

Bloomberg Short Term Bank Yield Index (BSBY)

Alternative Reference Rate for Lending Solutions

The Bloomberg Short Term Bank Yield Index (BSBY) is **Bank of America's preferred replacement for most USD LIBOR-based loans.**

BSBY provides borrowers **forward-looking term rates** to use when forecasting interest accruals on loans.

BSBY reflects current market lending costs of global financial institutions, which **supports efficient and transparent credit transfer pricing** to borrowers.

BSBY Characteristics are similar to **USD LIBOR.**

- Represents **average cost at which large, global banks access USD unsecured wholesale funding**
- Unsecured, forward-looking credit-sensitive rate; **designed to be similar to USD LIBOR for loans**
- Calculated based on **robust transaction-related data and firm executable quotes** from USD bank deposits, commercial paper, CDs and secondary trades for short-term bank bonds (3-day rolling window - **~180B of transactions across ~30 global financial institutions**)
- BSBY is [published each business day](#) at 8 am EST in **overnight, 1m, 3m, 6m and 12m tenors** Note: Bank of America is not generally offering 12m tenor loans
- The whitepaper on BSBY may be found [here](#)

BSBY vs. LIBOR

- Both reflect bank **market lending costs**
- **As forward-looking rates, both anticipate** policy rate moves
- BSBY rate is calculated using **market data and designed to comply with ISOCO principles**, whereas LIBOR is **expert judgment** based

BSBY vs. SOFR

- Both based on **significant transactional volume**
- Neither reliant **on expert judgment**
- SOFR is a **secured** lending rate while BSBY rate represents **unsecured** wholesale funding costs of global banks

How BSBY is produced

Global Financial Institutions

Commercial Paper
+
Certificates of Deposits

Deposits

Short-term bank
bonds

Bloomberg

- Filter, aggregate, anonymize data
- Run data checks
- Execute threshold checks
- Apply curve fitting methodology

O/N

1M

3M

6M

Forward-looking
term structure

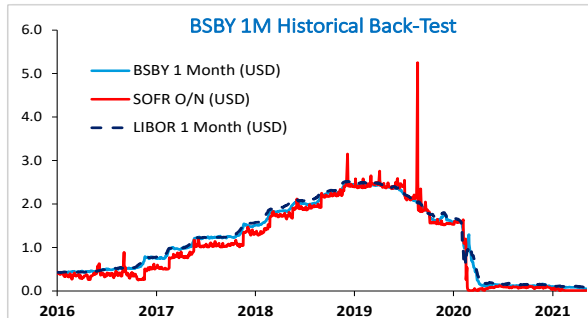
Enables borrowers to **calculate interest accruals at day one** of the interest period

Independently
reviewed

IOSCO compliant, index approved by S&P

Pricing calculated
similarly to LIBOR

Price = **BSBY + client spread**



Key take-aways

In a 3-year back-test, Bloomberg reports a **99.6% correlation with 1M LIBOR.**

As a forward-looking term rate, *BSBY* endeavors to anticipate policy rate moves **in advance**. As an overnight rate, Overnight *SOFR* reflects rate moves **after the fact**.

Overnight SOFR is based on **repo (secured overnight) transactions**, and will respond to liquidity changes in that market. *BSBY* will respond to conditions in financial markets which **affect pricing of short-term funding sources** enabling efficient borrower pricing based on bank's current cost of capital.

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