

MEDIA RELEASE

15 March 2023

SIBOR to SORA Transition Commences

1 Singapore – As the SOR to SORA transition nears its successful completion¹, the Steering Committee for SOR & SIBOR Transition to SORA (“SC-STTS”) today launched a consultation on the setting of adjustment spreads to convert legacy loans referencing SIBOR to a SORA reference. The consultation begins the second phase of the orderly transition to a SORA-based interest rate landscape in Singapore. The SC-STTS also announced a range of measures that banks will provide to support customers who wish to switch out of their SIBOR retail loans early.

SC-STTS’ Consultation on Adjustment Spreads for the Conversion of Legacy SIBOR Loans to SORA

2 Historically, there has been a difference in the rates for SIBOR and SORA, where SIBOR is typically higher. Hence, the conversion of a legacy SIBOR contract to a SORA-based contract requires an adjustment spread. This spread accounts for inherent differences between SIBOR and Compounded SORA, such as the credit and term risk premium absent in SORA.

3 For the proposed approach for conversion of SIBOR retail loans, the SC-STTS considered that macroeconomic and interest rate conditions for 2023 and 2024 are uncertain at this juncture. The proposed approach seeks to give retail customers options for transition that best meet their needs, provides certainty and transparency to retail customers and banks and safeguards against extreme adjustment spread outcomes. As such, for the transition of SIBOR retail loans²:

- There will be a period of active transition from 1 August 2023 to 30 April 2024, where the adjustment spread on the SIBOR-SORA Conversion Package (“SIBOR-SCP”) for each month will be determined as the average spread between SIBOR and Compounded SORA over the preceding three months. During this period, customers have the choice to (i) switch to the SIBOR-SCP, (ii) switch to banks’ prevailing packages, or (iii) do nothing and be converted automatically after the period of active transition.
- The industry-wide automatic conversion will be carried out by banks around June 2024 after the period of active transition, converting all outstanding SIBOR retail loans to reference SORA. This is necessary to prevent loan disruption as interest payments based on SIBOR cannot be computed after SIBOR is discontinued. The adjustment spread applied at automatic conversion will be determined as the 5-year historical median spread between SIBOR and Compounded SORA and will be published by SC-STTS before 1 August 2023 so that the choices

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 Apart from **SIBOR** retail loans, the consultation also covers the adjustment spread for **SIBOR** corporate loans (including SME loans, bilateral corporate loans and syndicated loans), where the SC-STTS recommended applying the 5-year historical median spread between SIBOR and Compounded SORA as the applicable spread.

available will be clear for customers. The SC-STTS views the 5-year historical median spread as reflective of a fair rate through the lifetime of the loan. The application of the historical median at automatic conversion also safeguards against extreme scenarios where spot-spreads may experience unexpected and volatile surges.

Waiver of fees and property loan rules for the transition of SIBOR retail loans

4 The SC-STTS has worked with banks in Singapore to offer customers with existing SIBOR retail loans a one-time fee-free switch to any prevailing package offered by the same bank³. This will support customers who may wish to switch out of their SIBOR retail loans early amid the shifts in interest rates over the past year. The one-time fee-free switch will apply to all switches from existing SIBOR retail loans to the SC-STTS' recommended SIBOR-SCP or prevailing packages offered by the banks. This will be available to customers from today until 31 December 2024.

5 In parallel with SC-STTS' announcement, the Monetary Authority of Singapore (MAS) has affirmed that the taking up of the SIBOR-SCP and prevailing packages offered by their banks to customers with existing SIBOR property loans will not be regarded as a refinancing of property loans under MAS' property loan rules. This is consistent with the approach taken for the SOR to SORA transition. As such, the computation of Total Debt Servicing Ratio (TDSR), Loan-To-Value (LTV), and Mortgage Servicing Ratio (MSR) requirements will not be applicable for SIBOR customers switching to the SIBOR-SCP or prevailing package with the same financial institution.

6 The SC-STTS consultation paper can be found [here](#). The SC-STTS invites feedback on the proposals using the feedback form [here](#) by 28 April 2023. For further queries related to the SC-STTS consultation paper, please email ABS Co at sibor@abs.org.sg.

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³ Banks will waive administrative and legal fees that usually apply in the repricing of outstanding loans to new packages. However, customers opting to switch to the prevailing packages will be subject to the terms and conditions of the prevailing package, including lock-in periods where applicable.

Note to Editors:

The Association of Banks in Singapore (ABS)

ABS plays an active role in promoting and representing 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 common understanding among its members and projected 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 over 150 local and foreign banks.

ABS Benchmarks Administration Co. Pte Ltd (ABS Co) is an independent locally incorporated company fully owned by ABS. 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-STS)

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 SORA⁴. As the transition from SOR and SIBOR involves many industry participants, as well as commercial and retail customers, the SC-STS seeks to ensure adequate stakeholder engagement and a well-managed transition.

The SC-STS is co-chaired by Mr Wee Ee Cheong, Deputy Chairman and CEO of UOB, 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-STS members.

⁴ The previous name of the Committee was the Steering Committee for SOR Transition to SORA.