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Joint Release by the Department of State  
and the  
Securities and Exchange Commission.

Establishment of a Board of Visitors for the Foreign  
Bondholders Protective Council, Inc.

The Foreign Bondholders Protective Council, Inc. has requested the Secretary of State and the Chairman of the Securities and Exchange Commission to designate a Board of Visitors for the Council to visit the Council from time to time with or without notice. Pursuant to this request, the Secretary of State has designated Mr. Herbert Feis, Adviser on International Economic Affairs, to act as one member of the Board of Visitors, and the Chairman of the Securities and Exchange Commission has agreed to act as the other member of the Board for the balance of the Council's fiscal year, which terminates on December 31, 1937.

The Secretary of State and the Chairman of the Securities and Exchange Commission understand that the principal function of the Board of Visitors will be to examine the internal financial operations of the Council. To this end it is expected that the new board will scrutinize requests made by the Council for funds from foreign countries and from American bondholders in connection with debt readjustment plans which have been negotiated by the Council. In addition it is understood that the Board of Visitors will examine and will consult from time to time concerning other sources of income and all the expenses and disbursements of the Council.

The Foreign Bondholders Protective Council, Inc. was organized as a non-profit corporation in 1933 at the suggestion of the Secretary of State, the Secretary of Treasury and the Chairman of the Federal Trade Commission to act as a central protective organization on behalf of the holders of foreign defaulted governmental securities. On May 14, 1937, the Securities and Exchange Commission published an extensive report on its investigation, pursuant to Section 211 of the Securities and Exchange Act of 1934, into protective committees and agencies for holders of defaulted foreign governmental bonds. The report expressed the Commission's "conclusion that the interests of bondholders will receive the most adequate protection through the medium of a permanent central protective agency", and said: "In our opinion the appropriate permanent agency is found in the Foreign Bondholders Protective Council, Incorporated." However, the Commission recommended several improvements which it believed to be required in the Council's organization and procedure. Included in such recommendations was that the amount of funds received by the Council from foreign countries or from bondholders in connection with debt readjustment plans should be subject to independent scrutiny and review.

The acceptance of the proposal to create a Board of Visitors by the Secretary of State and the Chairman of the Securities and Exchange Commission in no way affects the general policies and responsibilities of the Council in respect of negotiations with foreign governmental debtors. The Council will continue, as heretofore, to function on its own responsibility, and the United States Government will assume no responsibility for its policies and actions.

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