**SIBOR TRANSITION TO SORA**
**FAQs FOR CORPORATES AND SME (LOANS)**

**Background – SIBOR to SORA transition**

**1. What is SORA (Singapore Overnight Rate Average)?**

SORA has replaced the Singapore Interbank Offered Rate (SIBOR) and Swap Offer Rate (SOR) as the key interest rate benchmark for Singapore dollar (S$) interest rate contracts.

SORA is calculated and administered by the Monetary Authority of Singapore (MAS). It is published as a daily rate and a series of 1-month, 3-month and 6-month compounded rates on the MAS website at https://eservices.mas.gov.sg/statistics/dir/DomesticInterestRates.aspx. The Compounded SORA rates are calculated as the compounded average of daily SORA readings over the relevant 1-month, 3-months or 6-months periods before each publication date, reducing the effects of rate volatility.

SORA is a robust and transparent benchmark anchored on actual market transactions and underpinned by a deep and liquid overnight interbank funding market. It is determined based on the volume-weighted average rate of borrowing transactions in the unsecured overnight interbank Singapore dollar cash market in Singapore between 8.00am and 6.15pm.

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

If you have a loan that references SIBOR, you will need to switch to prevent any disruption to your loan when SIBOR ceases after 31 December 2024, as SIBOR-based interest payments cannot be computed thereafter.

You are strongly encouraged to contact your bank early to explore the available options. If you do not switch your SIBOR loan to an alternative package by 30 September 2024, and continue servicing the interest on your loan, your bank will automatically insert a contractual fallback to your SIBOR-based loan ("**SORA Amendment**"), as set out in the letter sent out by your bank, whereupon the SORA Amendment will apply for interest periods commencing after 31 December 2024.

**3. Would all SIBOR-based corporate loans be affected by this transition?**

If you have other corporate loans referencing SIBOR, the loans could similarly be affected by this transition. If that is the case, you should contact your Relationship Manager as soon as possible to discuss your situation.

**Switching Out of Your SIBOR Loan**

**4. How do I make the switch now?**

You can contact your relationship manager or call your bank's general hotline to find out more about the prevailing offerings (e.g. a loan pegged to SORA), subject to the prevailing terms and conditions.

You are strongly encouraged to contact your bank **as soon as possible**, so that your bank can effect the conversion before 30 September 2024.

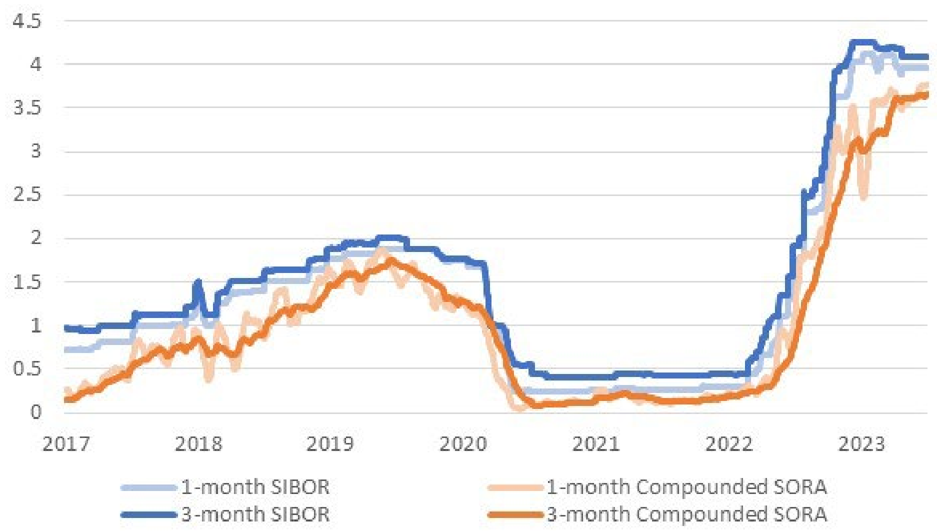
**5. What is the adjustment spread and how does this affect my loan?**

An adjustment spread is necessary, to account for inherent differences between these benchmarks, and to maintain parity when converting a SIBOR loan to a SORA reference.

SIBOR represents unsecured term (1-month or 3-month) lending rates, and hence includes term and credit risk premiums, which account for the uncertainty in the level of interest rates over a future period as well as the risk of providing unsecured credit over a 1-month or 3-month period. In contrast, SORA and Compounded SORA represent overnight lending rates, and exclude such term and credit risks.

Consequently, as reflected in Diagram 1 below, 1-month Compounded SORA and 3-month Compounded SORA have also typically been significantly lower than 1-month and 3-month SIBOR respectively.

**Diagram 1: Historical comparison of 1-month and 3-month SIBOR and Compounded SORA**



6. **How is the adjustment spread determined for the conversion of my SIBOR loan to SORA reference?**

For the conversion of SIBOR contracts to SORA, the Steering Committee for SOR & SIBOR Transition (SC-STS) has recommended[1] that the adjustment spread be based on the 5-year historical median spreads between SIBOR and Compounded SORA (as per table below). The same adjustment spread is applicable to both Compounded SORA-in-arrears and SORA-in-advance.

| | **1-mth SIBOR to 1-mth compounded SORA** | **3-mth SIBOR to 3-mth compounded SORA** |
|---|---|---|
| **5-Year Median Period Start Date** | **30 June 2018** | |
| **5-Year Median Period End Date** | **30 June 2023** | |
| **Adjustment Spread (4 decimal places)** | **0.2059%** | **0.3571%** |

If your original loan is 1-month SIBOR, this will fallback to 1-month Compounded SORA + 0.2059%; and if your original loan is 3-month SIBOR, this will fallback to 3-month Compounded SORA + 0.3571%.

7. **Will the Adjustment Spread change throughout the tenure of my loan?**

No, the Adjustment Spread will be fixed for the remaining maturity of your loan at the point of the conversion of your SIBOR loan to SORA. It will be matched to the tenor of SIBOR applied for your original loan. For example, if your original loan was pegged to 3-month SIBOR, the Adjustment Spread applied will be a 3-month Adjustment Spread (i.e. 0.3571%).

If your loan has an option to choose interest periods at each interest reset – for example, choosing between SIBOR tenors (i.e. 1-month, 3-month) – the Adjustment Spread applied will be the average of the adjustment spreads for both tenors i.e. (0.2059%+0.3571%)/2 = 0.2815%.

**SORA Amendment after 30 September 2024**

8. **What will happen if I do not convert my SIBOR loan by 30 September 2024?**

If you continue to service your loan via your existing or other payment arrangements with your bank, and do not actively switch out of your SIBOR-based loan by 30 September 2024, your bank will treat your conduct as showing your clear intention to continue your loan arrangements with the bank, whereupon the SORA Amendment will be applied as set out in the letter sent by your bank.

[1] See *SC-STS Response to Consultation Feedback and Final Recommendations for Adjustment Spreads for the Conversion of SIBOR Loans to SORA (30 June 2023)* at http://abs.org.sg/docs/library/response-to-feedback-on-consultation-on-adjustment-spreads-for-the-conversion-of-legacy-sibor-loans-to-sora.pdf

Under the SORA Amendment, the interest rate benchmark on your loan would switch from SIBOR to SORA, without any further action being taken, for the interest periods commencing after 31 December 2024, when SIBOR is discontinued.

For example, if you have a loan pegged to 3-month SIBOR with an interest payment date on 28 December 2024. The 3-month SIBOR rate to be applied to the 3-month interest period starting on 28 December 2024 will be sourced on 28 December 2024. This will be the last 3-month period whose interest accrual is based on SIBOR, because SIBOR will be discontinued immediately after 31 December 2024. Therefore, for the 3-month period starting on 28 March 2024, interest will be accrued using SORA.

**9. Why is the SORA Amendment being applied so far in advance of the discontinuation of SIBOR?**

Your bank will incorporate the SORA Amendment as a fallback in your loan document after 30 September 2024, ahead of SIBOR discontinuation on 31 December 2024. This avoids an unnecessary rush towards the date of SIBOR discontinuation, and reduces risks of customers being inconvenienced by possible loan disruption (e.g. inability to compute loan interest rates).

For avoidance of doubt, your loan will continue to accrue interest based on SIBOR until the commencement of the interest period immediately following 31 December 2024.

Please see question 8 for further details.

**10. What does the term "existing SIBOR loan margin" refer to?**

"Existing SIBOR loan margin" refers to the spread added to SIBOR that is used to compute your total loan interest rate. This would be stated in the Letter of Offer from your bank. For example, if your current SIBOR-based property loan is priced at SIBOR + 0.8%, then the existing SIBOR loan margin is 0.8%.