

IFC LAUNCHES FIRST BOND SWAPPED TO USD SOFR

On February 4, 2021, IFC issued its first bond swapped from fixed rate to the new SOFR (Secured Overnight Financing Rate) benchmark interest rate.

The swap was executed for IFC's AUD 155 million (USD 119.4 million equivalent) Kangaroo social bond 'tap', or reopening of the bond, which increases the total raised by the initial trade to AUD800 million (USD 609 million equivalent). The bond issuance is part of IFC's Social Bond Program, and its proceeds will support select projects that provide access to essential services and financing to women entrepreneurs and low-income communities. This trade also marks the first cross-currency swap to SOFR to be executed in the Kangaroo market.

IFC entered into the SOFR interest rate swap for the bond with J.P. Morgan, swapping from fixed to floating to hedge the April 2035 bond. Swap participants on the deal say it is a landmark transaction in the process of alternate reference rate (ARR) transition. The development is part of the process of preparing for life after LIBOR for IFC.

In an [article](#) published by Kanganews on the landmark issuance, Marcin Bill, IFC Head of Funding for the Asia Pacific, said that it is the first swap to SOFR that IFC has undertaken in any currency. IFC has begun transitioning its balance sheet to a SOFR basis, which required work to coordinate various units within the institution to ensure the appropriate systems, accounting practices, reporting and other capabilities were in place.

Read the IFC press release [here](#).



“The Kangaroo tap was the first transaction IFC brought to market after getting its balance sheet ready for this type of swap. IFC’s familiarity with the Australian dollar market helped make the swap possible. Growing liquidity in LIBOR-SOFR swaps means cross-currency execution was possible via an addition to a typical cross currency basis swap. This is an added leg swapping for SOFR after the traditional Australian dollar bank-bill swap rate (BBSW) to US dollar LIBOR swap. From there, it was just a matter of ensuring that the SOFR rate was on par with the LIBOR rate.”

Marcin Bill, IFC Head of Funding, Asia Pacific

Questions? Please email us: investors@ifc.org