

Can Falling Interest Rates Increase a Company's Financing Costs?

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Companies will often enter into interest rate swap agreements in order to hedge their exposure to interest rate risk stemming from floating-rate debt. These hedging arrangements are designed to fix the financing costs for such companies, but a negative interest rate environment introduces new wrinkles to hedging arrangements that may lead to unintended increases in financing costs.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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