

Bond Case Briefs

Municipal Finance Law Since 1971

Puerto Rico's First Bankruptcy Hearing Set for May 17.

WILMINGTON, Del. — Puerto Rico will begin its bankruptcy proceedings on May 17 in San Juan with a series of requests for managing the case as the commonwealth begins the process of restructuring its \$70 billion in debt, according to court filing on Tuesday.

Puerto Rico's federally appointed financial oversight board on May 3 filed the debt restructuring petition under Title III of last year's U.S. Congressional rescue law known as PROMESA. While the initial filing was limited to obligations of the central government, it was still the largest-ever U.S. municipal bankruptcy, dwarfing that of Detroit.

Two days later, the oversight board sought bankruptcy protection for debt backed by sales tax revenues, known as COFINA.

The bankruptcy will be overseen by U.S. District Judge Laura Taylor Swain of the Southern District of New York, who was appointed by U.S. Chief Justice John Roberts.

The commonwealth has asked Swain to issue orders for case management, such as notifying its creditors and hiring a firm to manage claims, according to court filings.

Bankruptcy may not immediately change the day-to-day lives of Puerto Rico's people, 45 percent of whom live in poverty, but it could lead to cuts in pensions and worker benefits and a reduction in health and education services.

The island's economy has been in recession for nearly a decade, and has a current unemployment rate of about 11 percent.

The bankruptcy process will also give Puerto Rico the legal ability to impose drastic discounts on creditor recoveries, but could also spook investors and prolong the island's lack of access to debt markets.

Prices for the commonwealth's benchmark general obligation bonds fell to a record low on Tuesday of 58.45.

By REUTERS

MAY 10, 2017, 10:57 A.M. E.D.T.

(Reporting by Tom Hals in Wilmington, Delaware; Editing by Meredith Mazzilli)