

MEDIA RELEASE

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INDUSTRY STEERING COMMITTEE SETS OUT KEY PRIORITIES TO ACHIEVE SMOOTH TRANSITION TO SORA

1 Singapore – The Steering Committee for SOR Transition to SORA (“SC-STS”)¹ today outlined its key priorities and updated transition roadmap² to achieve a smooth transition to the Singapore Overnight Rate Average (“SORA”) as the new interest rate benchmark for the SGD cash and derivatives markets. This was set out together with its response to feedback³ received on the consultation report “Roadmap for Transition of Interest Rate Benchmarks: From SOR to SORA”, which was released by the Association of Banks and Singapore Foreign Exchange Markets Committee (“ABS-SFEMC”) on 30 August 2019.

2 Overall, SC-STS noted that there was broad support for SORA to be adopted as the new interest rate benchmark to replace SOR. Respondents acknowledged that the move from SOR to SORA was aligned with the global transition from LIBOR to overnight risk-free rates (“RFR”), and provided suggestions to develop SORA markets, enhance SORA adoption, and reap synergies between SORA cash and derivative markets. In addition, respondents highlighted important transition issues that needed to be addressed, including establishing robust fallback arrangements and setting out clear transition timelines.

3 Since its formation in August 2019, SC-STS has started laying the groundwork to achieve a smooth transition from SOR to SORA. To provide further clarity to market participants, SC-STS has also released an updated transition roadmap setting out key milestones and initiatives which include:

- **Readying SORA market conventions and infrastructure to enable broad adoption by market participants**
 - Published Compounded SORA definition by ISDA.
 - Published contract templates for SORA Overnight Indexed Swaps (“OIS”), Cross-Currency Swaps (“CCS”), and SOR-SORA Basis Swap.⁴
 - Launching of central clearing of SORA derivatives.
 - Publishing guidance on market conventions across SORA derivatives, floating rate notes (“FRNs”) and loans.

¹ The SC-STS was established by MAS in tandem with the issuance of the ABS-SFEMC paper, to oversee the industry-wide interest rate benchmark transition from SOR to SORA

² The updated SC-STS Transition Roadmap can be found [here](#).

³ The SC-STS Response Paper can be found [here](#).

⁴ These templates can be found [here](#).

- Exploring the use of SORA in credit support annexes (“CSAs”) for un-cleared SGD derivatives, and as price alignment interest (“PAI”) and discount rate for cleared derivatives.
- **Building liquidity in SORA markets to support take-up by end-users**
 - Completed test-trades for SORA OIS, CCS, and SOR-SORA Basis Swaps,⁵ paving the way for active SORA derivatives trading by the end of the year.
 - Exploring the issuance of SORA-based FRN by MAS in 2020, to catalyse similar issuances from other corporates and financial institutions.
 - Encouraging key banks to make markets in SORA derivatives so that quotes and prices are actively displayed on key financial market data platforms
- **Transition of legacy SOR contracts to reduce risks associated with outstanding SOR contracts**
 - Communicated to ISDA its support for Adjusted SOR as the contractual fallback rate for SGD derivatives. It will also develop industry guidance on appropriate fallbacks for cash market products.
 - Developing an active SOR-SORA Basis Swaps market to facilitate transition of legacy contracts.
 - Providing industry guidance by end 2020 on a deadline for market participants to cease originations of new SOR contracts.
- **Engaging stakeholders early to facilitate smooth transition**
 - Supporting banks outreach to customers early, to raise awareness, address key questions and prepare them for the transition.
 - Conducting regular outreach events to provide progress updates on its key initiatives.

4 Mr Samuel Tsien, ABS and SC-STS Chairman, said, “It is critically important for Singapore’s financial industry to achieve a smooth transition to SORA in advance of the likely discontinuation of SOR after end-2021. SC-STS recognizes that this transition would require significant industry effort, coordination and collaboration involving various stakeholders. The key priority is to ensure financial institutions and our end customers are well-prepared for this transition, and customers are able to make informed choices which will have an impact on their financing.”

“SC-STS is fully committed to support the industry transition from SOR to SORA. To this end, its work in the next few months will be focused on readying market conventions and infrastructure, building liquidity in SORA markets, engaging early adopters on pilot product structures for SORA usage in the cash markets, and helping customers’ transition legacy

⁵ Banks which have undertaken SORA derivatives transactions include: DBS Bank Ltd, Deutsche Bank AG, Oversea-Chinese Banking Corporation Limited, Standard Chartered Bank and United Overseas Bank Limited. Other major dealers are expected to undertake these transactions in the coming months.

contracts. As our work progresses, we will also provide relevant industry guidance and regular updates to keep all stakeholders informed of key developments.”

5 Ms Jacqueline Loh, MAS Deputy Managing Director and SC-STS member, said, “Financial institutions must be proactive and make necessary preparations that are commensurate with the nature, scale and complexity of their operations and usage of such benchmarks. These include setting up a robust internal governance framework that provides oversight for the transition of operational functions and business lines to SORA, enhancement of treasury and loan systems to handle its usage, and ensuring sufficient resources to facilitate staff training and customer engagement. With our collective efforts, I am confident that we can achieve a smooth transition to SORA.”

Note to Editors:

The Steering Committee for SOR Transition to SORA

The Steering Committee for SOR Transition to SORA (SC-STTS) 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. As the transition involves many industry participants, as well as commercial and retail customers, it is critical to have adequate stakeholder engagement and a well-managed transition.

Led by industry, the SC-STTS 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 to SORA. The Committee comprises senior representatives from key banks in Singapore, relevant industry associations, and MAS.

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