

MEMORANDUM

December 8, 1954

To: Byron D. Woodside  
From: Ralph H. Demmler  
Re: Foreign Bondholders Protective Council, Inc.

On December 7, 1954, I attended a brief meeting in the office of the Secretary of State. The Secretary presided at the meeting which was also attended by Assistant Secretary Waugh, Hamlin Robinson and the following representatives of the Council:

Ray Atherton, Washington, D. C.  
Harvey H. Bundy, Boston, Massachusetts  
Dana G. Munro, Princeton, New Jersey  
James Grafton Rogers, Georgetown, Colorado  
Kenneth M. Spang, New York

The representatives of the Council said that they wanted a "new charter" in the sense of an endorsement of their work by the State Department. The Secretary of State gave his endorsement in categorical terms. When called upon for remarks, I stated that since we were exercising in respect of the Council a non-statutory function that we too wanted a "new charter" in the form of a blessing by the State Department to our continued unofficial relations. I explained that there had been a growing apart during the past years and that we were glad to have at this time a carefully delineated if limited rule.

The Secretary of State remarked that a similar quasi governmental council had been of great help in Great Britain over many years. He indicated also that he was familiar with the founding of the Council in the 30's and had had an inconspicuous part in setting it up.

I am sending herewith material handed me by Kenneth M. Spang, Executive Vice President and Secretary, which lists the membership of the Council, contains its by-laws, as well as a statement of receipts and disbursements for the period

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January 1, 1954 to September 30, 1954, and other financial information. In addition, it contains a statement as to the nature and functions of the Council.

Mr. Spang indicated that the Council will want to meet with the Commission in May, 1955.

If your Division has any recommendations as to Commission action which should be taken, I suggest that you prepare to submit such recommendations before February 1. Will you also arrange to obtain from Hamlin Robinson a definitive copy of the State Department's press release of December 7 on the subject.

cc: each Commissioner

## FULL MEMBERS

- \* Ray Atherton, Washington, D. C.  
Laird Bell, Chicago, Illinois.
- \* Harvey H. Bundy, Boston, Massachusetts.
- \* F. Abbot Goodhue, New York.  
John F. Meek, Hanover, New Hampshire.
- \* Dana G. Munro, Princeton, New Jersey.
- \* James Grafton Rogers, Georgetown, Colorado.  
Morrison Shafroth, Denver, Colorado.
- \* Kenneth M. Spang, New York.
- \* John C. Traphagen, New York.  
Quincy Wright, Chicago, Illinois.

## FOUNDER MEMBERS

Hendon Chubb, New York.  
Grenville Clark, Dublin, New Hampshire.

## EMERITUS MEMBERS

J. Reuben Clark, Jr., Salt Lake City, Utah.  
Herman L. Ekern, Madison, Wisconsin.  
Eliot Wadsworth, Washington, D. C.

## OFFICERS

Harvey H. Bundy, President  
James Grafton Rogers, Chairman of Executive Committee  
Kenneth M. Spang, Executive Vice President and Secretary  
Dana G. Munro, Vice President  
John C. Traphagen, Treasurer

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\* Members of the Executive Committee

## MEMORANDUM

1. The State Department will issue a public statement in which it will commend the Council for its activities on behalf of American Bondholders, recognize that the Council is performing an important function in the public interest, and express satisfaction that the Council expects to continue its activities.

Comment: The draft of such a statement will be prepared by the State Department with the concurrence of the Securities and Exchange Commission and the Treasury Department as well as the Foreign Bondholders Protective Council. It is contemplated that this statement will be issued upon the occasion of a meeting between the President of the Council and the Secretary or Under Secretary of State.

2. While recognizing that the Council's major function is the protection of the interests of American Bondholders of dollar bonds issued or guaranteed by foreign governments and their political subdivisions, the Government is not foreclosing the possibility of asking the Council to consider such additional functions as might be deemed necessary or desirable in the future.

Comment: This requires little elaboration, and is intended solely to provide an element of flexibility should it be considered necessary or desirable in the future to request the Council to consider undertaking functions in addition to that upon which its principal activities are based at the present time.

3. The Government will expect to receive annually from the Council complete financial statements.

Comment: The Council's financial statements will be made available to the State Department and the SEC. It is not anticipated that these statements would be subject to formal review (or approval) by the Government but they would enable the Government to be fully informed of all aspects of the Council's finances and to raise questions should it desire to do so.

Although the exact nature and form of the financial statements can be left for later discussion with the Council, they should include annual statements of receipts and disbursements together with the balance of unexpended assets, the budget and anticipated receipts for the following year, and such auditor's reports as are customary.

4. The State Department and the SEC will designate liaison officers with the Council.

Comment: The purpose here is twofold: (a) to provide a point of contact between the Council and the respective agencies on matters of mutual interest or concern; and (b) to enable the State Department and the SEC to follow the work of the Council and be familiar with its operations.

This function will be performed for the State Department by the Assistant Secretary for Economic Affairs, and for the Securities and Exchange Commission by the Chairman. Both officials may be expected to delegate to a member of their respective staffs responsibility for day-to-day contact with the Council.

It is envisaged that the State Department will remain the principal point of contact between the Council and the Government on matters of general policy, and that it will be the responsibility of the State Department to keep the SEC on matters affecting the statutory responsibilities of the Commission or the legislation under which it operates.

5. The Foreign Bondholders Protective Council will notify the government 30 days in advance of the election of new members, and will take into consideration in such elections any views which the Government may care to express concerning any candidates.

Comment: This procedure is being introduced to help insure that the membership of the Council will be sustained at its present high level of competence. It should be made clear that it is not intended to give the Government the right to veto individuals proposed for election to the Council, or as a requirement that the Government must approve such individuals before they can be elected. It is solely intended as a means of enabling the Government to make such representations to the Council with respect to candidates as it might desire to make in individual cases.

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### Principal Points of the Memorandum

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