Press Release

SEC Staff Publishes Statement Highlighting Risks for Market Participants to Consider As They Transition Away from LIBOR

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Washington D.C., July 12, 2019 —
The Securities and Exchange Commission today announced that SEC staff have published a statement that encourages market participants to proactively manage their transition away from LIBOR and outlines several potential areas that may warrant increased attention during that time. It is expected that parties reporting information used to set LIBOR will stop doing so after 2021.
"The transition away from LIBOR is gaining some much needed traction, but, as the staff's statement makes clear, significant work remains," said Chairman Jay Clayton. "The risks the statement highlights deserve careful attention and I draw particular attention to the staff's observation: 'For many market participants, waiting until all open questions have been answered to begin this important work likely could prove to be too late to accomplish the challenging task required.' The SEC will continue to monitor disclosure and risk management efforts related to the LIBOR transition, and we welcome engagement from market participants on these important matters."

As LIBOR is used extensively in the U.S. and globally as a benchmark rate to set interest rates for various commercial and financial contracts, the discontinuation of LIBOR could have a significant impact on financial markets and may present a material risk for market participants, including public companies, investment advisers, investment companies, and broker-dealers. These risks will be exacerbated if the work necessary to effect an orderly transition to an alternative reference rate is not completed in a timely manner.

The staff statement encourages market participants to identify existing contracts that extend past 2021 to determine their exposure to LIBOR and to consider whether contracts entered into in the future should reference an alternative rate to LIBOR or include effective fallback language. The statement also contains specific guidance for how registrants might respond to risks associated with the discontinuation of LIBOR.

The staff will continue to actively monitor the extent to which market participants are identifying and addressing risks associated with the expected discontinuation of LIBOR. Further, the staff welcomes discussion on the transition and encourages members of the public to share information about the potential impact of the expected discontinuation of LIBOR. Information may be shared by e-mail to LIBOR@sec.gov or directly to the staff of the Division of Corporation Finance at CFORS@sec.gov, the Division of Investment Management at IMDRAO@sec.gov, the Division of Trading and Markets at TRADINGANDMARKETS@sec.gov, or the Office of the Chief Accountant at OCA@sec.gov.

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