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Puerto Rico's Messy Bankruptcy May Get Even Messier.

The commonwealth has a crucial case before the U.S. Supreme Court, people are protesting in front of the governor's mansion, and a restructuring plan could wipe out some of its general obligation bonds.

Even for a longtime observer of the U.S. municipal-bond market, it has been tough to keep up with the play-by-play of Puerto Rico's unprecedented bankruptcy.

After all, it has already been more than four years since the commonwealth's governor first declared its debt unpayable and said investors should prepare to sacrifice. Congress passed a law called Promesa in 2016 that allowed Puerto Rico to seek bankruptcy, and in May 2017 it did just that. A federal board overseeing the island's finances has been gradually working with various stakeholders to reach an agreement. On Sept. 27, the board took what appeared to be a crucial step by releasing a full-fledged restructuring plan that laid out how much bondholders and retirees stood to lose.

In an ordinary bankruptcy, it would now be a straightforward question of whether pensioners and creditors agree to the terms and what tweaks might be needed to get to the finish line.

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