

CALCULATION METHODOLOGY FOR SOR TO SORA ADJUSTMENT SPREAD (RETAIL)



ABS Benchmarks Administration Co. Pte Ltd

absCo@abs.org.sg

Last updated: 01 September 2021

Calculation Methodology for SOR to SORA Adjustment Spread (Retail)

<p>Description</p>	<p>In July 2021¹, the Steering Committee for SOR & SIBOR Transition to SORA (SC-STS), recommended that banks inform and provide options to retail customers to convert their legacy SOR loans as soon as possible.</p> <p>To convert retail SOR loan exposures to SORA, the SC-STS recommended that banks make available to retail customers a SORA Conversion Package at no additional fee or lock-in.</p> <p>The SORA Conversion Package will be structured as:</p> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p>3M SORA compounded-in-advance + customer's original credit spread + relevant Adjustment Spread (Retail)</p> </div> <p>The SORA Conversion Package is designed to minimise differences in interest payments at the point of conversion from SOR to SORA. This is achieved through the application of a standardised adjustment spread i.e. the Adjustment Spread (Retail). The Adjustment Spread (Retail) is necessary when converting a SOR loan to a SORA reference because there are fundamental differences between SOR and SORA, which result in Compounded SORA being typically lower than SOR.</p> <p>To support adoption, ABS Co. will publish, on a monthly basis, an Adjustment Spread (Retail) to be applied to all legacy SOR loans converting to a SORA Conversion Package in that month².</p>
<p>Calculation Methodology</p>	<p>Adjustment Spread (Retail) = (Simple average of relevant SOR rates in the past three months) – (Simple average of 3M compounded SORA in the past three months)</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 below for an illustration of the calculation of Adjustment Spreads (Retail) for 1 September 2021.</i></p>
<p>No. of Decimal Points</p>	<p>Rounded to 4 decimal places</p>
<p>Published Values</p>	<p>The following three (3) Adjustment Spreads (Retail) will be published each month:</p> <ol style="list-style-type: none"> 1. 1M SOR to 3M Compounded SORA 2. 3M SOR to 3M Compounded SORA 3. 6M SOR to 3M Compounded SORA <p>The above Adjustment Spreads (Retail) will be used respectively by customers converting from a 1M SOR, 3M SOR and 6M SOR loan to the SORA Conversion Package.</p>
<p>Date and Time of Publication</p>	<p>The Adjustment Spreads (Retail) will be published on the first business day of each month at 11:00am Singapore time.</p> <p>Final publication date of the Adjustment Spreads (Retail) is expected to be 1 September 2022.</p>

¹ See SC-STS Recommendations for Transition of Legacy SOR Contracts (29 July 2021), <https://abs.org.sg/docs/library/sc-sts-recommendations-for-transition-of-legacy-sor-contracts.pdf>

² For the bank-facilitated conversion in Phase 2, the Adjustment Spread (Retail) value published as at 1 September 2022 will be applied for legacy SOR loans converting to SORA in the month of October 2022 so as to give customers 30 days' notice of the replacement rate in their SORA Conversion Packages.

Example: Calculation of SOR to SORA Adjustment Spreads (Retail) for 1 September 2021

Calculation of 1M SOR to 3M Compounded SORA Adjustment Spread (Retail) to be published on 1 September 2021

Simple Average of 1M SOR from 1 June 2021 to 31 August 2021 = 0.170307143 %
 Simple Average of 3M Compounded SORA from 1 June 2021 to 31 August 2021 = 0.139607813 %

1M SOR to 3M Compounded SORA Adjustment Spread (Retail)
 = (Simple Average of 1M SOR from 1 June 2021 to 31 August 2021) - (Simple Average of 3M Compounded SORA from 1 June 2021 to 31 August 2021)
 = 0.170307143 - 0.139607813
 = **0.0307 %** ← Rounded to 4 decimal places. To be published on 1 September 2021 at 11:00am Singapore time

Calculation of 3M SOR to 3M Compounded SORA Adjustment Spread (Retail) to be published on 1 September 2021

Simple Average of 3M SOR from 1 June 2021 to 31 August 2021 = 0.203052698 %
 Simple Average of 3M Compounded SORA from 1 June 2021 to 31 August 2021 = 0.139607813 %

3M SOR to 3M Compounded SORA Adjustment Spread (Retail)
 = (Simple Average of 3M SOR from 1 June 2021 to 31 August 2021) - (Simple Average of 3M Compounded SORA from 1 June 2021 to 31 August 2021)
 = 0.203052698 - 0.139607813
 = **0.0634 %** ← Rounded to 4 decimal places. To be published on 1 September 2021 at 11:00am Singapore time

Calculation of 6M SOR to 3M Compounded SORA Adjustment Spread (Retail) to be published on 1 September 2021

Simple Average of 6M SOR from 1 June 2021 to 31 August 2021 = 0.224627143 %
 Simple Average of 3M Compounded SORA from 1 June 2021 to 31 August 2021 = 0.139607813 %

6M SOR to 3M Compounded SORA Adjustment Spread (Retail)
 = (Simple Average of 6M SOR from 1 June 2021 to 31 August 2021) - (Simple Average of 3M Compounded SORA from 1 June 2021 to 31 August 2021)
 = 0.224627143 - 0.139607813
 = **0.0850 %** ← Rounded to 4 decimal places. To be published on 1 September 2021 at 11:00am Singapore time

Publication Date	1M SOR	3M SOR	6M SOR	3M Compounded SORA
1/6/2021	0.20206	0.24126	0.28068	0.1679
2/6/2021	0.20755	0.25439	0.28157	0.1685
3/6/2021	0.20171	0.24931	0.27254	0.1695
4/6/2021	0.20037	0.24267	0.27043	0.1702
7/6/2021	0.19532	0.23421	0.26084	0.1683
8/6/2021	0.18472	0.2384	0.26014	0.1674
9/6/2021	0.1696	0.22425	0.25497	0.1667
10/6/2021	0.15912	0.2111	0.24385	0.1653
11/6/2021	0.15229	0.20435	0.2383	0.1644
14/6/2021	0.15363	0.20042	0.22933	0.1561
15/6/2021	0.16278	0.21292	0.23002	0.153
16/6/2021	0.17932	0.21966	0.24231	0.1503
17/6/2021	0.21962	0.24343	0.2554	0.1489
18/6/2021	0.22395	0.23816	0.2465	0.1486
21/6/2021	0.22939	0.23894	0.25501	0.1494
22/6/2021	0.21764	0.24135	0.2574	0.1492
23/6/2021	0.23155	0.2566	0.25949	0.1493
24/6/2021	0.24555	0.25784	0.27144	0.1484
25/6/2021	0.22134	0.24572	0.25996	0.1482
28/6/2021	0.21083	0.24096	0.25499	0.1399
29/6/2021	0.1953	0.23873	0.24715	0.1367
30/6/2021	0.19009	0.23873	0.23882	0.1349
1/7/2021	0.17451	0.22252	0.23902	0.1326
2/7/2021	0.18607	0.22216	0.24608	0.1323
5/7/2021	0.18607	0.22395	0.24608	0.1328
6/7/2021	0.17702	0.21378	0.24222	0.1326
7/7/2021	0.14677	0.17708	0.22313	0.1327
8/7/2021	0.16275	0.1808	0.2239	0.1332
9/7/2021	0.1796	0.20206	0.21907	0.1339
12/7/2021	0.16433	0.20206	0.21529	0.1365
13/7/2021	0.14508	0.18158	0.20592	0.1368
14/7/2021	0.14801	0.18066	0.20233	0.1368
15/7/2021	0.14274	0.18493	0.19537	0.1368
16/7/2021	0.12633	0.18281	0.18908	0.1371
19/7/2021	0.13262	0.17377	0.18996	0.1347
21/7/2021	0.14167	0.18339	0.19855	0.1344
22/7/2021	0.15697	0.17451	0.20502	0.135
23/7/2021	0.14644	0.17773	0.20533	0.1351
26/7/2021	0.14007	0.18193	0.2032	0.1319
27/7/2021	0.14921	0.18537	0.20326	0.1319
28/7/2021	0.15619	0.18516	0.19961	0.1312
29/7/2021	0.15794	0.17726	0.19349	0.1306
30/7/2021	0.14869	0.16715	0.18962	0.13
2/8/2021	0.15008	0.17558	0.19845	0.1321
3/8/2021	0.15008	0.17458	0.19457	0.1319
4/8/2021	0.14668	0.17173	0.19743	0.1309
5/8/2021	0.16244	0.18177	0.19558	0.1302
6/8/2021	0.15787	0.18344	0.19407	0.129
10/8/2021	0.16093	0.17562	0.20321	0.1313
11/8/2021	0.16358	0.17963	0.21039	0.1301
12/8/2021	0.15928	0.18161	0.20668	0.1301
13/8/2021	0.15402	0.17947	0.20631	0.1295
16/8/2021	0.14438	0.178	0.20145	0.1272
17/8/2021	0.14782	0.18324	0.2053	0.1262
18/8/2021	0.15619	0.18957	0.21112	0.1256
19/8/2021	0.16245	0.1935	0.2091	0.1255
20/8/2021	0.15216	0.18673	0.20594	0.1259
23/8/2021	0.14873	0.18592	0.2039	0.1275
24/8/2021	0.15741	0.18258	0.21085	0.1279
25/8/2021	0.15605	0.18163	0.21201	0.1281
26/8/2021	0.15605	0.18425	0.21413	0.1284
27/8/2021	0.16355	0.1824	0.21301	0.1287
30/8/2021	No SOR published as it is London non-business day			0.1296
31/8/2021	0.15679	0.18701	0.21134	0.1292
Simple Average	0.170307143	0.203052698	0.224627143	0.139607813