SOFR Floating Rate Notes Comparison Chart

Alternative Reference Rates Committee August 2019

In 2017, the Alternative Reference Rates Committee (“ARRC”) selected the Secured Overnight Financing Rate (“SOFR”) as the successor for U.S. dollar LIBOR. SOFR is based on overnight repurchase agreement (repo) transactions secured by U.S. Treasury securities, the largest rates market in the world.

Key Terms

Averaging Method: An average of daily SOFR rates referenced in FRNs can either be calculated by using a *simple* or a *compound* average

Methods to achieve cash flow certainty before an interest payment is due:

- ***Lookback:*** The SOFR rate used to calculate a rate for each day in an interest period is based on the SOFR that represents repo transactions on a prior day
- ***Lockout:*** One of the daily SOFR rates is “suspended” meaning that it is repeated for several days, typically at the end of an interest period
- ***Payment Date Delay:*** Payment dates may be delayed for several days after an interest period concludes

	Multiple FRNs 2018-2019	**Goldman Sachs FRNs May 2019**	**European Investment Bank FRNs June 2019; World Bank FRNs July 2019**	**Morgan Stanley FRNs June 2019; Bank of America FRNs July 2019**	**Standard Overnight Index Swap (OIS)**
Averaging Method	Simple Averaging	Daily Compounding	Daily Compounding	Daily Compounding	Daily Compounding
Payment Date	On the interest period end date[1]	On the interest period end date	On the interest period end date	2 business days following the interest period end date	2 business days following the interest period end date
Lookback	1 business day	2 business days[2]	5 business days[3]	No lookback[4]	No lookback
Lockout	Generally 2 business days	None	None	Only applicable on final interest period: 2 business days	None
Day Count Convention	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360

1. This chart assumes interest generally accrues from, and including, an “interest period end date” to, but excluding, the next “interest period end date.”
2. The GS FRN “lookback” applied each daily SOFR rate to the compounding formula based on the observation period date. With a 2-day shift, the observation period starts and ends two days prior to interest period start and end dates. This formulation can be used to align with hedges.
3. The EIB FRN “lookback” applied each daily SOFR rate to the compounding formula based on the applicable interest period date. This is the standard convention in the SONIA FRN market and a mismatch with swaps may occur around holidays but is minimal when using a 5-day lookback.
4. “No lookback” in this chart applies the daily SOFR rate representing repo trading on such day that will be published the following U.S. business day. A “no lookback” structure requires an additional convention for secondary market trading (e.g. a lockout).