

## FinReg Round-Up

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With autumn upon us and cooler weather ahead, the FinReg Round-Up reports on the Federal Reserve Board’s request for input on the next step in the journey to discontinue using the London Interbank Offered Rate (LIBOR) in 2023. The board has also issued guidance to

its banks on what to do before engaging in crypto-asset-related activities. Also up for consideration are proposed amendments to New York state’s cybersecurity law to protect sensitive electronic data.

## Federal Reserve Board Seeks Input on Default Rules for Contracts Using LIBOR

The Federal Reserve Board recently sought [public comment](#) on proposed default rules for certain contracts that use LIBOR, which will be discontinued after June 30, 2023. The proposal would implement the Adjustable Interest Rate (LIBOR) Act enacted earlier this year. The act provides a nationwide solution for replacing references to LIBOR in existing contracts without adequate fallback provisions or provisions related to identifying an alternative reference rate.

The proposal identifies separate board-selected replacement rates for derivatives transactions, contracts where a government-sponsored enterprise is a party and all other affected contracts. As required by the law, each proposed replacement rate is based on the Secured Overnight Financing Rate. All the submitted comments can be viewed [here](#).

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## Guidance on Crypto-Asset Activities Issued to Banks by Federal Reserve Board

In August, the Federal Reserve Board provided the banks it supervises with guidance on the steps they should take before engaging in crypto-asset-related activities. In a [supervisory letter](#), the board noted that crypto-asset-related activities can pose risks related to consumer protection and financial stability. Supervised banks should take precautionary steps that include:

- Conducting an assessment of whether crypto-asset-related activities are legally permissible, and determining whether any regulatory filings are required.
- Notifying the board prior to engaging in crypto-asset-related activities.
- Putting in place adequate systems and controls to conduct crypto-asset-related activities in a safe and sound manner before commencing such activities.

## NYDFS Proposed Amendments Would Shore Up Cybersecurity Tech Vulnerabilities

The New York Department of Financial Services (NYDFS) released proposed amendments to its Cybersecurity Regulation to address recent cybercriminal exploitation of technological vulnerabilities to gain access to sensitive electronic data. If codified, the amendments will impose new requirements such as annual independent cybersecurity audits for larger entities, risk assessments for all covered entities, new technology requirements,

mandatory 24-hour reporting for cyber ransom payments, new restrictions on privileged accounts and higher expectations for board expertise to oversee businesses' cyber risk. A 60-day public comment period will commence on publication of the official proposed amendments. For further details, read our client alert on the draft amendments [here](#).

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