed two issues: (a) the more volatile nature of the New Polled Benchmark would make it more difficult for end-user acceptance, and (b) the different characteristics of the New Polled Benchmark will mean that it cannot directly replace SIBOR in existing financial contracts. Hence, the Report assessed that, rather than implementing two transitions to separate interest rate benchmarks (i.e. SOR-to-SORA, SIBOR-to-New Polled Benchmark), it will be beneficial in the long run for SGD financial markets to shift to a SORA-centered SGD interest rate market (“SORA-centered approach”). This will avoid market

¹ Under this new methodology, the underlying market for SIBOR was expanded beyond the term unsecured interbank funding market, to include wholesale funding transactions, such as large-sized corporate deposits. The ABS-SFEMC “Consultation Paper on the Evolution of SIBOR” can be found [here](#), and the response to feedback received can be found [here](#).

² UK authorities have highlighted that it would not persuade or oblige panel banks to remain on the LIBOR panel after end-2021. As SOR relies on USD LIBOR in its computation methodology, the likely discontinuation of LIBOR after end-2021 directly impacts the future sustainability of SOR. The ABS-SFEMC consultation report “Roadmap for Transition of Interest Rate Benchmarks: From SOR to SORA” that identifies SORA as the alternative interest rate benchmark to SOR and sets out a roadmap for this transition can be found [here](#), and the SC-STS Response Paper to the consultation can be found [here](#).

fragmentation, facilitate transparency and easier comparison of loan pricing, and promote the development of deep and efficient SGD financial markets.

4 To ensure a smooth transition for existing SIBOR users, the Report proposes for the transition to be done in a phased approach. Transition of contracts referencing the more widely-used 1M and 3M SIBOR will take place after the industry has substantially completed the transition from SOR to SORA. Thus, 1M and 3M SIBOR will only be discontinued in three to four years, to provide sufficient time for the transition of existing SIBOR contracts. The 12M SIBOR will be discontinued by end-2020 as earlier announced by ABS, while the Report proposes to discontinue the 6M SIBOR when or shortly after the 6M SOR is discontinued after end-2021³. The discontinuation of 6M and 12M SIBOR is not expected to impact many customers given low market usage of these rates.

5 Mr Samuel Tsien, ABS and SC-STS Chairman, said, “Major financial centres globally will be moving onto a risk-free rate (“RFR”)-centred approach or increasing the use of their RFRs. The SORA-centered approach will better position SGD financial markets for the future. It will allow users of SGD floating rate products, including retail consumers and SMEs with products that reference SIBOR today, to benefit from a deeper and more efficient market, and greater transparency. The industry, led by the SC-STS, is committed to developing SORA-based solutions and products that will meet the needs of all users, and to working with existing SIBOR customers to achieve a smooth transition.”

6 Ms Jacqueline Loh, Deputy Managing Director, Monetary Authority of Singapore (“MAS”), and SC-STS member, said, “MAS supports the proposal to shift to a SORA-centered approach, which will involve a paced transition away from SIBOR. This is an important step forward by the industry that will enhance liquidity and improve the overall functioning of SGD interest rate markets. MAS looks forward to working with the industry to ensure a smooth and well-managed transition to this SORA-centred approach.”

7 The Report can be found [here](#). ABS, SFEMC, and SC-STS invite stakeholders to provide feedback on the proposals using the feedback template [here](#). For further queries, please email ABS Co at SORTransition@abs.org.sg or call +65 6224 4300.

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³ Currently, 6M SIBOR is relied upon in the methodological fallback of 6M SOR.

Note to Editors:

Association of Banks in Singapore (ABS)

ABS is a non-profit organisation that represents the interests of the banking community in Singapore. In doing so, ABS works closely with the relevant government authorities towards the development of a sound financial system in Singapore. Since its establishment in 1973, ABS has promoted a unifying voice on banking issues. It has brought its members closer together through various guidelines and banking practices as well as the support of projects of mutual benefit to face the challenges of the financial and banking community in Singapore. Today ABS has a membership of 155 local and foreign banks.

ABS Benchmarks Administration Co. Pte Ltd (ABS Co) is an independent locally incorporated company fully owned by the Association of Banks in Singapore. It was established in June 2013 specifically to own and administer the ABS Benchmarks in Singapore - the Singapore Interbank Offered Rate (SIBOR), the Swap Offer Rate (SOR), the SGD Spot FX and the THB Spot FX.

More information on ABS is available at www.abs.org.sg.

Singapore Foreign Exchange Market Committee (SFEMC)

The SFEMC aims to foster the growth and development of Singapore as a leading global financial centre in Asia, with specific focus on foreign exchange, money markets, fixed income and derivatives markets. The SFEMC comprises a diverse group of capital market participants, including from banks, brokers and asset managers. Members are selected based on their ability to contribute to the objectives of the SFEMC, experience in the industry and seniority in their respective firms.

The SFEMC's specific objectives are:

- Foster the broadening and deepening of capital markets;
- Discuss technical and structural issues relating to capital markets, and to play a coordinating role amongst market participants during times of market instability;
- Develop and recommend appropriate industry standards and codes;
- Promote high standards of professional conduct and competencies in market participants; and
- Serve as a channel of communication amongst market participants and the Monetary Authority of Singapore (MAS).

The SFEMC is responsible for the Singapore Guide to Conduct and Market Practices for the Wholesale Financial Markets (Blue Book).

The SFEMC also works closely with the Association of Banks in Singapore, the Singapore Money Brokers Association (SMBA), the ACI Singapore, the Investment Management Association of Singapore, the Association of Corporate Treasurers (Singapore), as well as other similar committees involved in financial markets.



Steering Committee for SOR Transition to SORA (SC-STS)

The Steering Committee for SOR 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. As the transition involves many industry participants, as well as commercial and retail customers, it is critical to have adequate stakeholder engagement and a well-managed transition.

Led by industry, the SC-STS is chaired by Mr Samuel Tsien, Group CEO of OCBC Bank and ABS Chairman. The Committee is responsible for providing strategic direction on industry proposals to develop new products and markets based on SORA. The Committee will also engage stakeholders to seek feedback and raise awareness on issues related to the transition from SOR to SORA. The Committee comprises senior representatives from key banks in Singapore, relevant industry associations, and MAS.

Click [here](#) for the list of SC-STS members.