Updated State of Play of Alternative Currency Benchmark Rates

March 28, 2025

By **Joe Zeidner**
Partner | Fund Finance

With four major interest rate benchmarks ceasing to be published by the end of last year, we thought now would be a good time to provide a refresher on alternative currency rates. In this article we first discuss the key shifts that occurred to transition to more robust benchmarks for Canadian dollars, Singapore dollars, Japanese yen and Mexican pesos. We then examine the ongoing relevance of the base rate conventions for Euros, Sterling, Australian dollars, Hong Kong dollars, New Zealand dollars, Danish krone, Norwegian krone, Swedish krona and Swiss francs. With this information, you'll be prepared to manage any related provisions in your fund finance transactions.

Discontinued Benchmarks

As mentioned, the prior benchmark rates for Canadian dollars, Singapore dollars, Japanese yen and Mexican pesos have been phased out, whether completely or partially as described below. So you will want to pay particular attention to these currencies if they are still listed in your credit facilities.

Canadian Dollars

On June 28, 2024, Canada saw the discontinuation of the Canadian Dollar Offered Rate ("CDOR") as the benchmark for pricing Canadian dollar loans. In its place, the Canadian Overnight Repo Rate Average ("CORRA") has taken center stage. CDOR, like other interbank offered rates, incorporated a credit risk premium. That compensates a financial institution for the potential risk of lending funds to a bank to be used by that bank for its financing transactions. CORRA represents a so-called risk-free rate, closely aligned with the methodology for similar benchmarks like SOFR for U.S. dollars and with the Bank of Canada's target overnight rate.

Within the CORRA framework, two variations have emerged in the marketplace. Term CORRA is a forward-looking term rate that reflects the market's future expectations based on futures pricing over one- and three-month periods. Daily Simple CORRA is rate calculated daily based on overnight secured repurchase agreement transactions. Notably, CORRA does not incorporate any compensation for the credit risk of banks, meaning that loans priced using CORRA will generally have lower rates compared to their CDOR counterparts. To account for this difference, a credit spread adjustment is commonly used to maintain economic equivalence, with 29.547 basis points added for one-month tenors (including daily tenors with a one-month interest payment period) and a 32.138 basis points adjustment for three-month tenors.

Participants in our market largely amended their loan agreements last year to replace CDOR with CORRA. In lieu of doing so, certain lenders offered their borrowers a suspension of rights agreement. It allowed the parties to simply agree that requests for borrowing in Canadian dollars would not be honored until the facility agreement was amended to include CORRA. Those who took this latter approach may look to update for CORRA in any amendments this year or to remove Canadian dollars as being offered under their facility altogether.

Singapore Dollars

Another significant transition took place last year with the Singapore Interbank Offered Rate ("SIBOR"), which was discontinued on December 31, 2024. In its place, the Singapore Overnight Rate Average ("SORA"), a risk-free rate tied to the overnight interbank Singapore dollar market, has become the applicable reference rate for fund finance loan pricing.

SORA follows a transparent, transaction-based methodology and can be applied using a daily simple convention for U.S. deals or a compounded in arrears calculation in UK transactions. Published by the Monetary Authority of Singapore ("MAS"), SORA is based on a minimum volume of S$500 million in overnight funding transactions between banks, ensuring a solid and reliable benchmark.

To transition to SORA, market participants may adjust the terms of existing agreements. For instance, SORA spread adjustments are 20.59 basis points for one-month tenors and 35.71 for basis points three-month tenors. It is important for borrowers and lenders to amend their credit agreements to incorporate SORA or remove Singapore dollars, or enter into a suspension of rights agreement, since continuing to use SIBOR in contracts is no longer an option.

Japanese Yen

Japan has also seen notable changes to its interest rate benchmarks. The Euroyen Tokyo Interbank Offered Rate ("Euroyen TIBOR") was traditionally used in cross-border financing transactions but ceased publication after December 30, 2024. While this marks the end of Euroyen TIBOR, Japanese yen TIBOR remains in use for transactions in the U.S., European and Asian loan markets. That is the benchmark that has been used for fund finance facilities, so the cessation of Euroyen TIBOR will generally not impact our industry.

Notably, Japanese yen TIBOR has undergone a reformulation, transitioning from expert-based assessments to being calculated based on actual trade data. This shift ensures the continued relevance of Japanese yen TIBOR, which remains essential for fund finance transactions that offer Japanese yen. Although Tokyo Overnight Average Rate ("TONAR") and Tokyo Repo Rate ("TORR") are potential long-term benchmark replacements, Japanese yen TIBOR continues to be backed by a market with significant transaction volumes, making it a reliable reference rate that is not expected to be phased out in the near term.

Mexican Pesos

In Mexico, the Interbank Equilibrium Interest Rate ("TIIE") has gradually been replaced by the Overnight TIIE Funding Rate (TIIE de Fondeo, or F-TIIE) for peso-denominated fund finance loans. This shift marks the same move away from historical interbank offered rates based on expert submissions in many jurisdictions to a more resilient and reliable benchmark based on actual market trades. The F-TIIE is calculated from overnight repo transactions involving government securities and is published by Banco de México.

The transition began on January 1, 2024, with the 91-day and 182-day TIIE tenors transitioning to F-TIIE, and finished January 1, 2025, with 28-day TIIE moving to F-TIIE. This reform brings Mexico in line with global trends and ensures that the new benchmark is based on real-world transactions. Importantly, Banco de México has not signaled that existing contracts need to stop using TIIE, only that new ones would. So credit facilities from before the shift may continue to use the prior benchmark without transitioning. F-TIIE should be adopted in new deals and may use a spread adjustment of 24 basis points.

Continued Relevance of Other Currency Benchmarks

Alongside the foregoing benchmark changes, it is crucial to understand the role of other global currencies and their associated reference rates that are frequently used in fund finance deals. The following currencies remain integral to our industry's international landscape.

Euro

The Euro remains a dominant force in the global economy, being the official currency of the Eurozone and the second-most traded currency in the world after the U.S. dollar. It plays a pivotal role in the fund finance market. In terms of interest rate benchmarks, the Euro has historically relied on the Euro Interbank Offered Rate ("EURIBOR"). With the transition away from LIBOR, the Euro Short-Term Rate ("€STR") became increasingly significant as the primary fallback benchmark for lending Euros, and it has been seen in some fund finance facilities. But EURIBOR is the existing interest rate in roughly €180 trillion of financial contracts. So last year, regulators reformed the methodologies of how it is calculated to maintain its existence. This phased approach from May to October 2024 migrated the relevant panel banks from providing expert submissions on the value of the rate to instead relying on data from real trades in the Euro money market. As such, there are no current plans to end EURIBOR and it can continue to be used in your fund finance facilities for the foreseeable future.

Sterling

Like the Euro, Sterling is one of the most widely used currencies in fund finance. Its interest rate benchmark, Sterling Overnight Index Average ("SONIA"), is now the standard basis for Sterling-denominated loans in our transactions. SONIA is based on actual trades in the overnight bank-to-bank market and provides an accurate and market-reflective rate for the roughly £90 trillion of new financial contracts in which it is used each year. The shift to SONIA was part of a broader effort to ensure financial market integrity and transparency. Credit facilities in Europe calculate the rate using a compounded in arrears methodology that aligns with the general principles promulgated by the Bank of England, while fund finance deals in the United States most often implement SONIA as a daily rate to align with how daily simple SOFR is treated. Term SONIA does not have a use case for the types of loans provided in fund finance transactions and so has not been implemented in our industry.

Australian Dollars

For Australian dollars, both the Bank Bill Swap Rate ("BBSW") and the Bank Bill Swap Bid Rate ("BBSY") have historically been used as interest rate benchmarks in fund finance. The methods for calculating those rates were significantly reformed in 2018 to account for actual money market transactions, given that these benchmarks underpin around A$53 trillion in global financings. Because of that change, BBSW and BBSY remain effective benchmarks for calculating interest in fund finance deals. Still, it's possible we could see an update in the future. The Australian regulators and currency administrator have looked to develop risk-free rates for Australian dollars. The Realised Australian Dollar Overnight Index Average (Realised AONIA) was created in 2019 for such purpose and is based on a compounded average in arrears rate. More recently, the Secured Overnight Funding Index Australia ("SOFIA") was crafted to more tightly align with how benchmarks like SOFR and SONIA work. SOFIA went through a first beta test starting in October 2023 and a second beta version beginning in June 2024. Only time will tell if it is ever used en masse in fund finance.

Hong Kong Dollars

The Hong Kong dollar has long been tied to the Hong Kong Interbank Offered Rate ("HIBOR") as the key benchmark for pricing loans and other financial products in that currency. Yet with the ongoing transition away from LIBOR, there has been increasing pressure to move toward a rate that is more indicative of true interest rate value. As a result, market participants have considered alternatives like the Hong Kong Overnight Index Average ("HONIA"). It is anchored to overnight money-market funding transactions and lines up closely with the global shift toward risk-free rates. HONIA is published each business day and may be a valuable tool for financial institutions since it is calculated daily from actual trades, and has wide coverage and a robust methodology. But it has not yet supplanted HIBOR as the preeminent interest rate benchmark in our deals because HIBOR is still considered reliable and credible as the standard mark for Hong Kong dollar loans.

New Zealand Dollars

The New Zealand dollar has long been linked to the Bank Bill Benchmark Rate ("BKBM"), which remains the primary reference rate for New Zealand dollar-denominated fund finance transactions. Its continued use is expected for the foreseeable future. The New Zealand Financial Markets Association has strengthened BKBM's reliability by incorporating data from live trades and aligning its methodology with global best practices. Moreover, that association designated the Official Cash Rate ("OCR") as the fallback risk-free benchmark should BKBM ever require replacement, further bolstering the use case for BKBM.

As a term rate, BKBM reflects market rates for prime bank-eligible securities traded in New Zealand's financial markets, underpinning interbank lending from one- to six-month tenors. While there is now a dual-rate approach in place—retaining BKBM while also administering OCR as a risk-free base rate—BKBM remains the dominant benchmark in fund finance. The OCR Compound Index is a backward-looking daily compounded rate based on OCR. It was introduced alongside the New Zealand Overnight Index Average ("NZONIA"), a term rate calculated in arrears. While these alternatives offer risk-free rate options, they have not replaced BKBM in the structuring of fund finance facilities. In 2024, New Zealand Financial Benchmark Facility Limited, the benchmark administrator, conducted its annual review of BKBM and OCR and only implemented minor refinements and documentation updates. This is a further signal that BKBM will continue in use for now.

Danish Krone

The Copenhagen Interbank Offered Rate ("CIBOR") is still the standard benchmark for Danish krone in fund finance. While there is no regulatory mandate requiring its near-term replacement, Danish authorities have proactively introduced an alternative in line with international reforms. The Denmark Short-Term Rate ("DESTR"), a transaction-based risk-free rate administered by Nationalbanken of Denmark, was officially launched in 2022 following a 2021 testing period.

DESTR is derived from overnight interbank borrowing transactions, broadening its application beyond traditional money markets and opening the door for potential future use in credit facilities. As part of Denmark's long-term benchmark strategy, Nationalbanken has established a working group in collaboration with the banking sector to assess the timeline and framework for transitioning away from CIBOR. But as of now, CIBOR remains firmly entrenched in fund finance and loan products generally, with no imminent shift expected.

Norwegian Krone

The Norwegian Interbank Offered Rate (“NIBOR”) continues to serve as the base rate for Norwegian krone-denominated loans, although its long-term viability remains somewhat uncertain. Norway’s financial regulators have been evaluating the Norwegian Overnight Weighted Average (“NOWA”), a risk-free rate first published in January 2020, as a potential successor.

While the Norwegian governmental working group has recommended NOWA for broader market adoption, there has been no regulatory directive to discontinue NIBOR. So a multi-rate system remains in place. Significant reforms have been implemented to bolster NIBOR’s transparency and ensure closer alignment with market-based transactions. These measures have enhanced NIBOR’s credibility, reinforcing its position in fund finance deals. However, institutions should remain cognizant of the possibility that a full transition to NOWA could be required at some point in the future. Material structural differences between NIBOR and NOWA mean that such a shift, if it occurs, would require extensive planning and market adaptation.

Swedish Krona

The Stockholm Interbank Offered Rate (“STIBOR”) has long served as the primary benchmark for Swedish krona. The Swedish Financial Benchmark Facility has taken steps to modernize STIBOR, enhancing its regulatory compliance and ensuring its continued alignment with transaction-based financing costs. However, Sweden’s central bank, the Riksbank, has been actively promoting the Swedish Krona Short-Term Rate (“SWESTR”) as a risk-free alternative.

STIBOR remains widely used. That’s been helped by ongoing reforms linking the rate more directly to market transactions, strengthening its reliability as a borrowing cost indicator. But in 2024, the Riksbank reinforced its stance that STIBOR should eventually be phased out, publishing proposals in April last year aimed at increasing SWESTR’s predictability. These proposals were met with broad institutional support, signaling a potential shift in Sweden’s benchmark landscape over time. Still, a transition away from STIBOR would require a structured, multi-year process. Thus for now, STIBOR continues to be the prevailing rate in fund finance transactions.

Swiss Francs

For Swiss francs, the Swiss Average Rate Overnight (“SARON”) has firmly established itself as the benchmark rate following the discontinuation of LIBOR. As a secured overnight rate derived from transactions in the Swiss repo market, SARON provides a highly stable and transparent measure of lending costs.

Administered by SIX Swiss Exchange and regulated under the Swiss Financial Market Infrastructure Act, SARON offers reduced counterparty and liquidity risk, making it particularly well-suited for commercial lending. Unlike other jurisdictions where forward-looking term rates have been developed to complement overnight benchmarks, Switzerland’s National Working Group on Swiss Franc Reference Rates explicitly ruled out the creation of term SARON rates. As a result, fund finance transactions that offer Swiss francs in the U.S. market favor daily simple SARON to match the operational procedures for SOFR while the European market predominantly employs a compounded in arrears approach much like for SONIA.

Conclusion

The past year has seen dramatic shifts in the world’s financial landscape, driven by the transition away from key interbank offered rates toward more robust, transparent and transaction-based benchmarks. Similar changes may continue to shape the future of global fund finance. By understanding these transitions and their implications for our industry, market participants can navigate this ever-evolving environment with confidence.

One Week Away - Cadwalader Capital Call Securitization Conference

March 28, 2025

We are just one week away from Cadwalader hosting the Capital Call Securitization Conference in conjunction with Fitch Ratings in our New York office on Thursday, April 3rd.

This first of its kind event will bring together industry leaders and experts for an afternoon of insightful discussions on the latest market trends and opportunities in the capital call securitization space.

We're excited to share our agenda for the afternoon, featuring a distinguished lineup of speakers who are leading experts in the field.

1:45 PM - 2:00 PM: Welcome Remarks

Stuart Goldstein
Partner
Cadwalader

Wesley Misson
Partner
Cadwalader

2:00 PM - 2:50 PM: Defining The Deal: Capital Call Securitization Structures

Moderator:

Leah Edelboim
Partner
Cadwalader

Panelists:

Bob Bengston
Managing Director
Goldman Sachs

Joseph Beach
Partner
Cadwalader

Trent Lindsay
Partner
Cadwalader

Nathan Spanheimer
Partner
Cadwalader

3:00 PM - 3:50 PM: CRTs & CFOs: Synthetic and Other Non-Cash Securitizations

Moderator:

Angela Batterson
Partner
Cadwalader

Panelists:

Yezdan Badrakhan
Managing Director
MUFG

Gregg Jubin
Partner
Cadwalader

Jed Miller
Partner
Cadwalader

4:00 PM - 4:30 PM : Networking Break

4:30 PM - 5:20 PM: Capital Call Securitization Market Roundtable Discussion

Moderator:

Tim Hicks
Partner
Cadwalader

Panelists:

Missy Dolski
Global Head of Capital Markets
Värde Partners

Vicky Du
Managing Director
Standard Chartered Bank

Slade Spalding
Partner
NLC Capital Markets

David Wasserman
Managing Director
Morgan Stanley

Joyce Fargas
Senior Director
Fitch

5:30 PM - 7:30 PM: Cocktail Networking Reception

The conference will be followed by a cocktail reception sponsored by Fitch Ratings.

Register here.

Why Private Equity Wins: Reflecting on a Quarter-Century of Outperformance

March 28, 2025

Dawson Partners recently published an analysis that suggests that investors could have generated 3x more wealth by investing in private equity versus the public markets since the beginning of the millennium.

Over the past quarter century, many market pundits have asked the age-old question - has private equity outperformed public markets over the long term? As we enter 2025, Dawson thought there is no better time than now to look back at private equity performance relative to public markets over the past 25 years. Dawson dug into this question further and examined the performance of both asset classes over the time period.

Read the full article **here**.

Fund Fanatics Features Jonathan Garonce and Mitch Melfi

March 28, 2025

Join Scott Aleali, Head of Private Equity Finance at Citizens Bank, and Jeff Maier, Senior Managing Director - Private Equity Finance at Citizens Bank, with partner Jonathan Garonce and CFO from Drake Real Estate Partners Mitch Melfi for the latest Fund Fanatics episode.

They discuss:

- Defining “Differentiated” as more than a buzz word and becoming a local sharpshooter in private equity
- The value of real estate operating partners vs. being vertically integrated
- How middle market managers think about banking relationships, two years removed from the 2023 bank failures
- The tale of giving back to the community with 1% of management fees towards 1% for the planet

Watch **here**.

NAV Lending Summit Series - Tokyo and Seoul

March 28, 2025

Cadwalader was proud to partner with and support Hunter Point Capital LP as they hosted their first-ever NAV Lending Summit Series in Tokyo and Seoul, bringing together senior professionals from banks, asset managers, insurance companies, pensions and consultants across the Asia Pacific region for an in-depth exploration of NAV lending.

The series kicked off with a private asset luncheon in Tokyo, attended by senior executives from leading Japanese institutional allocators. Throughout the series, attendees gained valuable insights from industry leaders including **Richard Golaszewski, CFA**, **Mike Arpey**, **Phillip Titolo, CFA**, **Jennifer Carnithan Choi**, **Michael Mazzola**, and Cadwalader's own **Angie Batterson**. The discussions explored the fundamentals of NAV lending, key considerations for LPs and GPs, ILPA's NAV-Based Facilities Guidance and the latest market trends. Interactive audience Q&A sessions added valuable perspectives to the conversation.

Hunter Point Capital LP thanks **Institutional Limited Partners Association (ILPA)** and **Cadwalader, Wickersham & Taft LLP** for their partnership and support and their Asia-Pacific leadership team — **Peter Rosenbloom**, **Akira Takahashi** and **SD Chu(朱石暾)** — for their invaluable contributions in making these events a success. They remain dedicated to providing innovative solutions to partners across the region and look forward to continuing to strengthen the relationships with local LPs and GPs.

For questions or to learn more, please reach out to **communications@hunterpointcapital.com**.

UK Fund Finance Team Shortlisted for the Drawdown Awards 2025

March 28, 2025

CADWALADER

THE DRAWDOWN

The Cadwalader UK Fund Finance Team has been shortlisted for The Drawdown Awards 2025 in the “Fund Finance Adviser” category!

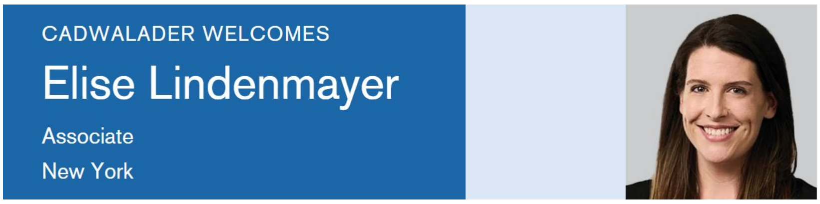
This award is intended to "reward advisers specialising in fund finance transactions for private markets clients that have demonstrated excellence in service."

Cadwalader’s market-leading Fund Finance team represents and advises both Private Market Managers and financial institutions as lenders and lead agents on the full range of fund finance products, including subscription credit facilities, hybrid facilities, NAV and Preferred Equity facilities, management fee and GP lines of credit, for private funds sponsored by many of the world’s preeminent fund sponsors.

The Drawdown, which is part of Real Deals Media, provides insight and analysis for operational professionals in private equity and venture capital.

Welcome Elise Lindenmayer to Cadwalader

March 28, 2025



Please join us in welcoming Elise Lindenmayer to Cadwalader.

Elise Lindenmayer joins the firm as an associate in the Fund Finance Group. She focuses her practice on fund finance, representing banks and financial institutions in structuring, negotiating and documenting subscription credit facilities and NAV facilities.

Her prior legal experience includes advising on complex corporate matters, including a broad range of financing transactions.

Learn more about her **here**.

Fund Finance Hiring

March 28, 2025

Fund Finance Hiring

Here is who's hiring in Fund Finance:

Cadwalader, Wickersham & Taft LLP is seeking associates with three to six years of relevant experience for its Fund Finance practice in New York, Charlotte or London. Qualified candidates will have experience in syndicated lending, commercial lending, leverage finance, fund formation, CLOs, asset-based lending, NAV financings or acquisition financings. Candidates must possess excellent academic credentials and solid legal experience. Selected candidates will get extensive interaction with preeminent bank, asset manager and lending clients. If interested, please reach out to Margaret Cart at **Margaret.Cart@cwt.com**.

Wells Fargo is seeking an Investment Banking Vice President to join its Charlotte or New York office. A Vice President on the Fund Finance Group will cover a portfolio of existing and prospective clients (fund sponsors) and will be part of lean deal teams that include senior and junior team members. The Vice President role includes structuring, legal negotiation, credit analysis, and execution of new subscription facilities as well as maintenance (including ongoing credit, re-structuring, and legal work), collateral analysis, and monitoring of existing Fund Finance credit facilities. Learn more **here**.

Pantheon is seeking an Capital Markets Associate in London to support their global debt and FX operations, ensuring optimal management of financial exposures while delivering value to clients. Learn more **here.**

Standard Chartered is seeking an Executive Director, Fund Finance in New York to maximize customer profitability from FI relationships, originate, lead, structure, execute and distribute fund finance transactions including but not limited to (i) Fund level subscription financing (ii) Fund level NAV financing (iii) GP financing. Learn more **here**.