

[Securities Regulation Daily Wrap Up, FINANCIAL INTERMEDIARIES— Chamber of Commerce asks financial regulators to aid implementation of SOFR for NFCs, \(Apr. 29, 2021\)](#)

Securities Regulation Daily Wrap Up

[Click to open document in a browser](#)

By [Mark S. Nelson, J.D.](#)

A survey cited by the U.S. Chamber of Commerce suggested that many banks have not discussed LIBOR alternatives with firms seeking to borrow.

The U.S. Chamber of Commerce, for the second time in a month, has commented on the issues facing nonfinancial corporates or NFCs regarding the amendment of loan contracts to reference the impending switch from LIBOR to SOFR. Legislation being drafted by federal lawmakers, and laws enacted by some states, may help to ease the transition away from LIBOR to SOFR, but the Chamber of Commerce' [letter](#) still finds likely problems for NFCs.

The U.S. Chamber of Commerce recently submitted [similar comments](#) to the House Financial Services Committee's Subcommittee on Investor Protection, Entrepreneurship and Capital Markets, which held a hearing on draft legislation that would ease the transition to SOFR. According to the Chamber of Commerce, Congress should pass LIBOR transition legislation with provisions to help protect nonfinancial corporates, which the organization said have been unable to obtain SOFR-based loans from banks.

In its latest comments to regulators, the Chamber of Commerce specifically drew attention to issues surrounding financings in which NFCs lack significant contact with counterparties, such as term loans, floating rate notes, and asset securitizations. The difficulty is that all lenders in these types of transactions must consent to any amended terms regarding the interest rate references like SOFR.

The Chamber of Commerce also noted that many other types of transactions could be affected by the change to SOFR but there is little data on how those transactions will be impacted. Transactions that could be impacted include inter-affiliate and intra-group loans, employee benefit payments, certain accounting issues, asset purchase and sale agreements, supply agreements, and long-term capital goods purchases. The Chamber of Commerce said these are transactions that NFCs enter into on a daily basis as part of their operations.

The Chamber of Commerce's letter to regulators also contained an appendix that summarized the results of a survey conducted in March 2021. According to the Chamber of Commerce, most firms have not been offered LIBOR alternatives by their banks and most firms reported that their banks have not discussed such alternatives with them. Moreover, most firms reported that they want a range of SOFR-based options, which they preferred to other LIBOR alternatives.

RegulatoryActivity: CFTCNews CorporateFinance Derivatives ExchangesMarketRegulation FedTracker
Securities FinancialIntermediaries GCNNews InternationalNews InvestmentAdvisers InvestmentCompanies
InvestorEducation RiskManagement SECNewsSpeeches Swaps