



INTERNATIONAL FINANCE

# From LIBOR to SOFR

How a widely used interest-rate benchmark was retired, and what replaced it in the US and India

Rules and dates as on 16 October 2026

For training and education only. Not investment advice.

# **A benchmark interest rate once built from banks' own estimates was replaced by one built from real trades.**

LIBOR rested on what banks said they would pay to borrow. Its replacements, such as SOFR, are measured from actual transactions, which are far harder to misreport.

# Four words to know first



## Benchmark rate

A published interest rate that loans and contracts are priced against, as in 'benchmark plus 1%'.



## LIBOR

The London Interbank Offered Rate. A daily benchmark of what banks said they would pay to borrow. Now discontinued.



## Risk-free rate

A near risk-free overnight rate built from real trades, with little bank-credit risk. The new benchmarks are such rates.



## SOFR

The Secured Overnight Financing Rate. The US dollar replacement, based on overnight loans secured by US Treasuries.

**A basis point is one hundredth of one per cent: 100 basis points = 1%. Benchmarks are quoted this finely.**

Sources: FCA, 'The end of LIBOR'; Federal Reserve Bank of New York, SOFR.

# Why the switch, with arithmetic

## THE SET-UP

A loan is priced at '3-month USD LIBOR plus 1.00%'.

When USD LIBOR ended, the loan had to move to a rate built on SOFR instead.

- 1 LIBOR carried a bank-credit premium; SOFR does not. So SOFR normally sits below what LIBOR would have been.
- 2 To keep the loan fair, a fixed 'spread adjustment' is added to SOFR. For 3-month USD it was set at 0.26161%.
- 3 Old rate: 3-month LIBOR + 1.00%. New rate: 3-month SOFR + 0.26161% + 1.00%.
- 4 That 0.26161% was fixed once, on 5 March 2021, from a five-year median gap, to limit any gain to either side.

**LIBOR was not simply swapped for SOFR. A fixed credit spread was added to limit any gain to either side.**

*The 0.26161% adjustment is a real, fixed figure (ISDA/Bloomberg, 5 March 2021). The 1.00% spread is assumed.*

# LIBOR and SOFR, side by side

## LIBOR (to mid-2023)

- Based on banks' own estimates.
- Unsecured: carried bank-credit risk.
- A forward-looking term rate.
- Open to manipulation.

## SOFR (now)

- Based on actual market trades.
- Secured by US Treasuries.
- Overnight; term rates via compounding/futures.
- Far harder to manipulate.

**The move was from a judgment-based rate to one built on real transactions.**

Sources: FCA, 'The end of LIBOR'; Federal Reserve Bank of New York, SOFR.

# The end of LIBOR, step by step

1

## Why it had to go

The market of actual unsecured bank term-lending shrank, so LIBOR leaned on estimates. Rigging scandals then exposed the risk.

2

## 2017: the deadline is set

The UK regulator (the FCA) said it would not compel banks to submit LIBOR rates beyond the end of 2021.

3

## End of 2021

Euro and Swiss franc settings, many sterling and yen ones, and two US dollar ones ended.

4

## By September 2024

US dollar panel rates ended 30 June 2023; the last synthetic settings ran to 30 September 2024, closing LIBOR after nearly 40 years.

Source: FCA, 'Announcements on the end of LIBOR' and 'The end of LIBOR'.

# India's switch of benchmarks

India set its own deadline, 1 July 2023, with its own rupee benchmarks.

| Benchmark                    | Before                       | Now                                      |
|------------------------------|------------------------------|------------------------------------------|
| Global US dollar rate        | USD LIBOR                    | SOFR and other risk-free rates           |
| Rupee-hedged dollar rate     | MIFOR, which used USD LIBOR  | Modified MIFOR (MMIFOR), which uses SOFR |
| Overnight rupee rate         | MIBOR (unsecured call money) | MIBOR continues; window widened 2025     |
| Secured rupee overnight rate | No FBIL rate                 | SORR, published by FBIL since 2025       |

Sources: RBI circulars of 12 May and 23 June 2023; RBI MIBOR Committee report (1 Oct 2024); FBIL press release 7/2025-26.

# Where things stand

Key dates in the transition, as on 16 October 2026. These are official dates, not market prices.

## LIBOR FULLY ENDED

# Sep 2024

The final US dollar LIBOR settings were published on 30 September 2024, ending LIBOR.

## INDIA'S LIBOR EXIT

# Jul 2023

RBI asked banks to complete the move off LIBOR and MIFOR by 1 July 2023.

## NEW RUPEE RATE

# SORR

A Secured Overnight Rupee Rate, published by FBIL, began in 2025 alongside MIBOR.

Sources: FCA, 'The end of LIBOR'; RBI circular of 12 May 2023; RBI announcement on SORR, 6 Dec 2024; FBIL.

# If you learnt this from older material

## What older material says

- LIBOR is the world's main interest-rate benchmark.
- A panel of London banks sets it each day.
- Loans abroad are priced as 'LIBOR plus a margin'.

## What holds now

- LIBOR has been discontinued; the last rates ended in 2024.
- Transaction-based rates such as SOFR have replaced it.
- In India, SOFR and Modified MIFOR are used; MIFOR is gone.

**A document that still names 'LIBOR' needs checking: look for the fallback rate that now applies.**

Sources: FCA, 'The end of LIBOR'; RBI circulars of 2023.

# Four things people get wrong



**'LIBOR is still quoted somewhere.'**

No. The final US dollar settings were published in September 2024. LIBOR is no longer published.



**'SOFR is just LIBOR renamed.'**

No. SOFR is secured, overnight and based on real trades; LIBOR was unsecured and built from estimates.



**'The switch moved loan costs sharply.'**

A fixed spread adjustment was added to SOFR to limit any windfall to either side as legacy loans moved across.



**'This is only a Western change.'**

India moved too: MIFOR was withdrawn in 2023, and new deals use SOFR or Modified MIFOR.

Sources: FCA, 'The end of LIBOR'; Federal Reserve Bank of New York, SOFR; RBI circulars of 12 May and 23 June 2023.

# Check yourself

**Q1** What was LIBOR, and name two reasons it was replaced.

**Q2** A loan was '3-month USD LIBOR plus 1%'. After the switch, what rate applies, and why is an extra 0.26161% added?

**Q3** Name the benchmark India withdrew in 2023 and one rate now used in its place.

# Sources and disclaimer

## SOURCES FOR THE FIGURES IN THIS DECK

- LIBOR's nature (panel-bank submissions, 7 tenors, 5 currencies, ICE Benchmark Administration), FCA's 2017 decision: FCA, 'The end of LIBOR'.
- LIBOR end dates (most end-2021; USD overnight/12-month end-June 2023; final synthetic USD 30 Sep 2024): FCA, 'Announcements on the end of LIBOR'.
- SOFR definition (broad measure of overnight borrowing collateralised by Treasuries; volume-weighted median of transaction-level repo data): New York Fed, Secured Overnight Financing Rate.
- Fixed 3-month USD LIBOR-to-SOFR spread adjustment of 0.26161%, set 5 Mar 2021: ISDA/Bloomberg IBOR fallback adjustments (multiple sources).
- India: LIBOR and MIFOR transition complete by 1 Jul 2023, legacy fallbacks: RBI 'LIBOR Transition' circular, 12 May 2023. MIFOR dropped as significant benchmark: RBI circular, 23 Jun 2023.
- SORR recommended by RBI MIBOR Benchmark Committee (report 1 Oct 2024), announced by RBI 6 Dec 2024, published by FBIL from 7 Jul 2025. MIBOR 3-hour window from 4 Aug 2025: FBIL 7/2025-26.
- The 1.00% loan spread in the worked example is assumed for illustration; it is not a market quote.

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