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SIFMA: The Need for Federal Legislation in the Transition Away from LIBOR

On March 5, ICE Benchmark Administration confirmed its cessation plan for LIBOR. Most non-U.S. Dollar LIBOR tenors will cease on December 31, 2021. To provide a smoother transition for legacy instruments, U.S. Dollar denominated LIBOR, the largest and most important tenors of LIBOR, cessation will occur on June 30, 2023. LIBOR has a definitive end date, and regulators are demanding in no uncertain terms that their regulated institutions to move away from LIBOR this year.

There are undoubtedly certain issues requiring legislative action to guide the transition away from LIBOR to alternative reference rates. In particular, there is a large stock of existing contracts and instruments that as a practical matter cannot be amended to utilize alternative rates. SIFMA is supportive of Federal legislation aligned with recommendations from the Alternative Reference Rates Committee, or ARRC, to address these situations where contracts cannot be easily transitioned away from LIBOR due to legal or regulatory reasons.

We believe such legislation would benefit all market participants including LIBOR's end users, from investors to companies to consumers, and would provide four key benefits: (1) certainty of outcomes, (2) fairness and equality of outcomes, (3) avoidance of years of paralyzing litigation, and (4) preservation of liquidity and market resilience.

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