

## MVP: Cadwalader's Lary Stromfeld

By Jon Hill

*Law360 (September 23, 2022, 2:02 PM EDT)* -- Cadwalader Wickersham & Taft LLP's Lary Stromfeld has provided tireless counsel to banks on their preparations for the move away from Libor and was a key architect of legislative solutions to head off the financial industry's potentially trillion-dollar "tough legacy" transition woes, earning him a spot among Law360's 2022 Banking MVPs.

### ***HIS NOTABLE ACHIEVEMENTS:***

For years, Libor reigned supreme as the dominant pricing benchmark embedded in trillions of dollars in derivatives, business loans, mortgages and other financial contracts, but banks are finally going to have to kick Libor like a bad habit.

Tainted by rate-rigging scandals and other concerns about its reliability, Libor is set to be fully phased out by next summer. In its place, banks and other financial firms are supposed to switch to alternative benchmarks like the Secured Overnight Financing Rate, or SOFR, that are angling to take Libor's crown as the "world's most important number."

The transition has been years in the making and comes with high stakes for the financial industry. There will be many people to thank if it all goes smoothly, but Stromfeld may be able to take more credit than most after his efforts this past year.

Stromfeld, who heads Cadwalader's Libor preparedness team, has been serving as lead counsel to the Alternative Reference Rates Committee, or ARRC, a public-private forum convened by the Federal Reserve to spearhead transition issues in the U.S.

In that capacity, Stromfeld conceptualized and drafted model legislation that New York state enacted in spring 2021 to tackle a key Libor transition-related problem identified by the ARRC — that of "tough legacy" contracts at risk of being thrown into chaos by Libor's discontinuation.

These contracts reference Libor but don't have an adequate backup benchmark option built into them,



and there are potentially trillions of dollars' worth of them out there, according to some estimates.

"We came up with the comparison to what happened in the 1990s when the euro replaced a lot of the domestic currencies in Europe," Stromfeld said. "Lots of contracts and financial transactions did not contemplate that change, so we used that [experience] as a model for thinking about how to maintain the continuity of contracts that did not contemplate something as fundamental as Libor going away."

The solution that Stromfeld and the ARRC proposed — based on lengthy consultations and analysis — involves filling in this blank by statutorily applying a SOFR-based benchmark to many of these contracts once Libor expires, while still preserving flexibility for contracting parties to pick a different replacement.

When New York adopted this legislative fix, it was hailed within the financial industry as a milestone moment for the Libor transition. Another key moment followed in December, when the ARRC released detailed technical implementation guidance that Stromfeld also drafted.

But an even bigger milestone came this year with Congress' passage of the Adjustable Interest Rate (Libor) Act, which sought to provide a federal legislative fix for all U.S.-law tough legacy Libor contracts, not just those written under New York law.

The Libor Act, which President Joe Biden signed into law in March, not only used as its template the New York law that Stromfeld had helped design, but it also was shepherded through the federal legislative process with assistance from Stromfeld, who played a crucial consultative role as a liaison between lawmakers, regulators, industry interests, consumer groups and other stakeholders.

In the end, the legislation was overwhelmingly bipartisan, as its 415-9 approval in the U.S. House can surely attest.

"That was really a remarkable thing," Stromfeld said. "To get the House of Representatives to pass something by that margin these days is staggering, no matter what the subject is. And I think it's because there were an awful lot of people working really hard to try to make sure that this was being done in a fair way."

"I was very, very happy to be a part of that," he added.

#### ***HIS BIGGEST CHALLENGE AHEAD:***

In addition to his work with the ARRC, Stromfeld has been helping a number of financial institutions to develop and execute Libor transition strategies through his role leading Cadwalader's Libor preparedness team.

For these clients, which include some of the world's biggest banks, readying for Libor's end has meant wading through entire portfolios of tens of thousands of contracts to figure out which ones reference the benchmark and whether they have the right language in them to smoothly transition away from it.

That was going to be a "significant operational challenge," Stromfeld said with more than a touch of understatement. But he and the team brought some high-tech solutions to bear, applying newfangled artificial intelligence technology to the old-fashioned job of contract review.

"It helped tremendously," he said. "It's hard to imagine what it would have been like without having that

technology. The efficiencies that were achieved in terms of human resources, not to mention the accuracy — I couldn't even begin to guess how much more effective it was."

But while banks have stopped writing new contracts pegged to Libor and can now breathe a sigh of relief that their "tough legacy" contracts won't be left flailing, Stromfeld said there's still plenty to do before the industry crosses the June 2023 finish line when the last versions of Libor will be discontinued.

"The challenge now is about implementation," he said. "We've got a date; we've got a replacement benchmark [SOFR] that is commonly accepted; and we have legislation to take care of the contracts that need a safety net. But I think a lot of the rest of this is going to turn on operation and education."

That means, for example, that financial institutions need to make sure their corporate and consumer clients are brought fully up to speed on what the post-Libor world looks like for their particular loans or other transactions, according to Stromfeld.

Financial institutions will also need to make sure their internal systems are updated and ready to convert to alternative non-Libor rates. And they will need to make sure they understand how the federal Libor legislation applies to each tough legacy contract in their portfolios and that this is communicated down the line to affected customers.

"That's one of the things we're doing at Cadwalader," he said. "We're providing advice to individual financial institutions that are looking at their portfolios and saying they can't quite tell how certain contracts should be interpreted, or they are wondering about how to protect themselves against litigation risk."

"It's all about risk management," he added. "You want to make it as easy as possible to work, but then also anticipate what could happen if things go wrong. That's what's going to play out over the next year."

#### ***HOW HE BECAME A BANKING LAW ATTORNEY:***

Stromfeld didn't begin his career on a legal track. In fact, after he graduated from college, it was in social work where he took his first steps as a young professional.

But Stromfeld eventually headed for law school, feeling that legal training would equip him to make more of an impact on big-picture policy issues and open the door to a public sector career. Except, once it came time to look for a summer job as a law student, he wasn't finding any actual public sector work, he recalled.

"There was nothing available," Stromfeld said. "So I ended up getting a job working on Wall Street for Drexel Burnham Lambert, right when they were in their heyday. It was a total eye-opener for me because it showed me a side of the world — the financial markets — that I had never really been exposed to before."

Stromfeld soon discovered not only that the work interested him, but also that he had a talent for it. The experience led him to go into project finance and municipal bond work for a time after law school, marrying his public sector passion with his newfound interest in finance.

"That to me was the ideal mix," Stromfeld said. "But over time, the market contracted somewhat, and I felt that I needed to find something that had a longer runway for my career, so I gravitated more to the

finance side and went to Cadwalader ultimately because of its great reputation in handling the most sophisticated types of financing transactions."

"It has been such a great place for me to continue to build my career, explore all the interesting types of financial products and work in different markets over the years," Stromfeld added.

#### ***WHAT MOTIVATES HIM:***

Although it's perhaps no surprise coming from someone who has devoted years of his career to the Libor transition, Stromfeld said he thrives on complexity.

"I've always been drawn to complex problems," he said. "When I read the announcement that the [U.K.'s Financial Conduct Authority] was going to discontinue Libor, it just appealed to me immediately as the kind of challenge I've always looked for in my career."

But relationships have also been a big motivator, Stromfeld noted.

"I enjoy being surrounded by my colleagues at Cadwalader, and I work with clients and trade associations who are equally motivated and very, very smart," he said. "We've all been trying to figure out how to navigate this transition, but that kind of collaborative problem-solving is one of the things that I've enjoyed most about being a lawyer."

#### ***HIS ADVICE FOR JUNIOR ATTORNEYS:***

Who you are at the office and who you are at home shouldn't be kept so rigidly compartmentalized, Stromfeld said.

"I credit the younger generation for having brought this to our consciousness, but we have all learned in the last few years to bring more of our true selves to the office," he said. "Share that with people, and let your true self carry though not just to what you're doing at your desk but also what you do in your personal life."

That's actually how Stromfeld said he first became involved with the Food Bank for New York City, the hunger-relief organization that Cadwalader's former chairman and managing partner John "Jack" Fritts, who died last year, incorporated nearly 40 years ago.

"Jack was a colleague and a friend of mine," Stromfeld said. "He would tell me about the Food Bank and all the great work it was doing, and I would support it by making donations, but then one year I signed up to do a volunteer event at their warehouse at Hunts Point in the Bronx."

"So I got a group of Cadwalader lawyers together with a group of in-house lawyers from [a bank client] to go up to the warehouse," he continued. "I'd never been there before, but when we got there, I saw it was this 90,000-square-foot building stocked to the ceiling with food and tractor-trailer trucks lined up outside."

The vastness of the operation was a sight to behold, he said. But what really stunned Stromfeld was what he heard next from the Food Bank executive leading the volunteers on a tour of the facilities.

"She said, 'This will be enough to feed New York for a few days,'" he recalled. "I just froze. I froze right there, and I thought, I can't go back to my office tomorrow and carry on my life the way I did before. I have to do something."

Although he didn't know much about food banks or hunger relief at the time, Stromfeld said he did know "a lot of lawyers." Drawing on those connections, he founded what became the Food Bank's "Justice Served" campaign, a six-week annual fundraising and volunteering drive that brings together nearly two dozen law firms and legal departments.

The campaign has gone on to raise funds for more than 4.5 million meals and yield thousands of volunteer hours for the Food Bank since launching in 2015.

"When you share something like this with others, something that is visceral and personal to you, you make a connection and you transcend what you're doing in the moment on a legal matter," Stromfeld said. "You are offering them an opportunity to do something that you believe in, and if they believe in it, too, then it's good for everyone."

— *As told to Jon Hill.*

*Law360's MVPs of the Year are attorneys who have distinguished themselves from their peers over the past year through high-stakes litigation, record-breaking deals, and complex global matters. A team of Law360 editors selected the 2022 MVP winners after reviewing more than 900 submissions.*

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