

April 11, 1938

Mr. Francis White, Executive Vice President,  
Foreign Bondholders Protective Council, Inc.,  
90 Broad Street,  
New York, New York

Dear Mr. White:

This is with reference to the request which you communicated by telephone on Saturday to Mr. Samuel O. Clark, Jr., in which, as I understand the situation, the Republic of Cuba is proposing to make a new issue of bonds in readjustment of certain of its outstanding bonds and claims. Under present plans, it is proposed that a single series shall be issued, covering three separate classes of bonds and claims, namely, the public works bonds held by the public, the so-called bankers credits, and the so-called railway credits. Manufacturers Trust Company, we understand, has been appointed fiscal agent of the Republic of Cuba for this new bond issue. We understand further that the Republic of Cuba intends to file with the Commission shortly a registration statement under the Securities Act of 1933, as amended, covering the new bond issue.

You have indicated that, in the opinion of the Council, the interests of the American bondholders will receive greater protection through the issuance of three series of bonds covering, respectively, the outstanding public works bonds, the so-called bankers credits, and the so-called railway credits, then will be afforded by the issuance of the single series proposed. You have requested that this Commission, if it should agree with the position of the Council, should communicate its views in this respect to the Manufacturers Trust Company.

The Commission has requested me to state that on the basis of the facts which you have communicated to it, it is sympathetic with your view that the issuance of three separate series of bonds would provide greater protection to the present holders of the public works bonds. As you know, however, the Securities Act of 1933, as amended, does not confer upon the Commission any authority to pass upon the merits, or the terms and conditions of issuance, of securities registered with it. Furthermore, the Commission is of the opinion that it cannot with propriety seek to exercise such authority indirectly by the insertion of conditions in the registration statement to be filed by the Republic of Cuba, or otherwise.

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Nevertheless, in view of the fact that the circumstances surrounding the creation of the claims possessed by the three separate classes of creditors and the readjustment of such claims, as we understand it, differ in each case, I believe it proper to point out that the issuance of the new bonds in three separate series might simplify the mechanics of registration of such bonds by the Republic of Cuba.

Yours faithfully,

William O. Douglas,  
Chairman.

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