



FEDERAL RESERVE BANK *of* NEW YORK

## 2021 Quadrilateral Conference – March 4, 2021

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- New York State Continuing Legal Education (CLE):
  - Please return forms to Kyla Whitt ([kyla.whitt@ny.frb.org](mailto:kyla.whitt@ny.frb.org)).
  - Please listen for **two** affirmation codes and record them on your attorney affirmation form.
  
- Questions for the panelists?
  - Please write them in the “chat” box.
  
- Please turn off microphones and cameras.
  
- Bandwidth trouble?
  - Please close other programs (especially Outlook).
  - Please disable the video (enter audio-only mode).



# Possible New York State Legislation

- **Purpose:** Reduce the adverse economic outcomes of legacy LIBOR fallbacks if certain events affecting USD LIBOR occur by applying an ARRC-recommended SOFR rate/spread adjustment to LIBOR contracts governed by NY law across all asset classes as follows:
  - **Silent contracts** – the legislation would apply on a mandatory basis
  - **LIBOR-based fallbacks** – the legislation would apply on a mandatory basis (e.g., floating rate bonds & securitizations that fallback to the last LIBOR fix)
  - **Contracts with Discretion** – the legislation would apply on a permissive basis (e.g., a calculation agent or administrative agent who is required under the contract to determine what alternative rate to apply may elect to use the ARRC-recommended rate/spread adjustment under the statute and benefit from a safe harbor from legal action)
- **Contracts with fallbacks to rates other than LIBOR** (e.g., prime) would remain in place and not be affected by the statute
- The statute would also use the **trigger events** adopted in:
  - **Cash markets** by the ARRC under its recommended USD LIBOR fallbacks (both cessation and pre-cessation for U.K. Financial Conduct Authority non-representativeness determination), and
  - **Derivatives markets** by ISDA (cessation and pre-cessation).



# Benchmark reform in Europe

- Recent developments

Diederik Van Impe

3 March 2021



do your thing

## Benchmark reform in Europe

- European Benchmarks Regulation (BMR) catalyst for benchmark reform in Europe
- Recommendations by the Working group on euro risk-free rates:
  - New euro overnight rate €STR replaced EONIA
  - Consultation on Euribor fallback provision
- LIBOR cessation – IBA consultation
- ISDA IBOR Protocol
- Legislative fix for tough legacy contracts
  - Amended BMR: Commission may designate replacement benchmark.
  - Also for a third country Benchmark like LIBOR, because “[t]he cessation or wind-down of LIBOR might result in negative consequences that significantly disrupt the functioning of financial markets in the Union.”
  - Commission’s replacement rate shall also apply to contracts between EU entities governed by third country law if the third country law does not provide for the orderly wind-down of a benchmark.

