Proposal: 1775 (AG34) Reg ZZ - Regulation Implementing the Adjustable Interest Rate (LIBOR) Act

Description:

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From: Fulton Bank, N.A., Elizabeth Reister
Proposal: 1775 (AG34) Reg ZZ - Regulation Implementing the Adjustable Interest Rate (LIBOR) Act
Subject: Regulation ZZ - Regulation Implementing the Adjustable Interest Rate (LIBOR) Act

Comments:
Date: Aug 22, 2022

Proposal: Regulation ZZ: Implementing the Adjustable Interest Rate (LIBOR) Act [R-1775]
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Your comment: Re: Regulation Implementing the Adjustable Interest Rate (London Interbank Offered Rate) Act Docket #: R-1775 The Board solicited comment on whether more direction is needed to enable the benchmark replacement to become operative on or before the LIBOR replacement date (depending on the contract's terms), even in the event a nonrepresentative rate called "LIBOR" in the form of synthetic LIBOR continues to be published on and after the LIBOR replacement date. The Board indicated that it is "considering whether, for clarity, the final rule should provide that, with respect to any LIBOR contract that is not a covered contract (other than a LIBOR contract where the parties have agreed in writing that the contract shall not be subject to the LIBOR Act), LIBOR shall be replaced with the benchmark replacement specified pursuant to the LIBOR contract on the earlier of (i) the date specified pursuant to the LIBOR contract or (ii) the LIBOR replacement date. Under such a rule, the benchmark replacement specified pursuant to a non-covered contract would become operative on or before the LIBOR replacement date (depending on the contract's terms), even in the event a nonrepresentative rate called "LIBOR" in the form of synthetic LIBOR continues to be published on and after the LIBOR replacement date. The Board believes that, for the reasons described below, such a clarification may promote the purposes of the LIBOR Act." I am writing to voice support for such a clarification. Specifically, I offer support for the example provided, whereby the final rule would address the ambiguity regarding LIBOR contracts with fallback provisions that lack an express nonrepresentativeness trigger, by indicating that those contracts' fallback provisions would be triggered on the LIBOR replacement date. Such a provision would bring needed certainty to contracts containing an "unavailable" or similar trigger. Thank you.