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U.S. House Members Seek Probe into Puerto Rico Bond Trading.

- **Hedge funds may have manipulated bond prices, lawmakers claim**
- **Bondholder group says members followed trading restrictions**

A group of New York Congressional members are seeking an investigation into alleged insider trading of Puerto Rico debt by hedge funds as the firms were negotiating with the bankrupt island on how to reduce its debt.

The hedge funds may have manipulated bond prices by trading on non-public information while they were involved in mediation discussions and without disclosing their entire exposure to Puerto Rico debt, the federal lawmakers, including Alexandria Ocasio-Cortez and Nydia Velazquez, wrote in a letter to New York Attorney General Letitia James.

"Your office has a powerful tool in the Martin Act to investigate possible wrongdoing by these financial actors and ensure the integrity of the municipal bond markets," the lawmakers wrote, citing the state's law that enables attorney generals to investigate securities fraud.

Puerto Rico went into bankruptcy in May 2017 after racking up \$74 billion of debt owed by the commonwealth and its agencies during a decade-long economic decline. Hedge funds have been buying the securities for several years at discounted prices.

The letter singles out one ad hoc group of investors called the Lawful Constitutional Debt Coalition. That group includes, as of June 24, 2020, GoldenTree Asset Management, Whitebox Advisors, Monarch Alternative Capital, Taconic Capital Advisors, Aristeia Capital, Farmstead Capital Management, FCO Advisors and Marble Ridge Capital, according to court documents.

"The LCDC's members adhered to and respected all elements of the mediation protocol and trading restrictions during the period in which they were negotiating with the oversight board," Greg Marose, a spokesman for the group, said in a statement. "As creditors with long-term investments in Puerto Rico, our members have consistently engaged in a constructive, transparent manner with the oversight board to facilitate the commonwealth's timely emergence from bankruptcy and economic recovery."

Puerto Rico's oversight board declined to comment.

"We're reviewing the letter now, and will look further into this matter," a spokesperson for AG James said in a statement.

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