

Nydia Velazquez Testimony on H.R. 683, the Puerto Rico Recovery Accuracy in
Disclosures Act
Judiciary Committee hearing
June 19, 2019, 2:00 p.m.

Chairman Cicilline, Ranking Member Sensenbrenner, and
Members of the Subcommittee, thank you for the opportunity to
testify today on my legislation, the Puerto Rico Recovery
Accuracy in Disclosures Act. This important bill will close a
loophole in the Island's debt restructuring process.

Before Hurricane Maria devastated Puerto Rico in late 2017, the
island was already in a deep recession brought on, in part, by
trying to pay down over \$120 billion in government debt.

In response, in 2016, Congress passed the Puerto Rico Oversight, Management, and Economic Stability Act – or PROMESA - to set up an orderly bankruptcy process to restructure this debt, stimulate economic development, and put the Island on a path to financial recovery.

While we can have a difference of opinion on how well the Oversight Board is carrying out its mission, one thing should be clear - the island and her people are entitled to the same rights and protections as any debtor on the mainland.

As the committee is aware, the trust the American people have placed in our Bankruptcy system is based on a fair, efficient, and transparent process. Transparency, as required by section 327 of the Code and Rule 2014, applies to every corporate bankruptcy and ensures any conflicts of interest - *or even the perception of a conflict* - between those working on the bankruptcy and the debtor are disclosed. However, PROMESA does not have a similar requirement.

My bill would address this oversight and apply a robust disclosure requirement to all PROMESA Title III proceedings, eliminating the double standard that the People of Puerto Rico are facing. Puerto Ricans should be confident that the Board's bankruptcy advisors don't have their "thumb on the scale" to favor certain debts where they have a self-interest and ensure integrity in the PROMESA process.

The need for PRRADA was recently articulated when a board-appointed law firm investigated potential conflicts in Puerto Rico's bankruptcy. One of the main recommendations in the "Luskin Report" was that vendors should disclose affiliate relationships and found that trading in Puerto Rico public debt is particularly problematic, as it gives rise to the appearance of conflict. This is exactly what the PRRADA bill requires vendors to do -- and why the bill should become law.

PRRADA will guarantee to the people of Puerto Rico the same transparency and disclosure practices required by law in U.S. mainland bankruptcies. In the interest of fairness for Puerto Rico's people and for impartiality in restructuring – and thereby securing – Puerto Rico's future we must pass H.R. 683 and close this loophole.

I'm proud to say this is bipartisan legislation with cosponsors from both sides of the aisle – including Members of this Committee – and Members of the Natural Resources Committee, which, as you know, has been deeply involved in Puerto Rico policy. I kindly ask that the Judiciary Committee look favorably on this bill – and I thank you again for the opportunity to be here today.