

Some Guidance Relating to Transitions Away from LIBOR

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The Treasury Department and the Internal Revenue Service have provided advance guidance in Rev. Proc. 2020-44 to allow the implementation of fallback regimes developed by the Alternative Reference Rate Committee and the International Swaps and Derivatives Association to facilitate the orderly transition away from interbank offered rates in certain contracts. This transition is expected to occur at the end of 2021 in accordance with the announcement made by the Financial Conduct Authority, which regulates and oversees the London Interbank Offered Rate. To the extent a contract is modified in accordance with such fallback regimes, under Rev. Proc. 2020-44 the modification will not result in a taxable event to either the investor or the issuer.

Practice

- Tax