

Committee on Banking and Insurance

CS/HB 925 — Benchmark Replacements for London Interbank Offered Rate

by Insurance and Banking Subcommittee and Rep. Stevenson and others (CS/SB 1246 by Commerce and Tourism Committee and Senator Gruters)

The bill provides for a transition to the Secured Overnight Financing Rate (SOFR) as the replacement rate for the London Interbank Offered Rate (LIBOR) for all contracts and instruments lacking transition provisions. The Federal Reserve Board and the Federal Reserve Bank of New York identified SOFR as its recommended alternative to the U.S. Dollar LIBOR, which expires at the end of June 2023. The bill provides for conforming changes to be made to contracts or instruments, voids fallback provisions based on LIBOR, and provides for construction of rights and duties under contracts affected by the expiration of LIBOR. The bill precludes liability, a claim, or a cause of action arising out of or related to the selection or use of a recommended benchmark replacement or the determination, implementation, or performance of a benchmark replacement conforming change.

The bill provides a statement demonstrating the overpowering public necessity for the bill and a finding that there are no alternative means to meet this public necessity. The bill also contains a statement of legislative intent indicating that the provisions are remedial in nature and apply retroactively to all contracts, agreements, mortgages, deeds of trust, leases, instruments, obligation, or securities, whether representing debt or equity, and including all interests in a corporation, partnership, or limited liability company, in existence on December 31, 2021.

If approved by the Governor, these provisions take effect upon becoming law.

Vote: Senate 38-0; House 114-0