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New Sales Tax Bonds Issued Under Latest Puerto Rico Debt Restructuring.

SAN JUAN, Feb 12 (Reuters) – Puerto Rico's Sales Tax Financing Corporation, known as COFINA, issued $12 billion of new bonds on Tuesday as a federal court-approved deal between the bankrupt U.S. commonwealth and its creditors took effect, according to island officials.

The plan of adjustment approved by U.S. District Court Judge Laura Taylor Swain on Feb. 4 restructures about $17 billion of sales tax-backed debt, leaving senior bondholders to recover 93 percent of their original investment, while junior bondholders recover only 56 percent. The island, which is trying to restructure about $120 billion of debt and pension liabilities through a form of municipal bankruptcy that Swain is overseeing, previously won court approval for a consensual deal with creditors over about $4 billion of debt related to its Government Development Bank (GDB).

According to Puerto Rico's federally created oversight board, the COFINA plan will slash debt service on the sales tax-backed debt by $17.5 billion over nearly 40 years, saving the island an average $456 million annually.

Future sales tax revenue previously pledged exclusively to COFINA will be split, with 53 percent going to COFINA bondholders and 46 percent flowing to the commonwealth government.

The new COFINA bonds were listed on the Municipal Securities Rulemaking Board's disclosure website with maturities in 2047 and 2054.

"Today's achievement is proof that the Government of Puerto Rico can accomplish creative restructuring solutions that safeguard the interests of the people of Puerto Rico," Governor Ricardo Rosselló said in a statement.

The oversight board said on Tuesday it has certified a fiscal 2019 budget for COFINA that includes money to cover the entity's past and future operating expenses.

S&P Global Ratings said last week that the credit quality of the restructured COFINA bonds is tied to Puerto Rico's long-term credit picture.

"While the COFINA settlement provides a degree of certainty with respect to the commonwealth's balance sheet, the absence of audited financial statements and continuing uncertainty around retirement obligations stands in the way of our ability to assess its long-term creditworthiness," S&P said.

The oversight board has turned its attention to the island's core debt of roughly $13 billion of general obligation bonds and almost $50 billion in unfunded pension liabilities.

Last month, the board asked Swain to invalidate more than $6 billion of GO bonds, contending the debt had been issued in violation of the Puerto Rico Constitution.

(Reporting by Karen Pierog in Chicago and Luis Valentin Ortiz in San Juan Editing by Matthew Lewis)