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Puerto Rico Crisis Spurs U.S. Bill Seeking Hedge Fund Disclosure.

Hedge funds' involvement in the Puerto Rico debt crisis is leading U.S. Representative Nydia Velazquez, a New York Democrat born on the island, to propose legislation that would force the firms to reveal more about their investments.

Velazquez, who sits on House Financial Services Committee, wants hedge funds to file with the Securities and Exchange Commission whenever they acquire at least 1 percent of a company's stock, down from the current 5 percent threshold. The bill she has drafted would apply the same disclosure requirement to debt and derivatives.

Hedge funds have drawn scrutiny for snapping up Puerto Rico bonds, whose prices have tumbled as the island's fiscal crisis escalated. Velazquez said the funds may be advocating for spending cuts that would hurt Puerto Ricans and against legislation that would let some agencies file for bankruptcy, which would allow them to cut their debts in U.S. court.

"It has become increasingly clear that hedge funds, which have purchased a sizable part of Puerto Rico's debt, are exacerbating the crisis and profiting from the island's misery," she said in an e-mailed statement. "This bill will allow regulators and the public to see exactly what role these funds are playing in Puerto Rico's financial crisis and in our broader economy."

Hedge funds hold as much as \$25 billion, or about a third, of Puerto Rico's debt, according to an estimate by Mikhail Foux, Barclays Plc's municipal-debt strategist in New York. Funds that invested in Puerto Rico debt include Brigade Capital Management, Fir Tree Partners and Monarch Alternative Capital. The funds were part of a group that in July released a study challenging Governor Alejandro Garcia Padilla's contention that the government can't afford to repay what it owes.

Velazquez's bill follows calls from Democrats on the House Natural Resources Committee for a hearing on the funds' role in Puerto Rico's crisis.

Bloomberg

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November 4, 2015 — 5:00 PM PST Updated on November 5, 2015 — 4:45 AM PST