



FOR IMMEDIATE RELEASE

MEDIA RELEASE

Industry Steering Committee Finalises the Key Settings of the MAS Recommended Rate and Supplementary Guidance for Active Transition of Legacy Wholesale Market SOR Contracts to SORA

Singapore, 18 July 2022... The Association of Banks in Singapore (“ABS”) and the Steering Committee for SOR & SIBOR Transition to SORA¹ (“SC-STS”) today finalised the key settings of the MAS Recommended Rate² (“MRR”), that will apply as a contractual fallback reference rate in wholesale SOR contracts after 31 December 2024. The SC-STS has also set out supplementary guidance, to help market participants price the conversion of wholesale SOR contracts to SORA for the current period until 31 December 2024. These were set out in the SC-STS’ [response](#) to the “[Consultation on Adjustment Spreads for the Conversion of Legacy SOR Contracts to SORA](#)” (“Consultation”) published on 18 May 2022.

2 The key settings of the MRR and its supplementary guidance for active transition of legacy wholesale SOR contracts are as follows:

- The MRR for the respective tenors (Overnight, 1-month, 3-months and 6-months) will be computed as the sum of Compounded SORA-in-arrears and an MRR Adjustment Spread for the respective tenor.
- The applicable MRR Adjustment Spread will be determined using the historical median of the spread between SOR and Compounded SORA-in-arrears for the respective tenor, using a 5-year lookback period ending 18 July 2022³.

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 borrowing transactions in Singapore. SORA is set to replace both SOR and SIBOR as the key interest rate benchmark referenced in SGD financial instruments.

² The MAS Recommended Rate is the fallback rate, in the ISDA 2020 IBOR Fallbacks Protocol, Supplement number 70 to the 2006 ISDA Definitions and the 2021 ISDA Interest Rate Derivatives Definitions, as well as the SC-STS’ recommended fallbacks for bilateral and syndicated business loans, that will apply when Fallback Rate (SOR) is discontinued after 31 December 2024.

³ The SC-STS will publish further guidance on the computation of the MRR Adjustment Spreads around September 2022.

- The SC-STs' supplementary guidance will apply to active transition of SOR corporate loans, bonds and derivatives contracts⁴ to SORA until 31 December 2024. The applicable adjustment spread for interest rate periods until 31 December 2024 should be computed from a linear interpolation between the Reference Spot Spread and the applicable MRR Adjustment Spread for interest rate periods after 31 December 2024. The Reference Spot Spread will be determined using the historical median of the spread between SOR and Compounded SORA-in-arrears for the respective tenor, using a 6-month lookback period ending 18 July 2022.
- The SC-STs' supplementary guidance is to be applied directly to the transition of unhedged loans (i.e. without need for further negotiations on pricing), and can serve as a reference starting point for counterparty discussions on the transition of bilateral derivatives and hedged loans.

3 The committee's guidance provides clarity on the pathway for the eventual transition of all legacy SOR contracts to SORA, and will further facilitate the industry's transition away from SOR ahead of its discontinuation after 30 June 2023.

- First, the SC-STs' supplementary guidance will be immediately useful to further support active transition from legacy wholesale SOR contracts to SORA, particularly for complex and syndicated transactions.
- Second, the setting of the MRR will serve as a useful point of reference for clearing houses' automatic conversion of cleared SOR derivatives to SORA, which will take place before 30 June 2023.
- Finally, the MRR provides contractual and valuation certainty for wholesale SOR contracts that rely on Fallback Rate (SOR) and mature beyond its discontinuation after 31 December 2024.
- Following today's announcement, the committee plans to publish further guidance on technical and implementation issues, and introduce an online adjustment spread calculator to support the application of the committee's supplementary guidance. Both are expected to be published by end-September 2022.

4 Mr Wee Ee Cheong, Deputy Chairman and CEO of UOB, ABS Chairman and SC-STs Co-Chair, said, "We have proceeded to finalise the Committee's proposals on the MAS Recommended Rate and supplementary guidance for active transition, noting the strong

⁴ Including SOR contracts that settle against Fallback Rate (SOR). Fallback Rate (SOR) is the contractual fallback rate, in the ISDA 2020 IBOR Fallbacks Protocol, Supplement number 70 to the 2006 ISDA Definitions and the 2021 ISDA Interest Rate Derivatives Definitions, as well as the SC-STs' recommended fallbacks for bilateral and syndicated business loans, that will apply when SOR is discontinued after 30 June 2023.

support received from the consultation. This will provide banks and wholesale customers with a robust and transparent approach to transition their SOR contracts to SORA.”

5 Mr Leong Sing Chiong, MAS Deputy Managing Director (Markets and Development) and SC-STS Co-Chair, said, “Today’s confirmation of the key settings of the MAS Recommended Rate and supplementary guidance brings us closer to completing the industry wide transition away from SOR. I strongly urge all market participants to leverage the SC-STS’ recommendations to actively transition their legacy SOR exposures to SORA, as we draw closer to SOR’s discontinuation in June next year.”

6 The response paper can be found [here](#). For further queries related to the SC-STS consultation paper, please email ABS Co. at SORTransition@abs.org.sg.

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 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 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-STTS)

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 SORA⁵. As the transition from SOR and SIBOR involves many industry participants, as well as commercial and retail customers, the SC-STTS seeks to ensure adequate stakeholder engagement and a well-managed transition.

The SC-STTS is co-chaired by Mr Wee Ee Cheong, Deputy Chairman and CEO of United Overseas Bank Ltd, and ABS Chairman, together with Mr Leong Sing Chiong, MAS Deputy Managing Director (Markets and Development). 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 and relevant industry associations.

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

⁵ The previous name of the Committee was the Steering Committee for SOR Transition to SORA.