

Company News

BNY Mellon becomes the first bank to successfully complete a trade finance deal using the new Secured Overnight Financing Rate (SOFR)

BNY Mellon has become the first bank to successfully complete a trade finance deal with Brazil's Banco Bradesco utilizing the new CME Secured Overnight Financing Rate (SOFR) as the reference interest rate on the transaction.

Whereas trade financing traditionally used the London Interbank Offered Rate (LIBOR) as the benchmark rate, BNY Mellon has been at the forefront of the migration across to SOFR, a transition that is set to strengthen markets as alternative reference rates are based upon repo transaction data.

While LIBOR will be phased out in 2022, BNY Mellon is committed to assisting clients on a smooth transition across to alternative reference rates such as SOFR by beginning the migration well ahead of year-end 2021.

"We are delighted to be the first bank to issue a trade financing loan using the new CME SOFR rate with Banco Bradesco. BNY Mellon has been strongly encouraging clients to embrace alternative reference rates in a timely manner, with our Treasury Services team informing clients that we would be moving all transactions to benchmark off of CME Term SOFR, SOFR Averages and Overnight SOFR as of October 1, 2021," said Joon Kim, Head of Trade Finance Product and Portfolio Management at BNY Mellon in New York.

"Bradesco is proud to be one of the first institutions to use SOFR as the benchmark rate in a trade financing transaction," said Sheico Pimenta, Executive General Manager at Bradesco in Sao Paulo. "SOFR and other alternative reference rates represent the future, introducing more certainty and greater integrity into financial markets. We are pleased to have worked so closely with BNY Mellon's team to successfully complete this transaction."

While this landmark transaction originated in trade finance, BNY Mellon continues to be a first mover in the LIBOR migration across all asset classes that will be affected by the adoption of alternative reference rates.

"We've been ahead of the curve on the Libor transition at the enterprise level, holding discussions with clients across geographies and encouraging them to implement the new benchmark rates in executing trades," says Jason Granet, Chief Investment Officer at BNY Mellon. "I believe we will have many more success stories to share in the weeks ahead as, ultimately, LIBOR will not be used after December 31, 2021 and pushing the transition off is not an ideal approach for clients."