

Puerto Rico Files for Bankruptcy: New York Judge to Hear Case

On May 3, 2017, the Financial Oversight and Management Board for Puerto Rico filed a voluntary petition for relief on behalf of Puerto Rico in federal court there. The filing required the Chief Justice of the United States to designate a district court judge to conduct the case. On May 5, Chief Justice Roberts appointed District Judge Laura Taylor Swain of the Southern District of New York. Judge Swain was a bankruptcy judge in the Eastern District of New York before joining the district court in 2000.

Puerto Rico's bankruptcy case was filed under Chapter 20 of Title 48 of the United States Code (referred to as the "Puerto Rico Oversight, Management, And Economic Stability Act," or "PROMESA"). The proceeding is not technically a bankruptcy case because it was not filed under any Chapter of Title 11 of the United States Code, *i.e.*, the Bankruptcy Code. But Section 2161(a) of PROMESA provides that all or parts of 98 different Bankruptcy Code sections will apply to Puerto Rico's case, including the automatic stay and provisions concerning the allowance of claims, the avoidance of pre-petition transactions, the formation of a creditors' committee, and plans of reorganization.

Bankruptcy experts will also see differences in Puerto Rico's case: certain Bankruptcy Code provisions are not in PROMESA (or have been adapted for this unique insolvency), and having the case in district court rather than bankruptcy court may limit the jurisdictional questions that could arise. But for most creditors, Puerto Rico's should resemble other large bankruptcy cases.

Patterson Belknap is well-positioned to assist creditors and other parties that have claims against or other interests in Puerto Rico and need a law firm located in New York. With a team of experienced restructuring professionals – backed by more than 200 lawyers in complementary fields such as litigation, commercial law, tax, and real estate – the firm regularly represents stakeholders in large, complex insolvency cases.

This alert is for general informational purposes only and should not be construed as specific legal advice. If you would like more information about this alert, please contact one of the following attorneys or call your regular Patterson contact.

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