

Puerto Rico Might Default Despite New Unelected Oversight Board



San Juan, July 4 (RHC)-- Investors in Puerto Rico's debt-burdened economy still face the risk of default on some of the island's nearly US\$73 billion in debt even after the U.S. Congress on Wednesday created a controversial but powerful federal oversight board to manage its economy and debt restructuring.

U.S. President Barack Obama quickly signed the Puerto Rico Oversight, Management, and Economic Stability Act, known as the PROMESA bill, before the U.S. territory faced a possible default on July 1 on \$1.9 billion worth of debt payments.

While the government of Puerto Rico -- a U.S. territory that, unlike a state, cannot declare bankruptcy -- says it cannot honor all of its debts, and will likely default for a fourth time in the last year on some of its bonds, some creditors could get their payments via insurers or reserve funds. A missed payment will constitute a default, credit experts say. Puerto Rico has already missed approximately \$562 million worth of debt payments.

PROMESA hands control over the economy of Puerto Rico to a Washington-appointed federal oversight board with sweeping powers that critics say is a manifestation of colonial rule. The bill will also pave the

way for debt restructuring, something that Puerto Rico has been blocked from doing on its own to manage the debt crisis.

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