



BOUSQUET HOLSTEIN PLLC

Alert

Public Finance Practice Group

SOFR: POSSIBLE LIBOR ALTERNATIVE

Syracuse, New York

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The Federal Reserve's Alternative Reference Rates Committee recently recommended the Secured Overnight Financing Rate (SOFR) as an alternative for the London interbank offered rate (LIBOR). LIBOR is the index rate frequently used in tax-exempt bonds, commercial loans and mortgages and interest rate swaps and other derivatives to establish the interest rates payable by borrowers and other parties. In 2017, the British banking agency that oversees LIBOR announced that in 2021, it would phase out the required reporting of rates used to establish LIBOR. Since that announcement, the future of LIBOR and its use as an index rate have been uncertain.

With the ARRC's recommendation, SOFR is emerging as the alternative to LIBOR. The Metropolitan Transportation Authority recently issued the first tax-exempt bonds indexed to SOFR.

Unlike LIBOR, SOFR is a rate for secured obligations. It is based on the cost of borrowing cash overnight secured by U.S. Treasury securities. Information about SOFR is available at <https://apps.newyorkfed.org/markets/autorates/sofr>.

At recent industry association events, representatives from the U.S. Treasury Department stated that Treasury and the Internal Revenue Service are working on guidance to address replacement of LIBOR with SOFR in tax-exempt bonds and a representative from the International Swaps and Dealers Association (ISDA) indicated that ISDA is working on the move to SOFR.

We will continue to track the phase out of LIBOR and provide updates as they become available. If you have any questions about alternatives to LIBOR or addressing the phase out, please contact our Public Finance attorneys.

Bousquet Holstein Public Finance Practice Group

The team of professionals in the Bousquet Holstein Public Finance Group has broad and deep experience assisting our clients in delivering and taking advantage of tax incentives offered by the Internal Revenue Code and New York State law to encourage and support projects that serve the public, promote economic development and advance charitable and public purposes. These incentives include tax-exempt bonds, tax credits and the abatement of real property, sales and use and mortgage recording taxes. If we can provide you with additional insight and information regarding changes to the law please contact:

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