

FREQUENTLY ASKED QUESTIONS

FAQs FOR BOND ISSUERS

Q1: When do issuers need to start preparing for the transition from SOR to SORA?

Given that SOR will be impacted by the expected discontinuation of USD LIBOR after the end of 2021, issuers should start preparing for the change now.

For issuers with existing debt securities which reference SOR, which will mature beyond the end of 2021, you should start preparing for the transition as early as possible by reviewing the terms and conditions of the affected debt securities to understand the consequential implications and the actions required.

For issuers looking to issue debt securities before the end of 2021, kindly refrain from referencing SOR, and instead consider referencing SORA. You may wish to discuss this with your bank.

Q2: How can issuers check whether the existing debt securities issued are impacted by the SOR to SORA transition?

Please refer to the terms and conditions of the debt securities you have issued and look out for any reference to SOR.

Perpetual debt securities, floating rate notes or debt securities with 'makewhole'¹ features are likely to reference SOR. Please review sections with the headers such as 'Payment', 'Interest Rate', 'Distribution', 'Swap-Offer Rate', 'Reset Date', 'First Call Date', 'Call Date', 'Benchmark' and so on. Please ascertain how SOR or the benchmark reference rate is being determined in the debt securities you have issued.

Q3: How do issuers know if the terms and conditions of the debt securities have incorporated provisions to deal with the SOR to SORA transition?

Please review the terms and conditions to assess if they provide for the discontinuation of SOR or benchmark. This is also known as 'Fallback Replacement Language' (see Q10 below). Key headers include 'Benchmark Discontinuation and Replacement', 'Independent Advisor', 'Benchmark Events', 'Adjustment Spread' and 'Benchmark Amendments'.

If the terms and conditions address the discontinuation of SOR or benchmark, you will not need to take further action. However, if the terms and conditions do not address the discontinuation of

¹ Makewhole options are options given to an issuer to redeem the relevant bonds prior to their maturity date. The redemption amount may be determined by referencing SOR.

SOR or benchmark, you should assess the consequential implications and actions required in respect of such debt securities. As this is an important determination, you should consult your advisors and consultants (such as banks, in-house counsels, external law firms or professional firms who supported you in the issuance of debt securities) accordingly.

Q4. Does an issuer need to seek consent from bondholders to effect the transition from SOR to SORA for an existing SGD issue which references SOR? Can a bond trustee agree to the changes on behalf of the bondholders since it is an industry-wide transition?

The terms and conditions of debt securities will set out, among other things, whether certain terms (such as the benchmark setting) may be amended. If so, please check the terms and conditions to see if the change requires the consent of the bondholders, the bond trustee or otherwise. You may wish to consult your advisors and consultants.

Q5: If the terms and conditions of the debt securities which reference SOR provide for a call option for the issuer to redeem the debt securities on the designated redemption date, do I still need to amend the terms and conditions to cater for SOR to SORA transition if the intention is to redeem the debt securities?

If the terms and conditions of the debt securities provide for a call option (which is a common feature in perpetual debt securities), the issuer may call the debt securities on the designated redemption date without having to amend the terms and conditions to cater for the SOR to SORA transition.

If the debt securities are not subject to a call option, the coupon of the securities has a reset feature based on SOR and the debt securities mature after the end of 2021, the issuer should discuss with their advisors and consultants if and how the terms and conditions should be amended (including considering consent solicitation exercises).

Q6: If there are multiple banks (e.g. arrangers, lead managers, bookrunners or dealers) on an existing debt securities issue, who should an issuer approach on the transition?

The transition is an industry-wide exercise and all banks would be aware of the change. Issuers may approach any one or more of the banks on the transition.

Q7: If an issuer plans to issue perpetual debt securities or floating rate notes in the next 12- 18 months until the end of LIBOR, how can it incorporate SORA?

Initial versions of SORA-based market conventions and languages have been developed and reflected in some recent debt programmes. Such conventions and language may evolve over time. Issuers who would like to incorporate SORA now may approach any of the banks for further information.

Q8: If an issuer is looking at issuing fixed rate debt securities before the end of 2021, will it be affected by the SOR to SORA transition?

Coupons on fixed rate debt securities will be unaffected by the SOR to SORA transition as there is no re-fixing of the coupons over the tenor of the debt securities. For debt securities with any 'makewhole' feature, the issuer should ensure that any reference to SOR for the 'makewhole' calculation also contain transition provisions. This will ensure that the 'makewhole' clause can continue to be applied, if required, after the end of 2021.

Q9: If an issuer has entered into a swap (IRS or CCS) transaction with respect to affected legacy SGD debt securities, does it need to review the swap separately?

If the swap references SOR and extends beyond the end of 2021, the issuer should contact its swap counterparty to better understand how the SOR to SORA transition will impact the swap transaction.

Q10. What are the fallback replacement approaches commonly used in the bond market to accommodate the reference rate change?

There are two approaches being studied and these will be assessed further by SC-STs to determine which is more suitable for the SGD bond market. The first is the appointment of an Independent Adviser to identify a fallback benchmark rate. The other is the US Alternative Reference Rates Committee (ARRC) waterfall approach, which is more prescriptive. SC-STs will issue industry guidance on this in due course.

Q11. How will secondary bond prices be quoted during the transition phase?

During the transition period (from now to the end of 2021), where SOR remains available, secondary bond prices can be quoted on SOR plus an appropriate spread. Alternatively, bonds can be quoted on a yield basis.

Q12. Will a SOR-SORA basis swap market be developed?

Some banks in Singapore have completed test SOR-SORA basis swap transactions. SC-STs and market participants are working towards further developing the SOR-SORA basis swap market.

Q13: How will the interest or coupon of a floating rate note referencing SORA be fixed? Is it based on a daily overnight rate or term rate for period of say, 1 month, 3 months etc.?

Currently, the coupon of a floating rate note referencing SORA will be based on a daily overnight rate to be compounded over an agreed period of time, say, 1 month or 3 months. A term rate is currently being explored and therefore, it is not available.