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Treasury Didn't Tell Puerto Rico to Default, Lawyer Says.

U.S. Treasury officials didn't tell Puerto Rico to default on general-obligation bond payments, according to a lawyer representing the island in its \$70 billion debt restructuring.

"At least in my experience, U.S. Treasury doesn't say to the commonwealth 'do x or y,' " Richard Cooper, a partner at Cleary Gottlieb Steen & Hamilton LLP, said Tuesday during a Puerto Rico conference at the CUNY Graduate School of Journalism in New York. "That is ultimately, I think fueled, by creditors speculating for their own purposes."

Puerto Rico skipped paying nearly \$1 billion to bondholders on July 1, including \$780 million of principal and interest on general obligations. It was the largest default in the \$3.7 trillion municipal-bond market and the first time a state-level borrower failed to pay on its direct debt since the 1930s.

Cleary Gottlieb is Puerto Rico's legal adviser as it seeks to reduce a \$70 billion debt load. The firm has been in discussions with U.S. Treasury staff, commonwealth officials and creditors as the parties negotiate on a how to restructure the island's debt.

"Anyone who is seriously looking at this situation could tell you there wasn't enough funds on July 1 to make those payments," Cooper said.

U.S. Senator Orrin Hatch sent a letter in June to the Securities and Exchange Commission, asking the agency to investigate the information shared between some investors, Puerto Rico and U.S. government officials about the island's fiscal state.

Hatch's letter asks SEC Chair Mary Jo White to look into "whether information asymmetries, including asymmetries between public investors and government officials of Puerto Rico and the U.S. government have led to acts, actions and activities in violation of laws designed to protect investors and the integrity of the municipal-debt market."

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