

Information on LIBOR/SOR Transition

1. Background

Interbank Offered Rate (IBOR) is an interest rate for inter-bank lending and borrowing, which has gradually developed into a benchmark reference rate in the financial market. Among the various IBORs, the London Interbank Offered Rate (LIBOR) is the most widely used by international financial institutions. However, as time goes by, the number of transactions using LIBOR as the lending or borrowing rate has been declining gradually, some tenors of LIBOR submitted by panel banks are the “expected” unsecured IBORs reliant on "expert judgement", which makes LIBOR deviate from the market realities and unable to reflect the actual market price accurately.

In order to strengthen the reliability of benchmark rate and robustness of financial market, International Organization of Securities Commission (IOSCO), the Financial Stability Board (FSB) and the other relevant international organizations have initiated the plan for the reforms of benchmark in 2013. The British Financial Conduct Authority (FCA) also believes that LIBOR becomes no longer representative of the interest rate benchmark in the financial market. In July 2017, FCA has announced that it will no longer request panel banks to submit LIBOR quotation from end of 2021. At same time, the ICE Benchmark Administration (IBA) will cease LIBOR publication.

On 5 March, 2021, IBA announced the results of the consultation about LIBOR transition. FCA also announced LIBOR cessation dates at the same day. Please refer to the table for the last date of LIBOR publication for each currency:

LIBOR Settings		Last date of publication/ representativeness
CHF LIBOR - ALL TENORS		31 December 2021
EURO LIBOR - ALL TENORS		31 December 2021
GBP LIBOR - ALL TENORS		31 December 2021
JPY LIBOR - ALL TENORS		31 December 2021
USD LIBOR	1W & 2M	31 December 2021
	O/N, 1M,3M,6M & 12M	30 June 2023

2. Impact on SOR

As the SGD benchmark rate - Swap offer rate (SOR) utilizes the USD LIBOR in its computation, the cessation of LIBOR will affect the sustainability of SOR publication. In light of these developments, the Association of Banks in Singapore and Singapore Foreign Exchange

Market Committee (ABS-SFEMC) released a consultation report and set out a roadmap for SOR transition. On 31 March 2021, the Steering Committee for SOR Transition to SORA (“SC-STs”) established by the Monetary Authority of Singapore (MAS) published a report announcing new timelines to cease issuance of SOR and SIBOR-linked financial products. The announcement can be read on ABS website.

3. Alternative Benchmark Rates

As LIBOR is being phased out, regulatory authorities of five major LIBOR currencies (USD, GBP, EUR, CHF, JPY) have recommended alternative reference rates and the Association of Banks in Singapore and Singapore Foreign Exchange Market Committee (ABS-SFEMC) released a consultation report that identified the Singapore Overnight Rate Average (SORA) as the alternative interest rate benchmark to SOR. There are many differences between LIBOR and each alternative interest rate, including but not limited to LIBOR as a forward-looking rate but alternative reference rates as backward-looking rates; LIBOR is an unsecured lending rate and it contains premium of liquidity and credit risk, while alternative reference rates are nearly risk-free rates (RFRs).

A summary of Alternative Reference Rates is presented as follows:

	USD LIBOR	GBP LIBOR	EUR LIBOR	CHF LIBOR	JPY LIBOR	SGD SOR
Transition to	Risk-free rate	Risk-free rate	Multiple reference rate publication	Risk-free rate	Multiple reference rate publication	Risk-free rate
Recommended Alternative Reference Rate	SOFR Secured Overnight Financing Rate	SONIA Reformed Sterling Overnight Index Average	€STR Euro Short-Term Rate	SARON Swiss Average Rate Overnight	TONA Tokyo Overnight Average Rate	SORA Singapore Overnight Rate Average
Collateral	secured	unsecured	unsecured	secured	unsecured	unsecured
Methodology	Based on real transaction data	Based on real transaction data	Based on real transaction data	Based on real transaction data	Based on real transaction data	Based on real transaction data
Overnight or Forward	Overnight	Overnight	Overnight	Overnight	Overnight	Overnight

3. Impact on Clients with reference to LIBOR/SOR Transition

Since LIBOR/SOR is widely used for the pricing of loans, securities and derivatives, therefore,

relative contracts have to be amended for adapting LIBOR/SOR transition. It is recommended for you/the company to review all existing contracts to identify loans, securities or derivatives contracts using LIBOR/SOR as the interest rate benchmark. At the same time, you/the company can also consult with your professional advisors about the possible impacts of LIBOR/SOR transition on the legacy related financial products or will be engaged in the future.

4. SCSB's Response to LIBOR/SOR Transition

We are closely monitoring the development of the alternative benchmark rate in each jurisdiction and will update the latest information on our website and implement the relevant transition plan.

5. Further Information

If you would like to know more about the background of LIBOR transition, please refer to FCA official website at

<https://www.fca.org.uk/markets/libor>

If you would like to have more information about the reforms of the benchmark rate of the five major LIBOR currencies and SOR, please refer to the following website of the working group of each currency

i. **USD : SOFR =>**

<https://www.newyorkfed.org/arrc/index.html>

ii. **GBP : SONIA =>**

<https://www.bankofengland.co.uk/markets/transition-to-sterling-risk-free-rates-from-libor>

iii. **EUR : €STR =>**

https://www.ecb.europa.eu/paym/initiatives/interest_rate_benchmarks/WG_euro_risk-free_rates/html/index.en.html

iv. **CHF : SARON =>**

https://www.snb.ch/en/ifor/finmkt/fnmkt_benchm/id/finmkt_reformrates

v. **JPY : TONA =>**

https://www.boj.or.jp/en/paym/market/jpy_cmte/index.htm/

vi **SGD : SORA =>**

<https://abs.org.sg/benchmark-rates/announcements>

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