

July 27, 2021

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20510

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20510

The Honorable Brad Sherman
Chairman
Subcommittee on Investor Protection,
Entrepreneurship and Capital Markets
U.S. House of Representatives
Washington, DC 20510

The Honorable Bill Huizenga
Ranking Member
Subcommittee on Investor Protection,
Entrepreneurship and Capital Markets
U.S. House of Representatives
Washington, DC 20510

Dear Chairwoman Waters, Ranking Member McHenry, Rep. Sherman, and Rep. Huizenga:

The undersigned organizations write in support of the Adjustable Interest Rate (LIBOR) Act to address “tough legacy” contracts that currently reference LIBOR.

In June 2023, all tenors of US dollar LIBOR, one of the most important financial benchmarks that underpins nearly \$200 trillion in financial contracts, will cease to be published. As a result, trillions of dollars of hard to modify financial contracts, securities, and loans that use LIBOR that are unable, before such end date, to either convert to a non-LIBOR rate or be amended to add adequate fallback language will potentially be left outstanding. Currently, there is no realistic ability to amend this group of contracts – commonly referred to as “tough legacy” – posing a significant risk to the financial system and the underlying borrowers, investors, and banks.

The Alternative Reference Rates Committee (ARRC)—developed legislative language that was recently implemented in New York and Alabama has helped address some uncertainty with these legacy contracts. However, a state-by-state piecemeal approach does not provide the necessary comprehensive protections that is achievable at the federal level given importance of the issue and the very limited time remaining until LIBOR’s end in less than two years. A patchwork of varying state laws or non-existent state legislation could compromise the very intent to provide a smooth transition. In addition, at recent hearings before the House Financial Services Committee, Treasury Secretary Janet Yellen, Jay Powell, Chair of the Federal Reserve, and Randal Quarles, Vice Chair of the Federal Reserve endorsed federal legislative action.

We certainly do not take lightly the amending of contracts; however, in this unique, once-in-a-lifetime financial event we find no other feasible option for remediation of these contracts without the risk of significant contractual uncertainty. As such, we commend the Committee for putting forward legislation that 1) Provides a solution for those contracts that have insufficient fallback and cannot otherwise be amended among the parties; 2) Limits the scope of legislation so there is no interference with any contracts that have agreed fallback provisions or that can readily be amended

by the contracting parties; 3) Offers uniform, equitable treatment for all U.S. contracts that fall under the federal legislation; and 4) Creates a safe harbor from litigation for parties that are covered by the legislation and prevents otherwise inevitable litigation costs and gridlock.

We thank Representative Sherman and the Committee for providing a meaningful solution that offers fair, equitable and consistent treatment for all tough legacy contracts in support of the LIBOR transition. Thank you for your consideration and the opportunity to share our views on this matter. Due to the highly complex nature of this important legislation, we look forward to working with Members of Congress to ensure all the technical aspects will function as intended.

Sincerely,

Structured Finance Association (SFA)
Securities Industry and Financial Markets Association (SIFMA)
Bank Policy Institute
Financial Services Forum
American Bankers Association (ABA)
Commercial Real Estate Finance Council
Investment Company Institute
Mortgage Bankers Association
The International Swaps and Derivatives Association (ISDA)
The Loan Syndications and Trading Association (LSTA)
Housing Policy Council
Student Loan Servicing Alliance
Consumer Bankers Association
Education Finance Council, Inc.
American Council of Life Insurers (ACLI)
Institute of International Bankers
Government Finance Officers Association
The Real Estate Roundtable