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U.S. Judge Nixes Move to Toss Puerto Rico Bankruptcy Case.

(Reuters) – A federal judge on Friday rejected an attempt by a major Puerto Rico bondholder to throw out the U.S. territory’s historic municipal bankruptcy case.

U.S. District Judge Laura Taylor Swain ruled that the creation by the U.S. Congress of a financial oversight board for Puerto Rico under a law known as PROMESA and the appointment of the board’s members did not violate the U.S. Constitution.

“The oversight board’s statutory objectives and scope of authority thus mark its character as territorial rather than federal,” Swain’s ruling said.

Aurelius Capital Management, an investment firm with a specialty in distressed debt, filed a motion last year arguing that the board’s creation violated the U.S. Constitution’s Appointments Clause. The hedge fund sought to dismiss the board’s May 2017 federal court case to restructure the territory’s roughly \$120 billion in debt and pension liabilities.

An Aurelius spokesman said the hedge fund declined to comment on the ruling.

Under the 2016 federal PROMESA law, Congress appointed six members to a board tasked with managing the territory’s finances, with then-President Barack Obama adding a seventh. PROMESA gave the board authority to push fiscally struggling Puerto Rico into a court-supervised restructuring akin to U.S. bankruptcy.

“As stated in Judge Swain’s opinion, PROMESA empowers the Oversight Board to ‘approve the fiscal plans and budgets of the Commonwealth and its instrumentalities’ and ‘override Commonwealth executive and legislative actions that are inconsistent with approved fiscal plans and budgets,’” the oversight board said in a statement on Friday.

Swain, who is overseeing Puerto Rico’s case, previously dismissed a lawsuit by Aurelius and other investors over the territory’s default on its general obligation bonds.

(Reporting by Karen Pierog in Chicago; Editing by Daniel Bases and Leslie Adler)

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