

MEDIA RELEASE

31 March 2021

NEW TIMELINES TO CEASE ISSUANCE OF SOR DERIVATIVES AND SIBOR-LINKED FINANCIAL PRODUCTS

1 Singapore – The Steering Committee for SOR & SIBOR Transition to SORA¹ (“SC-STTS”) today published a [report](#) announcing new industry timelines to cease issuance of SOR derivatives and SIBOR-linked financial products by end-September 2021. To reinforce the shift to a SORA-centered SGD interest rate landscape, SC-STTS had, in February 2021, outlined plans to provide additional guidance on these cessation timelines.²

2 The new timelines specify that by end-September 2021:

(a) All financial institutions and their customers should cease usage of SOR in new derivatives contracts, except for specified purposes relating to the risk management and transition of legacy SOR positions to SORA.³ This complements existing industry timelines to reduce the stock of outstanding SOR products ahead of SOR’s discontinuation in mid-2023⁴, including to cease usage of SOR in new cash market products by end-April 2021, and for all banks to substantially reduce their gross exposures to SOR derivatives by end-September 2021.⁵

(b) All financial institutions and their customers should cease usage of SIBOR in new contracts. This is consistent with the preparation for the discontinuation of the less widely used 6-month SIBOR by March 2022, and the widely used 1-month and 3-month SIBOR benchmarks by end-2024. There is no immediate impact on existing SIBOR loans. Banks will reach out to their customers at the appropriate time and provide sufficient notice for customers to consider switching these loans to other alternative loan packages.

In preparation for this shift to SORA usage, most Domestic Systemically Important Banks (D-SIBs) are already offering a range of SORA products, while other banks are expected to do so by end-April 2021.

¹ SOR is the Singapore Dollar (SGD) Swap Offer Rate and SIBOR is the Singapore Interbank Offered Rate. Both benchmarks are published by ABS Benchmarks Administration Co Pte Ltd. SORA is the Singapore Overnight Rate Average published by MAS and reflects the volume-weighted average rate of SGD unsecured overnight interbank lending transactions in Singapore. SORA is set to replace both SOR and SIBOR as the key interest rate benchmark referenced in SGD financial instruments. Refer to the [ABS-SFEMC and SC-STTS Joint Response to Feedback Received on SIBOR Reform and the Future Landscape for SGD Interest Rate Benchmarks \(11 December 2020\)](#) for further information on the on-going shift to a SORA-centred SGD interest rate market.

² See SC-STTS [Media Release on Further Measures to Boost SORA Transition \(2 February 2021\)](#)

³ Refer to Annex B of the SC-STTS Publication on [Timelines to Cease Issuance of SOR and SIBOR-linked Financial Products \(31 March 2021\)](#), which lists the purposes for which SOR derivatives can continue to be used after end-September 2021.

⁴ As announced by [ICE Benchmark Administration](#) and the [UK Financial Conduct Authority](#) in March 2021, the widely referenced USD LIBOR settings will cease in their current form immediately after 30 June 2023. As such, SOR, which is computed using USD LIBOR, will similarly cease immediately after 30 June 2023.

⁵ See SC-STTS [Timelines to Cease Issuance of SOR-Linked Financial Products \(27 October 2020\)](#)

3 While SOR remains available till mid-2023, liquidity in SOR derivatives markets has started to decline and this trend will likely accelerate with the new cessation timeline on the use of new SOR derivatives. SC-STS therefore strongly encourages market participants to take active steps to transition their SOR derivatives, loans and other contracts to SORA in 2021, when the liquidity conditions in the SOR-SORA basis swap markets is still expected to remain conducive. Market participants that are unable to actively transition contracts by end-2022 should incorporate appropriate fallback arrangements and expect increasing difficulties in managing such positions as liquidity in SOR markets declines further.

4 SC-STS has also reviewed its guidance around Fallback Rate (SOR), which was designed only as an interim fallback solution for contracts that cannot be transitioned to SORA before SOR ceases. It was previously announced that Fallback Rate (SOR) would be published for a period of about three years following the expected discontinuation of SOR after end-2021 (i.e. till end-2024).⁶ With SOR now set to be discontinued later in mid-2023, more existing legacy SOR transactions would be able to mature and the need for extended Fallback Rate (SOR) arrangements would be much lower. Hence, SC-STS has decided to retain the original end-2024 end-date for Fallback Rate (SOR).

5 Mr Samuel Tsien, Group CEO of OCBC Bank, and ABS and SC-STS Chairman, said, “The industry has made significant progress over the past year to develop new SORA markets, including usage of SORA in a wide variety of cash market products and growing adoption in derivatives. Banks have been ramping up their preparations for the cessation of SOR usage in cash market products by end-April this year, and with that a shift to wider SORA usage. With this latest move by the industry committing to cease issuance of SOR derivatives and SIBOR-linked products by end-September 2021, we look forward to a single SORA-centered interest rate benchmark regime, which will be beneficial to both customers and financial institutions for a more transparent and efficient market.”

6 Mr Leong Sing Chiong, MAS Deputy Managing Director and SC-STS member, said, “MAS supports SC-STS’ recommendations to further reduce reliance on SOR and SIBOR. Market participants should take active steps to shift both new use and legacy exposures to SORA, so as to minimise financial and operational risks as liquidity in SOR derivatives markets is expected to decline in 2022. Financial institutions and their customers should make good use of the current window of opportunity to actively transition from SOR to SORA.”

7 The SC-STS report on “Timelines to Cease Issuance of SOR and SIBOR-Linked Financial Products” and previous publications can be found [here](#). For further queries, please email ABS Co. at SORTransition@abs.org.sg or call +65 6224 4300.

END

⁶ See SC-STS guidance on [Role of Fallback Rate Arrangement for SOR Derivatives \(1 September 2020\)](#)

Note to Editors:

The 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 154 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 Singapore Dollar Swap Offer Rate (SOR), the Singapore Dollar Spot FX and the Thai Baht Spot FX. ABS Co also administers the Fallback Rate (SOR).

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

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

The Committee 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, and renamed the Committee as the Steering Committee for SOR & SIBOR Transition to SORA (SC-STS)⁷. As the transition from SOR and SIBOR involves many industry participants, as well as commercial and retail customers, the SC-STS will ensure 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 and SIBOR to SORA. The Committee comprises senior representatives from key banks in Singapore, relevant industry associations, and MAS.

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

⁷ The previous name of the Committee was the Steering Committee for SOR Transition to SORA.