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ARRC Welcomes Passage of LIBOR Transition Bill by U.S. House of Representatives
Legislation Will Provide Certainty, Reduce Disruption for Wide Range of Market Participants

The Alternative Reference Rates Committee (ARRC) welcomes action by the U.S. House of Representatives to reduce risks associated with the transition away from U.S. dollar (USD) LIBOR by passing H.R. 4616 Adjustable Interest Rate (LIBOR) Act of 2021. The bill will minimize the risk of disruptive litigation and adverse economic impacts associated with the transition—providing greater certainty to investors, businesses, and consumers as the financial system continues its transition away LIBOR. The ARRC commends Representative Brad Sherman for sponsoring this critical legislation and now looks forward to continuing to work with lawmakers in the U.S. Senate to ensure passage of LIBOR transition legislation through Congress.

The legislation, proposed at the federal level to ensure the stability of nationwide markets, will help to effect a fair transition for financial contracts which do not consider the permanent cessation of LIBOR and have no workable fallbacks.

“Federal legislation is vital to the success of the transition away from LIBOR,” said Tom Wipf, ARRC Chairman and Vice Chairman of Institutional Securities at Morgan Stanley. “As we enter LIBOR’s final days, this targeted solution will provide certainty not only to a diverse array of corporate borrowers and lenders, but to retail bondholders and consumers, whose student loans, mortgages, and investment accounts the legislation will protect from disruption and value degradation.”

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 Commodity Futures Trading Commission, the Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the National Association of Insurance Commissioners, the New York Department of Financial Services, the Office of Financial Research, the Office of the Comptroller of the Currency, the U.S. Department of Housing and Urban Development, the U.S. 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 it recommends 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 support the voluntary 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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