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ARRC Endorses Decision to Sign New York State LIBOR Legislation into Law

The Alternative Reference Rates Committee (ARRC) today applauded New York State Governor Andrew Cuomo for signing the LIBOR legislation into law — a step that will help to minimize legal uncertainty and adverse economic impacts associated with the transition from LIBOR. Initially presented by the ARRC last year, this new law addresses the issue of legacy contracts that mature after mid-2023 and do not have effective fallbacks.

"The ARRC commends Governor Andrew Cuomo and the New York State Legislature — especially sponsors Senator Kevin Thomas and Assemblyman Kenneth Zebrowski — for taking this critical step in facilitating a smooth transition away from LIBOR," said Tom Wipf, ARRC Chairman and Vice Chairman of Institutional Securities at Morgan Stanley. "By establishing a targeted solution for tough legacy contracts, this legislation will significantly reduce operational and legal risks for many market participants and help them seamlessly transition to the Secured Overnight Financing Rate."

About the ARRC

The ARRC is a group of private-market participants convened by the Federal Reserve Board and Federal Reserve Bank of New York in cooperation with the Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the Office of Financial Research, the Office of the Comptroller of the Currency, the Commodity Futures Trading Commission, the Securities and Exchange Commission and the U.S. Treasury Department. It was initially convened in 2014 to identify risk-free alternative reference rates for USD LIBOR, identify best practices for contract robustness, and create an implementation plan with metrics of success and a timeline to support an orderly adoption. The ARRC accomplished its first set of objectives and identified SOFR as the rate that represents best practice for use in certain new USD derivatives and other financial contracts. It also published its Paced Transition Plan, with specific steps and timelines designed to encourage adoption of SOFR. The ARRC was reconstituted in 2018 with an expanded membership to help to ensure the successful implementation of the Paced Transition Plan, address the increased risk that LIBOR may not exist beyond 2021, and serve as a forum to coordinate and track planning across cash and derivatives products and market participants currently using USD LIBOR.

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