

The Virgin Islands Consortium

Citing Lack Of Information, Ratings Agency S&P Withdraws USVI Ratings With 'Negative Implications'

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Standard and Poor's Global Rating (S&P), one of the top three U.S. ratings agencies, on Thursday announced that it was withdrawing its USVI ratings because the local government had refused to provide the information needed to support S&P's ratings on the territory's matching fund (rum cover over) and gross receipt tax notes.

"S&P Global Ratings has withdrawn its 'CCC+' ratings on the Virgin Islands Public Finance Authority's senior and subordinate-lien matching fund loan notes, issued for the U.S. Virgin Islands (USVI), as well as its 'CCC' rating on the authority's gross receipts tax (GRT) notes. We withdrew the ratings today immediately after they were removed from CreditWatch with negative implications," reads the release, issued Thursday.

"This action follows USVI's indication of its intent as of Aug. 25, 2017, to stop directly providing information to us to support our rating on the authority's matching fund notes and GRT loan notes," said S&P Global Ratings credit analyst Oladunni Ososami, "and our subsequent attempt to obtain timely information of satisfactory quality to maintain our rating on the securities in accordance with our applicable criteria and policies."

The Thursday announcement follows Governor Kenneth Mapp's August 22 appearance on local radio, where he said his administration [would sever ties with all three ratings agencies](#). "I'm not taking on the issues of the rating agencies, they will not pretty much have more to write about the territory. We've severed our ties with them; there's no need," Mr. Mapp said on WSTA 1340 AM. "We don't have market access, so it makes very little sense for the rating agencies to come telling you every other month you can't borrow no money."

On Wednesday, the governor doubled down on his decision to cut ties with the ratings firms, telling The Consortium that the firms' influence on investors was not as impactful as some may believe. "There are people in the market that pay attention to the rating agencies, but a rating agency can't tell somebody who to lend their money to. And folks will decide what they deem the risk to be, and then there is the issue of what is the cost of that risk," Mr. Mapp said.

Yet even with the governor's contention, the territory continues to struggle with its efforts to secure funding from the bond market, with Valdamier Collens, the commissioner of Finance's latest trip to New York seeking bond money a few weeks ago turning up naught, The Consortium has learned. Mr. Mapp confirmed Mr. Collens's trip to New York seeking funding, but would not say whether he was successful in convincing bondholders to lend money to the USVI. "I made no announcement that it wasn't successful; I have no announcement to make with respect to that," he said. "The commissioner continues to do what he needs to do and when we are prepared to make an announcement to the good people of this territory, we'll do that."

S&P has said that Hurricanes Irma and Maria will further negatively impact the territory's finances and weaken its economy.

"While we are withdrawing our ratings on the USVI, we also note that both hurricanes Irma and Maria recently hit the territory. In our view, these hurricanes are likely to weaken its economy and finances both in the immediate term and over a longer horizon," the ratings firm said.