

# **Bond Case Briefs**

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## **SIFMA Supports Legislation Addressing Transition Away from LIBOR.**

Washington, D.C., July 28, 2021 - SIFMA sent a [letter](#) to House Financial Services Committee Chairwoman Maxine Waters (D-CA) and Ranking Member Patrick McHenry (R-NC) expressing support for the Committee passing H.R. 4616, the Adjustable Interest Rate (LIBOR) Act, sponsored by Representative Brad Sherman (D-CA). SIFMA also looks forward to working with Congress on the legislation as the process goes forward.

“SIFMA supports H.R. 4616 because it addresses the variety of issues associated with the cessation of all tenors of U.S. dollar LIBOR and facilitates a smooth transition to alternative reference rates,” said SIFMA president and CEO Kenneth E. Bentsen, Jr. “As a result of the discontinuation of LIBOR, trillions of dollars of contracts, securities, and loans that use LIBOR but lack adequate fallback language will be left outstanding. One specific subset, commonly referred to as ‘tough legacy’ contracts, has no clear path to amendment, thereby posing a significant risk to the financial system and the underlying borrowers and consumers, investors, and banks if such legislation is not passed. We thank Chair Waters, Chairman Sherman and members of the Committee for their work on this bill.”

The letter further notes, “While the Alternative Reference Rates Committee (ARRC) has successfully developed language that was recently implemented in New York and Alabama, a variety of inconsistent, or non-existent, state legislation cannot provide the benefits of a uniform Federal law, including contract certainty, fairness and equality of outcomes, avoidance of years of litigation, and market liquidity. Such a patchwork could compromise the very intent to provide a smooth transition. The legislation would change the reference rate on certain financial contracts which reference LIBOR to the Secured Overnight Financing Rate (SOFR), or an appropriately adjusted form of SOFR. This will allow the contracts to continue to function as originally intended after LIBOR is discontinued, without the need to be amended or subject to litigation.”

SIFMA also joined several other trade associations in sending a [letter](#) to Chairwoman Waters, Ranking Member McHenry, and Representatives Sherman and Huizenga which expresses broad industry support for H.R. 4616.

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