

Bond Case Briefs

Municipal Finance Law Since 1971

KBRA Releases Comment - Puerto Rico Restructuring: An Ongoing Legacy of Injecting Uncertainty Into the Municipal.

Kroll Bond Rating Agency (KBRA) publishes its Puerto Rico Restructuring: An Ongoing Legacy of Injecting Uncertainty Into the Municipal Market commentary, following the release of the Commonwealth's amended plan support agreement (PSA) for certain obligations on February 9, 2020.

KBRA's principal takeaways from this development are as follows:

- Although the PSA is an important chronological step, the restructuring process is far from complete. Title III proceedings, and related litigation, are unlikely to conclude before 2021 or beyond.
- The challenge to the validity of certain general obligation bonds and the effort to apply lower recoveries based on this assertion, combined with the erosion of special revenue bond protections, all represent significant negative developments that have already roiled the municipal market. In KBRA's opinion, a knock-on macro effect emerging from these Title III proceedings is the imposition of rating ceilings by other NRSROs across various municipal asset classes.
- KBRA now expects less uncertainty to the overall outcome in the Title III proceedings. In KBRA's view, recent developments suggest that severely negative recovery scenarios seem less likely, which is clearly positive. Further, very favorable bondholder outcomes seem less likely as well.

KBRA continues to monitor events to assess potential impacts on KBRA's insurance financial strength ratings.

To access the comment, [click here](#).

Business Wire

February 20, 2020