

# STATE OF NEW YORK

164--A

2021-2022 Regular Sessions

## IN ASSEMBLY

(Prefiled)

January 6, 2021

Introduced by M. of A. ZEBROWSKI -- read once and referred to the Committee on Judiciary -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the general obligations law, in relation to the discontinuance of the London interbank offered rate

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. The general obligations law is amended by adding a new article 18-C to read as follows:

### ARTICLE 18-C

#### LIBOR DISCONTINUANCE

#### Section 18-400. Definitions.

18-401. Effect of LIBOR discontinuance on agreements.

18-402. Continuity of contract and safe harbor.

18-403. Severability.

§ 18-400. Definitions. As used in this article the following terms shall have the following meanings:

1. "LIBOR" shall mean, for purposes of the application of this article to any particular contract, security or instrument, U.S. dollar LIBOR (formerly known as the London interbank offered rate) as administered by ICE Benchmark Administration Limited (or any predecessor or successor thereof), or any tenor thereof, as applicable, that is used in making any calculation or determination thereunder.

2. "LIBOR discontinuance event" shall mean the earliest to occur of any of the following:

a. a public statement or publication of information by or on behalf of the administrator of LIBOR announcing that such administrator has ceased or will cease to provide LIBOR, permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide LIBOR;

EXPLANATION--Matter in italics (underscored) is new; matter in brackets [-] is old law to be omitted.

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1 b. a public statement or publication of information by the regulatory  
2 supervisor for the administrator of LIBOR, the United States Federal  
3 Reserve System, an insolvency official with jurisdiction over the admin-  
4 istrator for LIBOR, a resolution authority with jurisdiction over the  
5 administrator for LIBOR or a court or an entity with similar insolvency  
6 or resolution authority over the administrator for LIBOR, which states  
7 that the administrator of LIBOR has ceased or will cease to provide  
8 LIBOR permanently or indefinitely, provided that, at the time of the  
9 statement or publication, there is no successor administrator that will  
10 continue to provide LIBOR; or

11 c. a public statement or publication of information by the regulatory  
12 supervisor for the administrator of LIBOR announcing that LIBOR is no  
13 longer representative. For purposes of this subdivision two, a public  
14 statement or publication of information that affects one or more tenors  
15 of LIBOR shall not constitute a LIBOR discontinuance event with respect  
16 to any contract, security or instrument that (i) provides for only one  
17 tenor of LIBOR, if such contract, security or instrument requires  
18 interpolation and such tenor can be interpolated from LIBOR tenors that  
19 are not so affected, or (ii) permits a party to choose from more than  
20 one tenor of LIBOR and any of such tenors (A) is not so affected or (B)  
21 if such contract, security or instrument requires interpolation, can be  
22 interpolated from LIBOR tenors that are not so affected.

23 3. "LIBOR replacement date" shall mean:

24 a. in the case of a LIBOR discontinuance event described in paragraph  
25 a or b of subdivision two of this section, the later of (i) the date of  
26 the public statement or publication of information referenced therein;  
27 and (ii) the date on which the administrator of LIBOR permanently or  
28 indefinitely ceases to provide LIBOR; and

29 b. in the case of a LIBOR discontinuance event described in paragraph  
30 c of subdivision two of this section, the date of the public statement  
31 or publication of information referenced therein. For purposes of this  
32 subdivision three, a date that affects one or more tenors of LIBOR shall  
33 not constitute a LIBOR replacement date with respect to any contract,  
34 security or instrument that (i) provides for only one tenor of LIBOR, if  
35 such contract, security or instrument requires interpolation and such  
36 tenor can be interpolated from LIBOR tenors that are not so affected, or  
37 (ii) permits a party to choose from more than one tenor of LIBOR and any  
38 of such tenors (A) is not so affected or (B) if such contract, security  
39 or instrument requires interpolation, can be interpolated from LIBOR  
40 tenors that are not so affected.

41 4. "Fallback provisions" shall mean terms in a contract, security or  
42 instrument that set forth a methodology or procedure for determining a  
43 benchmark replacement, including any terms relating to the date on which  
44 the benchmark replacement becomes effective, without regard to whether a  
45 benchmark replacement can be determined in accordance with such method-  
46 ology or procedure.

47 5. "Benchmark" shall mean an index of interest rates or dividend rates  
48 that is used, in whole or in part, as the basis of or as a reference for  
49 calculating or determining any valuation, payment or other measurement  
50 under or in respect of a contract, security or instrument.

51 6. "Benchmark replacement" shall mean a benchmark, or an interest rate  
52 or dividend rate (which may or may not be based in whole or in part on a  
53 prior setting of LIBOR), to replace LIBOR or any interest rate or divi-  
54 dend rate based on LIBOR, whether on a temporary, permanent or indefi-  
55 nite basis, under or in respect of a contract, security or instrument.

1     7. "Recommended benchmark replacement" shall mean, with respect to any  
2 particular type of contract, security or instrument, a benchmark  
3 replacement based on SOFR, which shall include any recommended spread  
4 adjustment and any benchmark replacement conforming changes, that shall  
5 have been selected or recommended by a relevant recommending body with  
6 respect to such type of contract, security or instrument.

7     8. "Recommended spread adjustment" shall mean a spread adjustment, or  
8 method for calculating or determining such spread adjustment, (which may  
9 be a positive or negative value or zero) that shall have been selected  
10 or recommended by a relevant recommending body for a recommended bench-  
11 mark replacement for a particular type of contract, security or instru-  
12 ment and for a particular term to account for the effects of the transi-  
13 tion or change from LIBOR to a recommended benchmark replacement.

14     9. "Benchmark replacement conforming changes" shall mean, with respect  
15 to any type of contract, security or instrument, any technical, adminis-  
16 trative or operational changes, alterations or modifications that are  
17 associated with and reasonably necessary to the use, adoption, calcu-  
18 lation or implementation of a recommended benchmark replacement and  
19 that:

20     a. have been selected or recommended by a relevant recommending body;  
21 and

22     b. if, in the reasonable judgment of the calculating person, the  
23 benchmark replacement conforming changes selected or recommended pursu-  
24 ant to paragraph a of this subdivision do not apply to such contract,  
25 security or instrument or are insufficient to permit administration and  
26 calculation of the recommended benchmark replacement, then benchmark  
27 replacement conforming changes shall include such other changes, alter-  
28 ations or modifications that, in the reasonable judgment of the calcu-  
29 lating person:

30     (i) are necessary to permit administration and calculation of the  
31 recommended benchmark replacement under or in respect of such contract,  
32 security or instrument in a manner consistent with market practice for  
33 substantially similar contracts, securities or instruments and, to the  
34 extent practicable, the manner in which such contract, security or  
35 instrument was administered immediately prior to the LIBOR replacement  
36 date; and

37     (ii) would not result in a disposition of such contract, security or  
38 instrument for U.S. federal income tax purposes.

39     10. "Determining person" shall mean, with respect to any contract,  
40 security or instrument, in the following order of priority:

41     a. any person specified as a "determining person"; or

42     b. any person with the authority, right or obligation to:

43     (i) determine the benchmark replacement that will take effect on the  
44 LIBOR replacement date,

45     (ii) calculate or determine a valuation, payment or other measurement  
46 based on a benchmark, or

47     (iii) notify other persons of the occurrence of a LIBOR discontinuance  
48 event, a LIBOR replacement date or a benchmark replacement.

49     11. "Relevant recommending body" shall mean the Federal Reserve Board,  
50 the Federal Reserve Bank of New York, or the Alternative Reference Rates  
51 Committee, or any successor to any of them.

52     12. "SOFR" shall mean, with respect to any day, the secured overnight  
53 financing rate published for such day by the Federal Reserve Bank of New  
54 York, as the administrator of the benchmark (or a successor administra-  
55 tor), on the Federal Reserve Bank of New York's website.

1 13. "Calculating person" shall mean, with respect to any contract,  
2 security or instrument, any person (which may be the determining person)  
3 responsible for calculating or determining any valuation, payment or  
4 other measurement based on a benchmark.

5 14. "Contract, security, or instrument" shall include, without limita-  
6 tion, any contract, agreement, mortgage, deed of trust, lease, security  
7 (whether representing debt or equity, and including any interest in a  
8 corporation, a partnership or a limited liability company), instrument,  
9 or other obligation.

10 § 18-401. Effect of LIBOR discontinuance on agreements. 1. On the  
11 LIBOR replacement date, the recommended benchmark replacement shall, by  
12 operation of law, be the benchmark replacement for any contract, securi-  
13 ty or instrument that uses LIBOR as a benchmark and:

14 a. contains no fallback provisions; or  
15 b. contains fallback provisions that result in a benchmark replace-  
16 ment, other than a recommended benchmark replacement, that is based in  
17 any way on any LIBOR value.

18 2. Following the occurrence of a LIBOR discontinuance event, any fall-  
19 back provisions in a contract, security, or instrument that provide for  
20 a benchmark replacement based on or otherwise involving a poll, survey  
21 or inquiries for quotes or information concerning interbank lending  
22 rates or any interest rate or dividend rate based on LIBOR shall be  
23 disregarded as if not included in such contract, security or instrument  
24 and shall be deemed null and void and without any force or effect.

25 3. This subdivision shall apply to any contract, security, or instru-  
26 ment that uses LIBOR as a benchmark and contains fallback provisions  
27 that permit or require the selection of a benchmark replacement that is:

28 a. based in any way on any LIBOR value; or  
29 b. the substantive equivalent of paragraph a, b or c of subdivision  
30 one of section 18-402 of this article.

31 A determining person shall have the authority under this article, but  
32 shall not be required, to select on or after the occurrence of a LIBOR  
33 discontinuance event the recommended benchmark replacement as the bench-  
34 mark replacement. Such selection of the recommended benchmark replace-  
35 ment shall be:

36 (i) irrevocable;  
37 (ii) made by the earlier of either the LIBOR replacement date, or the  
38 latest date for selecting a benchmark replacement according to such  
39 contract, security, or instrument; and  
40 (iii) used in any determinations of the benchmark under or with  
41 respect to such contract, security or instrument occurring on and after  
42 the LIBOR replacement date.

43 4. If a recommended benchmark replacement becomes the benchmark  
44 replacement for any contract, security, or instrument pursuant to subdi-  
45 vision one or subdivision three of this section, then all benchmark  
46 replacement conforming changes that are applicable (in accordance with  
47 the definition of benchmark replacement conforming changes) to such  
48 recommended benchmark replacement shall become an integral part of such  
49 contract, security, or instrument by operation of law.

50 5. The provisions of this article shall not alter or impair:

51 a. any written agreement by all requisite parties that, retrospective-  
52 ly or prospectively, a contract, security, or instrument shall not be  
53 subject to this article without necessarily referring specifically to  
54 this article. For purposes of this subdivision, "requisite parties"  
55 means all parties required to amend the terms and provisions of a

1 contract, security, or instrument that would otherwise be altered or  
2 affected by this article;

3 b. any contract, security or instrument that contains fallback  
4 provisions that would result in a benchmark replacement that is not  
5 based on LIBOR, including, but not limited to, the prime rate or the  
6 federal funds rate, except that such contract, security or instrument  
7 shall be subject to subdivision two of this section;

8 c. any contract, security, or instrument subject to subdivision three  
9 of this section as to which a determining person does not elect to use a  
10 recommended benchmark replacement pursuant to subdivision three of this  
11 section or as to which a determining person elects to use a recommended  
12 benchmark replacement prior to the occurrence of a LIBOR discontinuance  
13 event, except that such contract, security, or instrument shall be  
14 subject to subdivision two of this section; or

15 d. the application to a recommended benchmark replacement of any cap,  
16 floor, modifier, or spread adjustment to which LIBOR had been subject  
17 pursuant to the terms of a contract, security, or instrument.

18 6. Notwithstanding the uniform commercial code or any other law of  
19 this state, this title shall apply to all contracts, securities and  
20 instruments, including contracts, with respect to commercial trans-  
21 actions, and shall not be deemed to be displaced by any other law of  
22 this state.

23 § 18-402. Continuity of contract and safe harbor. 1. The selection or  
24 use of a recommended benchmark replacement as a benchmark replacement  
25 under or in respect of a contract, security or instrument by operation  
26 of section 18-401 of this section shall constitute:

27 a. a commercially reasonable replacement for and a commercially  
28 substantial equivalent to LIBOR;

29 b. a reasonable, comparable or analogous term for LIBOR under or in  
30 respect of such contract, security or instrument;

31 c. a replacement that is based on a methodology or information that is  
32 similar or comparable to LIBOR; and

33 d. substantial performance by any person of any right or obligation  
34 relating to or based on LIBOR under or in respect of a contract, securi-  
35 ty or instrument.

36 2. None of: a. a LIBOR discontinuance event or a LIBOR replacement  
37 date, b. the selection or use of a recommended benchmark replacement as  
38 a benchmark replacement; or c. the determination, implementation or  
39 performance of benchmark replacement conforming changes, in each case,  
40 by operation of section 18-401 of this article, shall:

41 (i) be deemed to impair or affect the right of any person to receive a  
42 payment, or affect the amount or timing of such payment, under any  
43 contract, security, or instrument; or

44 (ii) have the effect of (A) discharging or excusing performance under  
45 any contract, security or instrument for any reason, claim or defense,  
46 including, but not limited to, any force majeure or other provision in  
47 any contract, security or instrument; (B) giving any person the right to  
48 unilaterally terminate or suspend performance under any contract, secu-  
49 rity or instrument; (C) constituting a breach of a contract, security or  
50 instrument; or (D) voiding or nullifying any contract, security or  
51 instrument.

52 3. No person shall have any liability for damages to any person or be  
53 subject to any claim or request for equitable relief arising out of or  
54 related to the selection or use of a recommended benchmark replacement  
55 or the determination, implementation or performance of benchmark  
56 replacement conforming changes, in each case, by operation of section

1 18-401 of this article, and such selection or use of the recommended  
2 benchmark replacement or such determination implementation or perform-  
3 ance of benchmark replacement conforming changes shall not give rise to  
4 any claim or cause of action by any person in law or in equity.

5 4. The selection or use of a recommended benchmark replacement or the  
6 determination, implementation, or performance of benchmark replacement  
7 conforming changes, by operation of section 18-401 of this article,  
8 shall be deemed to:

9 a. not be an amendment or modification of any contract, security or  
10 instrument; and

11 b. not prejudice, impair or affect any person's rights, interests or  
12 obligations under or in respect of any contract, security or instrument.

13 5. Except as provided in either subdivision one or subdivision three  
14 of section 18-401 of this article, the provisions of this article shall  
15 not be interpreted as creating any negative inference or negative  
16 presumption regarding the validity or enforceability of:

17 a. any benchmark replacement that is not a recommended replacement  
18 benchmark;

19 b. any spread adjustment, or method for calculating or determining a  
20 spread adjustment, that is not a recommended spread adjustment; or

21 c. any changes, alterations or modifications to or in respect of a  
22 contract, security or instrument that are not benchmark replacement  
23 conforming changes.

24 § 18-403. Severability. If any provision of this article or applica-  
25 tion thereof to any person or circumstance is held invalid, the invalid-  
26 ity shall not affect other provisions or applications of this article  
27 that can be given effect without the invalid provision or application,  
28 and to this end the provisions of this article shall be severable.

29 § 2. This act shall take effect immediately.