



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, DC 20551

July 27, 2021

The Honorable Maxine Waters  
Chairwoman  
Committee on Financial Services  
House of Representatives  
Washington, D.C. 20515

The Honorable Patrick McHenry  
Ranking Member  
Committee on Financial Services  
House of Representatives  
Washington, D.C. 20515

The Honorable Brad Sherman  
Chair  
Subcommittee on Investor Protection,  
Entrepreneurship, and Capital Markets  
House of Representatives  
Washington, D.C. 20515

The Honorable Bill Huizenga  
Ranking Member  
Subcommittee on Investor Protection,  
Entrepreneurship, and Capital Markets  
House of Representatives  
Washington, D.C. 20515

Dear Chairwoman Waters, Ranking Member McHenry, Chair Sherman and Ranking Member Huizenga:

Following up on my testimony before the Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets in April 2021, I am writing in regard to the Adjustable Interest Rate (LIBOR) Act of 2021 (“the Act”) that is under consideration this week in the House Financial Services Committee. As you may recall, in my testimony, I described certain high-level principles regarding federal LIBOR legislation:

Federal legislation would establish a clear and uniform framework, on a nationwide basis, for replacing LIBOR in legacy contracts that do not provide for an appropriate fallback rate. Federal legislation should be targeted narrowly to address legacy contracts that have no fallback language, that have fallback language referring to LIBOR or to a poll of banks, or that convert to fixed-rate instruments. Federal legislation should not affect legacy contracts with fallbacks to another floating rate, nor should federal legislation dictate that market participants must use any particular benchmark rate in future contracts. Finally, to avoid conflict of laws problems, federal legislation should pre-empt any outstanding state legislation on legacy LIBOR contracts.<sup>1</sup>

The Act is consistent with the principles I described in my testimony: it is targeted narrowly to address legacy LIBOR contracts that lack a clearly defined or practicable benchmark replacement; it pre-empts state laws that provide for the selection or use of a benchmark

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<sup>1</sup> See <https://www.federalreserve.gov/newsevents/testimony/vanderweide20210415a.htm>.

replacement in legacy LIBOR contracts; and it does not disfavor the use of any benchmark rate on a prospective basis. Importantly, the Act would promote a smooth transition away from LIBOR by promoting legal certainty and limiting litigation related to legacy LIBOR contracts.

We appreciate the Committee's work to address this important issue.

Sincerely,

A handwritten signature in blue ink that reads "Mark Van Der Weide". The signature is written in a cursive, flowing style.

Mark Van Der Weide  
General Counsel