



NEW YORK STATE SENATOR

Kevin Thomas

Senator Kevin Thomas Introduces Bill to Protect Businesses and Consumers Amid LIBOR Phase-Out

KEVIN THOMAS | October 28, 2020

| ISSUE: **COMMITTEE ON CONSUMER PROTECTION, LIBOR, STUDENT LOANS, MORTGAGES, FINANCE**

| COMMITTEE: **CONSUMER PROTECTION**

(Garden City, NY) — New York State Senator Kevin Thomas today introduced legislation to protect New York consumers and businesses from legal uncertainty and economic instability amid the discontinuance of the London Interbank Offered Rate (LIBOR), a common benchmark interest rate index which is referenced in adjustable rate mortgages, student loans, credit cards, mutual funds, public pension funds, and other financial contracts.

Since the 2008 financial crisis, LIBOR has fallen under intense global scrutiny. International investigations into LIBOR have revealed widespread efforts to manipulate the rates for profit, with issues discovered as far back as 2003. As a result, the UK regulator that oversees LIBOR has announced that it will be phased out after 2021. The elimination of LIBOR without an established alternative poses a risk to consumers and financial institutions whose financial contracts reference LIBOR. An estimated \$400 trillion in mortgages, consumer loans, corporate debt, and other financial contracts are tied to LIBOR. When publication of LIBOR stops, contracts that lack adequate fallback provisions may plunge in value.

In response, Senator Thomas, who Chairs the New York State Senate Consumer Protection Committee, has introduced new legislation that aims to protect consumers and bring stability to the market by establishing an alternative recommended benchmark as a fallback in existing contracts that reference LIBOR.

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Everything from mortgages, student loans, and credit card rates are tied to LIBOR. We need to take action now to protect New Yorkers from falling into legal limbo when LIBOR ends,” said Senator Thomas. “With this legislation, we are taking preventative action to ensure a smooth transition and make sure that New York consumers and businesses are protected when LIBOR is phased out in 2021.”

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2019-S9070

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Relates to the discontinuance of LIBOR as the benchmark for short-term interest rates

October 28, 2020

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Do you support this bill?