

Wilmar and DBS ink Singapore's first SORA-based loan for the agribusiness industry

Singapore, 27 Aug 2020 - DBS and Wilmar International Limited (Wilmar), Asia's leading agribusiness group, have inked the agribusiness industry's first corporate loan agreement pegged to the Singapore Overnight Rate Average (SORA). At the start of each interest period, Wilmar will also have the option to enter into a SORA interest rate swap (IRS) to give certainty of interest rates. This is the industry's first SORA loan coupled with an IRS.

The SGD 200 million SORA-based loan and the IRS will be yet another milestone in the nation's transition roadmap towards adopting SORA as the new interest rate benchmark for the Singapore Dollar cash and derivatives markets. Given SORA's growing importance as a key interest rate benchmark in SGD financial markets, it supports the Association of Banks in Singapore and the Singapore Foreign Exchange Market Committee (ABS-SFEMC)'s efforts to develop new SORA-based markets^[1]. It also complements the industry-led transition roadmap, set out by the Steering Committee for SOR Transition to SORA (SC-STs).

The loan facility's interest rate, which references SORA, comprises two components: (1) a compounded daily SORA rate^[2] calculated in arrears and (2) an applicable margin.

Mr Charles Loo, Wilmar's Chief Financial Officer, said that it is in Wilmar's DNA to be entrepreneurial and innovative. "We are delighted to have partnered DBS to support Singapore's transition to new benchmark interest rates with this new SORA facility. Wilmar's SORA-based loan, a first for the agribusiness industry, will put us in good stead to ride the wave of interest rate reforms and drive better understanding and greater adoption of risk-free rates in general, which is more stable and robust."

Ms Tan Su Shan, Group Head, Institutional Banking Group at DBS, said that the SORA facility builds momentum to facilitate the industry's transition towards adopting SORA as a new interest rate benchmark in cash and derivatives markets.

"We are very pleased to have supported Wilmar, a long-standing client, in leading the market in the transition to SORA. Forward-looking companies like Wilmar are positioning themselves for the future by tapping SORA financing early. This means that they will have a greater understanding of how SORA works and will be at the forefront of innovative SORA-based financing solutions as market adoption increases. We're honoured to be able to partner large conglomerates like Wilmar to transition to a new interest rate environment which will be more robust as SORA is underpinned by a deep and liquid overnight interbank funding market."

Mr Andrew Ng, Group Head, Treasury & Markets at DBS said that the SORA IRS demonstrates DBS' commitment to increase liquidity in SORA-derivatives. This will allow clients like Wilmar to continue to hedge their loan exposures and facilitate a smoother transition into the new benchmark.

Earlier this year, DBS was the first financial institution in Singapore to successfully price the issue of a SORA-referenced floating rate note.

[1] On 30 August 2019, ABS-SFEMC announced that the discontinuation of the London Interbank Offered Rate (LIBOR) would affect the sustainability of the SGD Swap Offer Rate (SOR) and held a public consultation on the use of SORA as the new interest rate benchmark to replace SOR. More recently, the Steering Committee for SOR Transition to SORA (SC-STs) published the response to feedback on 19 March 2020, together with a roadmap for the transition. SORA is a transaction-based interest rate benchmark underpinned by the SGD overnight interbank funding market and has been published by the Monetary Authority of Singapore since July 2005.

[2] SORA is a backward-looking overnight rate as compared to forward-looking reference rates commonly used for loan facilities in Singapore, such as the SGD Swap Offer Rate (SOR) where the interest rate is determined at the start of the interest period. To determine the interest rate of a SORA-based loan facility, the daily SORA rates are compounded in arrears and the interest rate is determined by the end of the relevant interest period.

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About DBS

DBS is a leading financial services group in Asia with a presence in 18 markets. Headquartered and listed in Singapore, DBS is in the three key Asian axes of growth: Greater China, Southeast Asia and South Asia. The bank's "AA-" and "Aa1" credit ratings are among the highest in the world.

Recognised for its global leadership, DBS has been named "[World's Best Bank](#)" by Euromoney, "[Global Bank of the Year](#)" by The Banker and "[Best Bank in the World](#)" by Global Finance. The bank is at the forefront of leveraging digital technology to shape the future of banking, having been named "[World's Best Digital Bank](#)" by Euromoney. In addition, DBS has been accorded the "[Safest Bank in Asia](#)" award by Global Finance for 11 consecutive years from 2009 to 2019.

DBS provides a full range of services in consumer, SME and corporate banking. As a bank born and bred in Asia, DBS understands the intricacies of doing business in the region's most dynamic markets. DBS is committed to building lasting relationships with customers, and positively impacting communities through supporting social enterprises, as it banks the Asian way. It has also established a SGD 50 million foundation to strengthen its corporate social responsibility efforts in Singapore and across Asia.

With its extensive network of operations in Asia and emphasis on engaging and empowering its staff, DBS presents exciting career opportunities. The bank acknowledges the passion, commitment and can-do spirit in all of our 29,000 staff, representing over 40 nationalities. For more information, please visit www.dbs.com.