Index Comparison: LIBOR vs. SOFR

	LIBOR	SOFR[1]
Basis	Relies on submissions from panel banks	Based on reported, executed transactions
Calculation	Weighted average of submitted rates after eliminating some higher and lower rates	Volume weighted median of actual transactions (for combined repo datasets)
Secured/Unsecured	Unsecured: Reflects perceived credit risk	Secured: Virtually risk-free rate
Publication Info	Published across seven maturities ranging from overnight to one year. Published at 11 a.m. in London in five currencies.	Overnight rate, term not available. Published each business day at 8:30 a.m. EST in USD. Also published daily: SOFR Averages (backward looking compound average of SOFR over rolling 30, 90 and 180 day periods).
Daily Volume	$500 Million (3-month LIBOR) (estimated)	Nearly $1 trillion (high correlation to T-Bills)
Advantages	More consistency across regions and several different tenors available. Forward-looking rate.	Based on actual data; viewed as less vulnerable to manipulation.
Disadvantages	Reduced confidence due to manipulation and methodological critique; may not reflect banks' actual borrowing costs.	Relies solely on an official daily rate with backwards looking averages.

In the case of a transition from LIBOR to SOFR, a spread adjustment will be added. The purpose of a spread adjustment is to reflect and adjust for the historical differences between LIBOR and SOFR in order to make the spread-adjusted rate comparable to LIBOR in a fair and reasonable way, thereby minimizing the impact to borrowers and lenders. The basis point spread adjustments were fixed on March 5, 2021 as recommended by the Alternative Reference Rates Committee (ARRC).

Converting LIBOR Loans to SOFR

Current Index	Spread Adjustment
1-month LIBOR	Add .11448
3-month LIBOR	Add .26161
6-month LIBOR	Add .42826

1. The Secured Overnight Financing Rate (SOFR) is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities.