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July 21, 1937

Foreign Bondholders Protective Council, Inc.,  
90 Broad Street,  
New York, N.Y.

Attention: Francis White,  
Executive Vice-president.

Dear Mr. White:

With further reference to Mr. Clark's letter of July 13, 1937, the Commission has given careful consideration to the amendments to the by-laws of the Foreign Bondholders Protective Council, Inc., adopted at its annual meeting held on July 13, 1937.

It is with a great degree of satisfaction that the Commission has noted the changes affected by those amendments. We are particularly gratified to learn that the Council has provided that houses of issue for foreign bonds and the holders of short term credits are ineligible to become contributing members or founders of the Council; that the Council has provided for the annual publication of a statement of its financial condition and operations, and that the Council has reduced the number of its directors to fourteen (with the expectation of further reductions in the future) and at the same time has increased the number of directors necessary for a quorum from one-third to a majority of the board. These changes, in our opinion, are constructive in nature and in the best interests of the Council and the holders of foreign bonds.

The amendments concerning the qualifications of your full members (who constitute your board of directors) to be elected in the future are also a source of satisfaction to the Commission. The Commission believes that the application of these standards to future members is a desirable objective.

The Commission has noted with concern, however, that by a specific exemption in your amended by-laws these standards of membership were not made applicable to those persons who served as your original Board of Directors. The Commission is cognizant of the constructive endeavors of your directors who, actuated by a sense of public service, have coped with the many intricate and difficult problems involved in establishing the Council. Furthermore, the Commission does not believe that it is in the public interest or in the interests of investors to cause an abrupt or drastic interruption in the continuity of the Council's management. Accordingly, after careful consideration of the various aspects of this situation when the proposal was first submitted to us with Mr. Clark's letter of July 3rd, the Commission felt that it would be desirable to apply these qualifications to the present directors, as each individual came up for reelection. This, of course, in view of the division of the directorate into three classes, one of which comes up for election each year, would have involved no abrupt or drastic shift in your

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management, even assuming that some of your directors would be ineligible. I understand that Mr. Douglas conveyed this view of the Commission to Mr. Clark upon the latter's visit to Washington on July 8th. We still feel that, if the standards of membership are desirable, (and the Council, by adopting them as to future members, evidently agrees with the Commission that they are) they should apply to the reelection of the present directors.

The Commission has taken action consonant with your request to participate with the Secretary of State in the establishment of a Board of Visitors for the Council. I, as Chairman of the Commission, have agreed to act as a member of the Board. I am happy to say that I am in entire agreement with the Council that the establishment of this Board is a constructive step.

The Commission and the Department of State have prepared and released today a joint announcement of the creation of this Board of Visitors, a copy of which I enclose. I regret that, for the reasons explained herein, the Commission could not state in this announcement that there had been full compliance with this Commission's recommendations to the Congress respecting the Council.

Very truly yours,

James M. Landis,  
Chairman

Encl.