

Bond Case Briefs

Municipal Finance Law Since 1971

Is There Still A Path that Returns Puerto Rico to Debt Sustainability?

The relatively generous settlement with the sales-tax backed bonds (COFINA) has reduced the funds available for everyone else.

Puerto Rico's debt restructuring is in a strange form of limbo.

Puerto Rico's oversight board is currently on life support. It is waiting to see if the Supreme Court takes up its appeal to the PROMESA appointment case. The appellate court concluded that the members of Puerto Rico's Oversight board need to be confirmed by the Senate, but upheld the rest of PROMESA (the law setting out Puerto Rico's debt restructuring process) and the board's existing decisions. And even if the current board selection process—modeled on the process used to pick the DC control board—is ultimately upheld, the clock is ticking: the current board's three year term runs out at the end of the summer.

If President Trump wants a new board—whether to wipe out the debt, or to pave the way for a more generous settlement of Puerto Rico's remaining claims as many creditors want—he clearly has an opportunity to change the board's composition.*

And at least for now the process for restructuring Puerto Rico's bonds also seems stuck.

[Continue reading.](#)

Council on Foreign Relations

by Brad W. Setser

March 25, 2019