

FinReg Round-Up

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President Biden Signs LIBOR Legislation for 'Tough Legacy' Financial Contracts1

CFPB Bulletin Seeks to Deter Fake Consumer Review Practices2

CFPB to Exercise Little-Used Authority Over Nonbanks to Protect Consumers.....2

As we enter May and COVID-19 restrictions continue to ease, the FinReg Round-up reports on President Biden's long-awaited signing of a London Interbank Offered Rate (LIBOR) measure related to certain financial



contracts. We also look at recently issued guidance by the Consumer Financial Protection Bureau (CFPB) aimed at discouraging fake consumer reviews as well as the agency's decision to start reviewing nonbank records.

President Biden Signs LIBOR Legislation for 'Tough Legacy' Financial Contracts

President Joe Biden signed the sweeping [Consolidated Appropriations Act](#) on March 15, which includes the enactment of the Adjustable Interest Rate Act. The new law reduces the risks associated with transitioning away from USD LIBOR to a replacement rate based on the Secured Overnight Financing Rate (SOFR).

The omnibus bipartisan legislation includes a measure establishing a mechanism to replace LIBOR as the international benchmark interest rate in "tough legacy" financial contracts. Until now, these older contracts did not have viable, built-in fallback plans to handle the upcoming discontinuation of the benchmark in mid-2023.

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CFPB Bulletin Seeks to Deter Fake Consumer Review Practices

The CFPB issued a [bulletin](#) on March 22 aimed at deterring fake consumer reviews and explaining why certain practices may be unlawful. The goal of the guidance is to help ensure that customers are able to write reviews (particularly online) of financial products and services that accurately reflect their opinions and experiences.

Business practices related to customer reviews that are generally illegal under the Consumer Financial Protection Act include contractual “gag” clauses that forbid a

consumer from posting an honest review; fake reviews that appear completely independent from the company to improve its ratings; and review suppression or manipulation by limiting the posting of negative reviews or manipulating reviews to trick or confuse consumers. The CFPB bulletin follows a Federal Trade Commission decision to put hundreds of businesses on notice about fake reviews and misleading endorsements, which could result in significant penalties.

CFPB to Exercise Little-Used Authority Over Nonbanks to Protect Consumers

In other CFPB news, the agency [announced](#) on April 25 that it will begin exercising its rarely used authority to review the books and records of nonbank companies it believes pose risks to consumers. The Dodd-Frank Wall Street Reform and Consumer Protection Act gives the CFPB authority to conduct supervisory examinations of regulated entities, including nonbank companies, which are often branded as “fintechs.”

This authority does not target particular consumer financial products or services, but may focus on entities that are growing rapidly or are in markets outside the existing nonbank supervision program. Risky conduct may involve potentially unfair, deceptive or abusive acts or practices, or potential violations of federal consumer financial law.

The CFPB is also seeking public comments on a procedural [rule](#) that will make the examination process more transparent. The new rule will authorize the agency to make public for the first time its decisions on whether to examine a nonbank.

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