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Pimco Backs House's Puerto Rico Legislation as Way Out of Crisis.

The U.S. House bill that would establish a federal oversight board for Puerto Rico and give it powers to reduce the island's \$70 billion of debt would be a "satisfactory resolution" to the commonwealth's worsening crisis, according to Pacific Investment Management Co.

In an online posting Tuesday, Pimco, which doesn't own any of the territory's securities, said the legislation wouldn't trigger higher borrowing costs for other municipal issuers, a concern raised by some Republicans in Congress. The legislation is pending in the House Natural Resources Committee, which canceled a planned vote this month so it could address criticism from lawmakers of both parties.

"Diverse interests have emerged seeking to derail a bill aimed at a satisfactory resolution to Puerto Rico's debt crisis," Pimco's David Hammer, Sean McCarthy and Libby Cantrill wrote. The analysts, whose firm manages more than \$40 billion of municipal debt, said the legislation "represents a responsible framework for managing the unavoidable restructuring of Puerto Rico's debt and other liabilities."

The firm's comments may bolster support for the legislation, which marks the broadest effort yet by Washington to pull the U.S. territory from its swiftly escalating crisis. The bill has also won support from Nuveen Asset Management and holders of Puerto Rico's sales-tax backed bonds, while hedge funds that own the commonwealth's general obligations have opposed it.

The Congressional delay has left Puerto Rico without federal help as it faces a potential default on a \$422 million debt payment due on May 1. On Tuesday, House Majority Leader Kevin McCarthy, the chamber's No. 2 Republican, said he's "hopeful" that the House will pass the legislation before \$2 billion is due in July.

The oversight board created under the bill would manage budgets, oversee restructurings and impose a stay to temporarily protect the island from creditor lawsuits. Without the pause in litigation, the municipal market may see "confusing precedents" from the outcomes of any legal decisions, Pimco said.

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