

THE STOCK EXCHANGE

THE STOCK EXCHANGE

BY
CHARLES DUGUID

COMPLETELY REVISED BY
E. D. KISSAN
CITY EDITOR OF "THE DAILY MAIL"

FIFTH EDITION, REVISED



METHUEN & CO. LTD.
36 ESSEX STREET W.C.
LONDON

X651
F6
11375

First Published *February 1904*
Second Edition *November 1906*
Third Edition, Revised *December 1918*
Fourth Edition *April 1923*
Fifth Edition, Revised *1926*

PRINTED IN GREAT BRITAIN

AUTHOR'S PREFACE

IN accordance with the scope of the series of Books on Business, of which this little work forms an item, its main object is to explain to the unversed in simple terms the somewhat complicated machinery of the Stock Exchange. Some criticism is ventured upon here and there, and a practical hint may be gleaned now and again from its pages; but the real aim of the book is merely to explain, not to comment. If the book conveys some idea of the important part the Stock Exchange plays in the economy of the nation, and of how it plays that part; if it furnishes a solution of the various mysteries which the routine of the Stock Exchange presents to many minds, the objects of the little work will have been attained.

C. D.

PREFACE TO FIFTH EDITION

WHILE the work of the author, the late Mr. Charles Duguid, has been retained, as far as possible, the book has been thoroughly revised in order to embody the numerous changes that have occurred in Stock Exchange procedure.

E. D. K.

CONTENTS .

CHAPTER	PAGE
I. WHAT THE STOCK EXCHANGE IS.	1
II. THE MARKET-PLACE	5
III. THE MEMBERS AND THEIR CLERKS	14
IV. THE COMMITTEE	21
V. BROKERS AND JOBBERS.	25
VI. HOW BUSINESS IS TRANSACTED	35
VII. THE SETTLEMENT	44
VIII. THE ZOOLOGY OF THE HOUSE	51
IX. OPTION DEALING	57
X. THE WARES OF THE MARKET	66
XI. FAILURES	79
XII. PRICE LISTS AND RECORDS	85
XIII. ^r THE ROYAL COMMISSION'S VIEW	98
XIV. ^x A SKETCH HISTORY	109
XV. ^v A BROKER'S DAY	119
XVI. FROM A SOCIAL POINT OF VIEW	127
^{et} INDEX	133

INDEX

- Advertisement by members, 32-3
— outside brokers, 33
Allotment, dealings before, 104, 107
American prices, 123
Apprenticeship of members, 14-15, 19
— — — Royal Commission on, 100
Architecture of the House, 6
Art Society, 129
Athletics, 128
- Backwardation, 54
Badges for clerks, 19
Banging the market, 55
Bank of England, Stock Exchange in, 33, 112-3
Bankruptcy of members, 80
Bank shares, dealing in, 114
Baring crisis, 116
Bar of the house, 7
Battle of Throgmorton Street, 117
Bearer bonds, 69
Bearer securities, settlement in, 47-8
Bears, 51-6, 59
—, definition, 51-2
—, cornered, 56
—, covering, 56
—, raid, 55
—, their effect, 54-5
Benevolent Fund, 129
Boom, 132
Brokerage, 30-2, 38-9
— Royal Commission on, 103-4
- Brokers, 25-34
—, advertising by, 32-3
— commission. *See* Brokerage
—, duties of, 25-34, 119-126
—, licensing of, 107, 109, 116
—, list of, 33
—, outside, 33-4, 94
—, price lists of, 93-4, 125
—, underwriting by, 31-2
— and jobbers, disputes between, 28-9
— — —, firms acting as both, 29
Bucket shops, 50, 94
Bulls, 51-6, 59
— campaign, 55
Bulls, definition, 51-2
—, stale, 55
—, their effect, 54-5
"Burdett's Official Intelligence," 115
Business, how it is transacted, 35-43
— done, record of, 91-93
Buying in, 47
— manager, 24
- Capel Court, 5
— — Stock Exchange established in, 112
Capital, organisation of, 3
— of the Stock Exchange, 10
Carry-over, 39-40
—, process of, 53-4
Certification of transfers, 42
Change Alley, Stock Exchange in, 51, 110-2
Charity, 127-30

134 THE STOCK EXCHANGE

- Checking bargains, 37-8, 120
- room, 6
- Christian Association, 129
- “Christmas Annual, The Stock Exchange,” 127
- Clearing house. *See* Settlement Department
- Clerks, 18-20
- provident fund, 129-30
- Closing time, 93, 124
- Commission. *See* Brokerage Committee, the, 21-4
- election, 21
- meetings, 22-3
- powers, 22-3
- qualification, 21
- , Royal Commission on, 99-100
- Companies Acts, 87, 114
- — Committee on, 115
- Consols, transfer of, 67-8
- Contango day, 44
- rate, 53-4
- Continuation. *See* Carry-over
- Contract note, 38
- Cost of the House, 10
- Coupons, 69
- Covering by bears, 56
- Cumulative preference shares, 73-4

- Dealing, permission for, 48-50
- Debenture stocks, 70-3
- Debentures of the Stock Exchange, 10
- Defaulter, 47, 79-84, 102-3
- assistance forbidden to, 79
- declaring a, 80
- and clients, 81-3
- readmission of, 83-4, 102-3
- Deferred ordinary shares, 74-5
- Definitions of the Stock Exchange, 1-3
- Differences, speculation for, 39-40
- payment of, 46-7
- Directory of members, 96

- Discount, 90
- Dividend counterfoils, 78
- Dividends paid by the Stock Exchange, 12-13
- Dramatic Society, 129
- Drawings of the interior, 7
- Dual control of the Stock Exchange, 24
- —, Royal Commission on, 99

- Employees, dealing for, 39-40
- Entrance fee for members, 17, 19
- Establishment of the Stock Exchange, 111-2
- Exchange Telegraph Company, 94-5
- Ex dividend, 90-1
- rights, new, all, 91
- Expulsion, 23

- Failures. *See* Defaulter
- Fixed charge stocks, 72
- Foreign Loan Exchange, 112
- Foreign Loans Committee, 115
- Foreigners, exclusion of, 14
- Founders' shares, 75-7

- Gambling, speculation, and investment, 102, 130-2
- Garraway's Coffee-house, 110
- Gorgonzola Hall, 6
- Guarantors for new members, 16

- Hall of Commerce, 114
- Hammering, 80
- Hammer price, 80-1
- History: a sketch, 109-118
- Holidays, 23, 129
- “House Annual, The,” 127
- “House on Sport, The,” 127-8

INDEX

135

- Income tax. *See* Tax
 Incorporation proposal, 106-8
 Incribed stocks, 67-8
 Interior of the House, 6-10
- Jobbers, 25-34
 — as specialists, 26-7
 —, abolition question, 101
 Jobber's turn, 36
 Jonathan's Coffee-house, 111
- King's visit, 7
 King Edward's visit, 115-6
- Lame Duck, 51, 56
 Leeman's Act, 114
 Library of financial documents,
 96
 Literature, 127-8
- Making a market, 88-9
 — — —, Mr. Justice Wright
 on, 116-7
 Making a price, 35-7
 Making-up day, 44
 — price, 53
 Managers, the, 11
 Markets in the House, 7-9
 Marking prices, 37
 Members, 14-20
 — admission, 14-18
 — apprenticeship as clerks,
 14-15, 19
 —, directory of, 96
 Membership restrictions, 14-15
- Name day, 40, 44-5
 National Debt, 109
 New House, the, 115
 New Issues, permission to deal
 in, 48-50
- Official Assignees, 80, 81, 83
 "Official Intelligence," 95-6
 "Official Intelligence," pre-
 decessors, 115
- Official List, 23-4, 85-94
 — —, growth, 4
 — —, magnitude, 26
 — —, marking prices for, 37
 — —, quotation in, 86-89
 — —, Royal Commission on,
 105-6, 107-8
 Operatic Society, 129
 Options, 57-65
 —, call, 57-9
 —, day-to-day, 63
 —, effect on the market of, 65
 —, operating on, 63-5
 —, prices for, 61-2
 —, put, 57-8
 —, put and call, 57, 60-1
 Ordinary shares, 74
 Overend-Gurney crash, 114
- Panics, 113
 Par, 90
 Partnership prohibition, 25-6
 Photographs of the interior, 7
 Play in the House, 128-9
 Population of the House, 14
 Practical jokes, 128-9
 Preference shares, 72-4
 Preferred ordinary shares, 74-5
 Premium, 90
 Prices, double, 35-6
 —, marking, 37
 —, wide, 35, 36, 92
 Price lists and records, 85-97
 — —, brokers', 93-4, 125
 Proprietors, the, 10
 Prospectuses, 87-89
 Prospectusless companies, 48-
 50, 87-89
 Provident Fund, 129-30
 Public admission question, 103
- Quotations. *See* Prices
- "Railway Intelligence," 115
 Railway mania, 114

136 THE STOCK EXCHANGE

- Registered securities, 68-9
- Rigging the market, 55
- Royal Commission, 98-101
- Royal Exchange as the Stock Exchange, 109
- Rules, 22, 112

- Savings Certificates, 78
- Secretary of the Stock Exchange, 11-12
- Secretary to the Committee, 24
- Selling out, 40, 47
- Settlement, the, 44-50
 - , office work of the, 125-6
- Settlement department, 45-6
 - , establishment of, 115
 - , manager, 24
 - , Royal Commission on, 101
- Settling room, 6
 - , clerks, 18-9
- Share, definition of, 1, 66
 - certificate, 41-3
- Share and loan department, 42
 - , secretary, 24
 - , removal, 117-8
- Shares of the Stock Exchange, 12-3
- Situation of the house, 3
- Slump, 131-2
- South Sea House as the Stock Exchange, 110
- Speculative business restrictions, 39-40
 - , made illegal, 110-1
- Sport, 127-8
- Stags, 51-2
- Stamp duties, 38
- Stock, definition of, 1, 66
 - certificate, 41-3
 - inscribed, 67-8
 - Strangers in the House, 6-7
 - Street markets, 93
 - , battle of the, 117
 - Subscription for members, 17, 19-20
 - Superintendent, general, 11-12
 - Supplementary List, 92-3
 - Talons, 69
 - Tape prices, 94-5
 - Tax, deduction of, 78
 - , free of, 77-8
 - , refund of, 78
 - Telephone, use of the, 122-3
 - Tickets, 40, 44-5
 - for inscribed stocks, 67
 - Ticket day, 40, 44
 - Transfer, 40-3
 - of Consols, 67-8
 - Trustees and Managers, the, 11
 - Trustee stocks, 70
 - Turn, jobber's, 36

- Underwriting of capital, 31-2

- Vendors' shares, 77

- Waiters, 10, 80
- War Loan, 78
- War Memorial, 9
- Wares of the Stock Exchange, 66-78
- "Weekly Official Intelligence," 95
- Wide quotations, 35-6, 92

- * *d*, 90-1