

BMO Yankee CD indexed to the Bloomberg Short Term Bank Yield Index



On May 27, 2021, Bank of Montreal issued its first floating rate Yankee CD tied to the [Bloomberg Short Term Bank Yield Index or “BSBY”](#)

Principal: USD1.25bil

Issue Price: \$100

Maturity Date: 1Dec2021

Interest Rate: Interest rate will be reset MONTHLY based on the Floating Rate Index plus 12 basis points (day basis: Actual/360).

Floating Rate Index: The Floating Rate Index is the Bloomberg Short-Term Bank Yield IndexSM (USD) rate (“BSBY”) for a MONTHLY tenor. The Floating Rate Index reference rate will be fixed at 11a.m. New York City time, according to BSBY Screen Rate, and determined two U.S. Government Securities Business Days prior to the commencement of the relevant Interest Period (the “Interest Determination Date”).

Industry Focus

Lately we have witnessed a fundamental shift in the IBOR Transition, with more industry focus on credit sensitive Alternative Reference Rates rather than SOFR. These rates, while seen as complementary or in addition to SOFR, were developed to address market needs by providing a series of credit sensitive reference rates that incorporate bank credit spreads and defined forward term structures.

What is BSBY

The BSBY is a proprietary index that aims to measure the average yields at which investors are willing to invest U.S. dollar funds on a senior, unsecured basis in certain large global banks at various tenors. SOFR currently remains the recommended alternative for USD LIBOR by the Alternative Reference Rate Committee (ARRC). The development of BSBY is a useful tool in the transition away from USD LIBOR for the following reasons:

- Forward term structure
- Correlates well with USD LIBOR
- Produces a credit sensitive rate that is an accurate measure of marginal cost of funds
- Moving average will ensure any daily spikes in the underlying will not have an outsized effect on the resulting rate
- Adheres to the IOSCO Principles

What is BMO Capital Markets doing?

BMO Capital Market's US Funding Desk remains proactive in satisfying client needs. BMO was the first Canadian bank to issue a SOFR-linked money market instrument, and we

continue to innovate by offering our clients' access to BSBY. BMO Capital Markets gathered input from dozens of clients and the overall message was that BSBY contains many of the credit-sensitive features that SOFR lacks. BMO Capital Markets' inaugural BSBY money market issuance is another example of our commitment to our clients.

For additional information on the IBOR Transition please visit our website or reach out to BMO's IBOR Transition Office at IBOR.TransitionOffice@bmo.com.

Pour la version française de ce message, veuillez [nous contacter](#)



BMO has established an IBOR Transition website ([IBOR Transition Resources](#)) with educational and informational resources available, including:

- IBOR Transition Overview
- SOFR 101
- IBOR Fallbacks
- Introduction to SONIA and €STR
- The LIBORious Transition to SOFR
- Industry News
- Key Transition Dates
- Frequently Asked Questions (FAQs)
- Key Industry Links
- General Transition Overview Information

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