

The Fiscal Oversight Board wants to tackle conflicts of interest

Public officials will have to refrain from participating if they have assets that may affect their decisions.

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(Xavier J. Araújo Berríos)

Within three to six months, the Fiscal Oversight Board (JSF, Spanish acronym) will count with a procedure to identify and handle apparent or existent conflicts of interest of its members or officials, informed the Board Ethics Officer, Andrea Bonime-Blanc.

Among other things, those procedures will require that the members and officials of the Board to dispose their investments and assets related to Puerto Rico and that could be affected by the Board's decisions. If they don't do so, they will have to refrain from participating in the analysis, rejection or approval of the measures that will impact on those assets or investments.

"It involves a very new role, without precedents. We are inventing it as we develop it. We have the law, the regulations of the Board and what I consider to be the best methods", said Bonime-Blanc, dedicated to the development of ethics, compliance and risk management programs in important

American and European enterprises, she has even advised on the subject to certain programmes of the United Nations (UN).

“The Board is a unique group, but, at the same time, they are directors that are serving the island without being paid, they were designated by the President of the United States and have some obligations to care about conflicts, although when they made the rules they decided they would go beyond the law”, explained the executive.

Last March 13th, the Board hired Bonime-Blanc’s company –GEC Risk Advisory- to make its members and the officials of the entity subjected to the federal law PROMESA to file the quarterly and annual financial reports, as well as to identify, avoid or correct conflict of interests’ situations or apparent ones.

Last February 28th, the Board members, the government representative in the organization and other officials disclosed their investments, incomes and other assets data, but they didn’t divulge any precise information.

Bonime-Blanc will provide her services for two years, at a rate of \$750 per hour, according to the contract disclosed by the Board.

PROMESA requires that the members and officials of the Board disclose their financial interests according to what is set by the federal Law of Ethics, but by creating a legal entity, its members have adopted a code of ethics and have created the position occupied by Bonime-Blanc.

The definition of conflict

According to Bonime-Blanc, the Board has a hybrid structure. In spite of being created by the Congress of the United States, the Board functions through Puerto Rican public funds, where there are provisions of current legislation regarding the ethics and behavior of the officials.

What would be defined as a conflict of interest, according to the Board?

-The conflict may appear in many different ways. I think that the most crucial conflict regarding the Board and what is taking place with the restructuring, is that none of the Board members have economic interests, investments or family-related issues in situations in which they could also have the decision-making power.

Luego de todas mis preguntas, hay una parte del informe que tengo que firmar y, si tengo cualquier inquietud, se anotará en la parte provista en el informe.

-I’m helping the Board with all the financial disclosures that we are going to present in a few weeks, and that will continue every quarter and every year. Within that exercise, that analysis, I am also looking for conflicts of interest, potential or real, that they might have. As the members of the Board are working on their financial disclosures, we will get to those questions. We have the legal counselling of lawyers that know the federal law very well, in order to have the ability, not only to provide ethical advice, but also advise based on the law. After all my questions, there is a part of

the report that I have to sign and, if I have any doubts, it will be written down in the specified segment of that report.

She added that her aim is to tackle any potential conflict, not only for the benefit of the Board member in question, but also so that no questioning affects negatively the rest of the organism.

It was issued here that some members of the Board shouldn't be a part of it, because they have occupied different positions in the government before, they have helped to structure the debt that is now subject to renegotiation or they have businesses that would take benefit on the Board's decisions.

-These members of the Board have been deeply evaluated by the ethics office of the White House and by the ethics office of the Department of Treasury, not only financially, but also at a personal and reputational level, and now there is a public disclosure (of financial transactions) of what is happening nowadays. If we claim that this process is not good enough, then that is a problem, because we will be unable to find anyone who can work in the Board.

Bonime-Blanc was on the Island last week and she held meetings with the executive director of the Office of Governments Ethics, Zulma Rosario, and the Comptroller Yesmín Valdivieso. She explained that, if the aspects of the ethical regulatory framework of Puerto Rico can't be applied, she hopes to achieve some kind of collaboration with those agencies. The executive even praised the Ethics Law of Puerto Rico by describing it as "very advanced".

El Nuevo Día asked Bonime-Blanc if a current action has been taken regarding the possible conflicts of some members of the Board, as a result of having investments on the Island or representing groups of bondholders.

"We are facing a situation in which we are still collecting information and I am not in a position where I can dig deeper right now", she stated.

El Nuevo Día also inquired the expert about in which way the creation of a structure of compliance would benefit the Fiscal Oversight Board and Puerto Rico.

The executive gave the example of the BP petroleum company case, an enterprise that, five years after the Gulf of Mexico disaster, has paid over \$60,000 billion to solve not only the damage to third parties but also the very negative impact on its reputation.

"Any organization requiring sustainability and trust, whether it is a government, a company or a Non-governmental Organization (NGO) has to think about this. In a perfect world, we wouldn't need an ethics team, but the world is not perfect", explained the executive as she pointed out that, if the Board meets the ethical standards that will benefit the investors of the Island, the government employees under the control of the Board and the citizens.