A glossary of colloquial, slang and technical terms in use ...

Alexander Johnstone Wilson

A GLOSSARY

OF

COLLOQUIAL, SLANG AND TECHNICAL TERMS

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A GLOSSARY

OF

COLLOQUIAL, SLANG AND TECHNICAL TERMS

IN USE ON THE STOCK EXCHANGE AND IN THE MONEY MARKET

EDITED BY

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PREFACE

THIS little work has expanded in its Editor's hands much beyond what was originally intended. But it seemed better to make the explanations rather full on important points, so that those who consult the Glossary for help, either in understanding the language of the money and stock markets, or in conducting their dealings in the kind of stocks they want for their money, should have clear guidance. The book is thus more than a mere Glossary, and will, the Editor trusts, prove of use in many directions. All the purely technical terms have been revised by a member of the Stock Exchange.

A. J. W.

LONDON, 1*st February* 1895.

GLOSSARY

Account.—The period between two Stock Exchange settlements (*q.v.*). Every transaction, unless otherwise specially arranged, is done for the settlement following, the date of which is fixed by the committees of the various Stock Exchanges.—*See* also Bargains.

Account Days—*See* Settlement.

Accountant.—*See* Audit—Auditor.

Accrued Interest.—The amount of interest on a stock or share which has accumulated or accrued since the payment of the last dividend. Prices of securities on the British Stock Exchanges—with a few exceptions, such as bearer bonds of East Indian railways, Rupee Paper, etc.—include the accrued interest; but on the Continent quotations are often given for stocks at so much per cent., the accrued interest having to be paid in addition by the buyer. For instance, a buyer in Amsterdam of, say, Dutch Three-and-a-Half per Cent., purchasing on 1st January at 101 and accrued interest, has to pay a quarter's interest, viz. $\frac{7}{8}$ths per cent., the last dividend having been paid on the previous 1st October.

Ad Valorem Stamp.—The stamp duties on stocks or shares transferable by deed are payable according to the actual cash value of the security set forth in the deed, and not on the face or nominal value. —*See* also Transfer Duty.

Ailsa.—Glasgow & South-Western Deferred Ordinary Stock.

Ales or **Slops.**—Allsopps Ordinary.

Allotment.—The directors of a company are said to proceed to "allotment" when they decide to issue to applicants the stock or shares of the company they represent.—*See* also Letters of Allotment and Letters of Regret.

Allotment Letters.—*See* Letters of Allotment.

Allottee.—The person who receives an allotment,—a portion of any new issue of capital, share, or bond offered to the public.

American Railroad Shares, Dividends on.—Certificates of shares in American railroads are, as a rule, transferable by endorsement (*q.v.*) in blank. A purchaser who decides to have his holding registered in his own name has (with one or two exceptions) to appoint an attorney in America to collect and forward his dividends to him in this country. Care should be taken that this attorney is a man or firm of first-rate standing; most, if not all, stockbrokers will arrange for the appointment of some trustworthy firm. The registered holder is, however, liable to pay any dividends that may be declared, after he has disposed of his shares, to any person who may claim them and can produce the share-certificates as a warranty for his doing so. The only method of getting rid of this liability is to insist on the new holder's name being inserted on the back of the certificate when a claim is lodged.

Instead of registering shares in his own name, a buyer can, if the certificates delivered to him are in the names of good people, retain them in that form, claiming any dividends that may be declared during his ownership from the registered holder by presenting his certificates *through his broker* "to be marked." As soon as the money arrives in this country, the dividend is paid to the broker who lodged the claim, and by him forwarded to the client. This "marking" process consists of either writing or stamping on the certificate a statement that a dividend due on a certain date has been claimed. In the event of an investor holding shares in the name of a firm which fails, his risk is limited to the loss of his dividend, as his shares can at once be forwarded to America to be registered in his own name or that of a nominee. Practically the same risk is attached to the appointment of an attorney, viz. the loss of one dividend.

Amortisation.—A continental word signifying the drawing of a bond or obligation for repayment.—*See* Sinking Fund, Drawings.

Anglos.—Anglo-American Telegraph Company.

Annuities, Consideration for.—*See* Consideration for Annuities.

Annuity.—A yearly sum received by persons for their maintenance. Annuities are of various kinds—terminable, life, or perpetual. The debt of the British Government is of the last class, but subject to periodical revisions of the rate of interest to be given upon each £100 of capital inscribed upon the books of the public debt. English railway debenture stocks are also perpetual annuities. Some insurance companies, notably the Liverpool, London, & Globe Insurance Company, have issued a certain number of permanent annuities of £1 each. These are dealt in and quoted on the

Stock Exchange at so much for each annuity of £1.

Terminable annuities are annual sums payable to those entitled to them for a fixed number of years, such as the annuities of those of the Indian railways which have been purchased by the Indian Government. These Indian railway annuities are usually in two classes, "A" and "B." The "B" annuities, of £1 each nominal, are subjected to a deduction for expenses and sinking fund. The money set aside for this sinking fund is allowed to accumulate, and will be divided among the holders at the date of expiry. "A" annuities of £1 each are only subject to a deduction of a few pence for expenses; at the date of their termination the holders have no claims against the railway for capital to be repaid. Buyers of the "A" annuities have therefore to form their own sinking funds, by laying past a portion of the annuity each year.

The National Debt Commissioners hold terminable annuities in consideration of their having paid over or surrendered so much in Consols. The bonds of French railways are likewise terminable annuities.

Life annuities are payable during the life of the individual entitled to them, or during the joint lives of a man and his wife, or of any persons to whom the vendor of the annuity may agree to pay the money.

Except in the case of permanent annuities, like those represented by the interest on Consols, all annuities imply an extinction of capital. The person or persons in the enjoyment of a life annuity receives back each year a proportion of the capital originally paid for it along with the interest. Provided that they are made with good insurance companies, or with the Government, these annuities are, therefore, an excellent mode of disposing money for those who have no heirs.

Apes.—New York, Pennsylvania, & Ohio Railroad First Mortgage Bonds.

Applied for.—It is common in prospectuses to see the statement, that of such and such an issue of shares or debentures, so many have already been "applied for." Investors should always view this phrase with distrust. It need not mean anything. Applications so made can be withdrawn again, and are nearly always quite provisional. The phrase, in short, is a "decoy" intended to lead the public to suppose that the stuff offered is good.

Arbitrage.—A term applied to stock and share transactions between markets in two or more countries in securities common to these markets. Simply put, it is buying in the cheaper and selling in the dearer market. The rate of exchange, *i.e.* the value in foreign money of the sovereign, has to be constantly watched, as variations in it affect the difference in values between markets. For instance, Turkish Group IV. are quoted in Paris 25.65 francs per Fr.100, sellers in London 25⅝, buyers, per £100, the rate of exchange being 25.13 the value of the French price in English money is 25½. A purchase in Paris, therefore, would show a margin on a sale in London. The difference represents profit less various expenses, such as insurance to cover the shipment of stock if that be found necessary, cost of remittances, etc., all of which have to be borne in mind by the operator. Transactions of this description are carried on, sometimes involving large sums, between London and the principal European and American Exchanges; but the business demands such skill and knowledge of the technicalities of exchange that none but experts can engage in it.

Articles of Association.—These are the regulations laid down by the Companies Act of 1862 in what is known as Table A of the first schedule. They form the bye-laws, practically, of a company limited by shares, all or any of which may be adopted. The following are the headings of the full table:—Shares; Calls on shares; Transfers of shares; Transmission of shares; Forfeiture of shares; Conversion of shares into stock; Increase of capital; General meetings; Proceedings at general meetings; Votes of members; Directors; Powers of directors; Disqualification of directors; Rotation of directors; Proceedings of directors; Dividends; Accounts; Audit; Notices.

Asked.—A quotation so marked means that a seller is on the market, willing to accept the price named.

Assessment.—An American method of raising money on fully paid shares. Originally many of the share-issues of American railroads were given as bonuses to those who subscribed for the bond-issues. They are in these cases therefore so much "water," as they represent no money sunk in the undertaking. When a road is thrown into the hands of a receiver, this assessment device is put into practice: a call of so many dollars per share is made. If a holder refuses to pay this levy, his shares are cancelled, and he has no further interest in the road, no matter what he has paid for them. Sometimes this assessment is accompanied by a scaling-down or arbitrary reduction of the interest payable on the bond-issues. These assessments are practically voluntary payments. A registered holder who has sold his shares cannot be called upon to meet the assessment; if the actual owner does not care to pay, his holding becomes valueless.

Assets.—The property a company possesses, *i.e.* its houses and lands, its machinery or stock-in-trade, its investments in marketable securities, its book-debts (money owing to it for goods it has sold), its cash in hand,—any and every thing it possesses upon which a price or market value can be put.—*See* also Balance-sheet and Liabilities.

Atlantic.—New York, Pennsylvania, & Ohio Railroad.

At the Rate of.—A phrase used in connection with dividends to indicate that the payment is "at the rate of" so much per cent. per annum, and to distinguish such payment from a dividend of simply so much per cent. The latter means that the percentage named is paid down at once, the former that only so much is paid as is due in the three months, six months, or other specified portion of the year for which it is declared. "A dividend at the rate of 5 per cent. for the past six months," thus means an actual payment of £2, 10s., or half the rate for the entire year. But "a dividend of 5 per cent. for the past six months" means that £5 per cent. is actually paid, which is equivalent to 10 per cent. per annum. —*See* also Interim Dividend.

Attorney.—A person living abroad can appoint another to act on his or her behalf in all business matters: buy and sell property of all descriptions, and act as representative in all matters, legal and other. A stamped deed defining the powers conferred must be properly drawn out, and signed in the presence of a witness. The individual to whom the powers are given is called an attorney.

Attorney, Power of.—The deed granted by one person to another to enable him to act on his behalf. In certain Stock Exchange transactions, special powers are necessary, as follows:—

In the case of all stocks inscribed on the books of the Bank of England, the London & Westminster, and other banks, or with the Crown agents for the Colonies, sellers are required to appear in person to transfer their holdings, accompanied by a stockbroker who can identify them. In cases where it is difficult or costly for sellers to attend, they can apply for a "power of attorney." This deed is drawn up by the transfer agents, and must be signed by the stockholder in the presence of two witnesses. It is usual to appoint a stockbroker as attorney; other persons acting must be identified by a broker.

Audit—Auditor.—An audit, or critical review, of accounts is a customary duty with every public company, and it is generally, but by no means universally, discharged by professional auditors, known as public or "chartered" accountants. These auditors are elected by the shareholders, and are legally supposed to be their representatives, acting as a check upon the Boards of directors. In common practice the directors select auditors to suit themselves, and get them *pro forma* elected by the shareholders at the annual or semi-annual meeting. From this habit, it results that the auditors of a public company have seldom any particular incentive to oppose the wishes of the Board. Often they aid Boards in perpetrating deceptions on the shareholders, and, even when they do not go so far, they seldom possess the independence they should have did the shareholders really appoint them; nor are their powers large enough. The accounts of railway companies are seldom audited by professional accountants, and cannot be said to be really looked into at all by competent people outside the management.

Ayrshire.—Glasgow & South-Western Railway.

Back.—*See* Backwardation.

Backwardation.—A barbarous term used on the Stock Exchange to represent the opposite of a "contango" (*q.v.*). Sometimes it happens that speculators have oversold a particular stock in their endeavour to drive the price down, and, when settling day comes, they find buyers demanding from them what they cannot deliver. The stock is "scarce for delivery," as the phrase is, and instead of the buyers being compelled to borrow money in order to hold the stock, or to pay the sellers a "contango" to hold it for them, the speculative sellers have to go round the market and borrow stock in order to satisfy the demands of the buyers. The "rate" they pay for the loan of stock for Stock Exchange settlement purposes is called a "backwardation." It is paid to enable the speculator for the fall to withhold or keep back the delivery of the stock he sold but does not possess and cannot supply. Sometimes these "backwardations" run very high, and they are always expressed in fractions of a pound, or shillings and pence. "An eighth back" means that the speculative seller of a particular security has to pay half a crown per nominal £100 of the stock he has sold, to postpone delivery for the period of one more account. "Backs" of greater or less weight often run in this way for months, bleeding the speculator twice a month; and sometimes they hold for years. If the speculative seller has at the same time to find, every six months, the dividends on the stock, or bonds or shares he has sold, he may in time pile up a loss against himself which no fall in the price of the security would ever enable him to recover. With a speculative purchase of securities commanding a "back," the reverse naturally holds good. The buyer receives this charge, less the broker's commission, instead of paying it, as in the case of a "contango" (*q.v.*).

Balance-sheet.—The abstract accounts presented by public companies with their reports—any abstract of accounts showing assets on one side and liabilities on the other. In the case of public companies, these abstracts ought always to be as full as the circumstances will admit. The "Liabilities" of a public company are generally of two classes—1. to the shareholders, 2. to the public; but the latter may be of two kinds—(1) trading or current liabilities, (2) liabilities to creditors on bonds, debentures, or debenture stock. The share capital and bonded debt liabilities are usually set forth clearly enough; the trading liabilities seldom so. The "reserve fund" is a liability of the company to the shareholders. "Assets" embrace the houses and lands, working plant, if any, possessed by a company, its stocks of materials on hand or of finished goods, its investments, book-debts, etc.; and all the items should be set clearly forth, so that shareholders may see what the company is doing, and whether their capital is intact or well protected by a genuine reserve or not.—*See* also Goodwill, Assets, Liabilities.

Ballymena.— Belfast & Northern Counties Railway.

Bandon.—Cork, Bandon, & South Coast Railway.

Bang.—To "bang the market" means to sell a stock with apparent recklessness, so as to force down its price. This may be done either because the "bangers" have early knowledge of bad news, or in order to terrify genuine holders into selling their stock at a loss; a loss which is the "bangers'" profit.

Bargain.—A Stock Exchange term for a transaction, either purchase or sale, in any class of security. To "do a bargain" is to "deal." Every transaction is done for a specified "settlement" (*q.v.*), and must be completed on that day in the case of bearer securities, or within ten days in the case of registered stocks. (*See* Buying-in.) A buyer of a stock not wishing to pay for his purchase, or a seller unwilling or unable to deliver on the "pay-day," must make a fresh bargain by "continuing" his stock to the next settlement. (*See* Contango, Backwardation.) Bargains in Consols and a few kindred securities are frequently done for "cash," that is, for immediate payment, either the same day or within a few days. Transactions done for the "account" are for the Consol settlement, once every month. Bargains in other securities can be done for cash; but these "cash" sales or purchases are always a matter of special negotiation. Transactions in securities quoted in the "official list" (*q.v.*) can only be "officially marked" if done during official hours.

Bays.—Hudson Bay Shares.

Bear.—The name by which the Stock Exchange designates a man who has sold securities for the fall—securities he need not, and most commonly does not, own. He thinks a stock too dear, or has information which, in his opinion, must send it down in price; and so he sells, in the hope that he will be able to buy back again at a lower price, and so to make a profit on the transaction. In the United States, a man who is thus a "bear" of stock is described as "short" of stock. "Bulls" and "bears" with us are with the Americans "long" and "short." To sell a "bear," or "for the fall," is always an operation involving risks, because the selling of what a man does not possess constitutes him a buyer in spite of himself. To close the transaction, the stock must be bought back again; and when the speculative or "bear" selling of a security, especially of a small and easily controlled security, becomes large, it often happens that the "bears" get caught in a trap of their own making. Buyers, who may be just as much speculators as these sellers, but who may be in the position to take up their purchases by borrowing money to pay for them, demand delivery from those who have sold. But these sellers did not possess what they sold, and therefore cannot fulfil their bargains till they have bought it back. In the struggle to do this the "bears" may find prices run up against them in the market to heights that have no relation whatever to the intrinsic value of the security which forms the object of the contest between the two opposing groups of operators. An oversold or "bear" speculative account is often a most useful protection to investors, because the repurchases of the "bears" sustain prices and give holders of stock a market to sell on when, were there no "bears" in existence, there would be no buyers at all.

Beefs.—Eastman Company Ordinary.

Bertha.—London, Brighton, & South Coast Deferred Ordinary.

Berwick.—North-Eastern Railway.

Bid.—A quotation so marked means that a buyer is on the market, willing to give the price named.

Blank Transfer.—*See* Transfer, Blank.

Bolsa.—*See* Bourse.

Bonds.—A name covering a great variety of forms of security, with very few exceptions, payable to bearer. The loans of foreign States are issued in the form of "bonds" promising the payment of a certain rate of interest out of its revenues, and redemption at a given date. These bonds are for fixed amounts, seldom of less than £20, and have attached to them a number of tickets, called coupons (*q.v.*), corresponding to the number of interest-payments to be made during the period of the loan's existence. Generally loans of this description have a sinking fund attached to them, which is operated by periodical drawings (*q.v.*), if the borrower fulfils the contract, until the loan is extinguished. When drawn, a bond has to be surrendered along with the coupons attached to it, as the obligation to pay them ceases with the redemption of the principal.

Registered bonds are not deliverable from hand to hand. They are registered in the owner's name, and are transferable, in the case of British Corporations, by deed; sometimes coupons, payable to bearer, are attached, sometimes not. American railroad bonds can usually be registered, but when this is done they are not so easily negotiated. No deed in this case is required; the bond is merely endorsed by the officials of the company.

—*See* also Mortgage, Debenture, Obligation.

Bones.—Wickens, Pease, & Co.

Boom.—A word imported from the United States, and used to express an upward rush of prices produced by active speculation. In this country the word is usually employed by financial writers to signify a manufactured or manipulated advance, intended to attract the public to buy when prices are near the top.

Borrow Stock, To.—*See* Contango, Backwardation.

Borsa.—*See* Bourse.

Börse.—*See* Bourse.

Bosh.—Wabash Railroad Preferred Shares.

Bourse (German, *Börse*; Spanish, *Bolsa*; Italian, *Borsa*).—The French name for the Exchange. Other business besides Stock Exchange business is generally carried on in continental Bourses, but to us *Bourse*, *Bolsa*, etc., mean simply Stock Exchange.

Breads.—Aerated Bread Company's Shares.

Brighton.—London, Brighton, & South Coast Railway.

Brighton "A".—London, Brighton, & South Coast Railway Deferred Ordinary.

British.—North British Railway.

Broker.—A broker is a person who acts as an agent for some other person in buying or selling goods, and is paid by commissions on the amount of the purchases and sales carried out. There are many kinds of brokers in the City of London and throughout the country, but we have to do with brokers on the Stock Exchange alone. These buy and sell stocks and shares at the orders of their clients, and charge commissions (*q.v.*) on the business done. They are not permitted to advertise in the public press or by private circulars, except to their own clients. When an individual or firm advertises as a "broker" willing to do business in stocks and shares, the public must understand that such cannot be a member of the London Stock Exchange, or under the control of its Committee, and, generally speaking, it is best to avoid these "advertising brokers," in London at least.

The business of a stockbroker involves a great deal of detail, and the following will give some idea of the amount of work attached to a single transaction:—A client instructs his broker to buy £500 Midland Railway Three per Cent. Debenture Stock "at best." The broker enters the order in his "limit" book, proceeds to the market, finds the cheapest seller, buys the stock, and enters the transaction in his "dealing book." From this book the necessary entries are made in the journal or day-book, and a "contract note" is forwarded to the client, together with a letter of advice. On "name day," the second day of the fornightly Stock Exchange settlement, a slip of paper called a "name" is written out, giving the buyer's names and address, and this is passed to the dealer of whom the stock was purchased, who, if he is not delivering the stock himself, hands it to the member of whom he purchased, and so on, from hand to hand, until the first seller, or rather his broker, receives it. This last man prepares a deed of transfer, which, after it has been executed by his client, he hands direct to the broker who issued the name, and receives payment for it, if it be in order. This deed is then forwarded to the buyer, so that he may sign it, accepting the stock. When signed, it is returned to the broker, who forwards it for registration to the office of the company, whose officials in due time make out a new "certificate" of ownership in the name of the new holder. This certificate, when prepared, is sent to the broker, and by him forwarded to his client. Such are some of the details that a broker has to attend to, and often weeks elapse before he receives the new certificate from the company which has to issue it.

Not only must a broker carry out these operations for his client, but it is also his duty, if he desires to be considered a trustworthy adviser, to know the actual state of the market for each security he deals in, or to have at hand the means of finding out. He should make it his business to understand the real position of a security, as distinguished from its market position, or from the position the firms interested in selling it endeavour to make it assume. Unless he does this, he is sure to descend into the ignoble condition of a mere retailer of the gossip of the market, to become a passer on of "tips," too often put about in the interests of those who wish to plant something on the public at a profit. Vigilance of the kind required in a good broker not only demands constant application and good judgment, but much independence as well. The broker who lays himself out to do business for loan-issuing houses, cannot, in the nature of things, be a trustworthy guide to the investing public. His honesty may be unquestionable, but his bias is to do the best he can for the big client who has large amounts of securities to dispose of.

Many people seem to expect their brokers to be infallible. This is neither fair nor just. Sometimes a broker may have information which justifies him in advising that a certain security should be bought or sold, but, as a rule, the most a client can expect is honest advice as to the stability or prospects of an investment and the risks attaching to it. The axiom, "There can be no usury without risk," should never be forgotten.

Brokerage.—The charge made by a broker to his client for carrying out a transaction. —*See* Commission.

Brum.—London & North-Western Railway.

Bucket Shop.—A slang term imported from the United States, and applied to the offices of the people in London known as "outside brokers"—men, *i.e.*, who are not members of the Stock Exchange, and who are, therefore, at liberty to advertise in all newspapers. Some of these men may do a respectable business; but in that case it must be done through the Stock

Exchange, and therefore at the cost of two commissions, however the imposition of these commissions may be concealed. As a rule, however, the business done at these "shops" is of the mere "punting" order. A man stakes his five or ten pounds on the price of a given security, bets that it will go up or that it will go down, and gains or loses according as he is right or wrong. Transactions of this kind are not usually entered into on the Stock Exchange by the "bucket shop" keeper at all. He runs the racket of the bargain, and pays up or, instead of paying, levants or pockets the money, according as the bettor wins or loses.

And the "turn of the market" is always against the bettor. Suppose he selects Brighton "A" Stock, which is a favourite medium for gambling. The price is, say, 154¼, ¾; and he elects to buy for the rise. His purchase is effected at the higher price, 154¾. But if the price rise to 155¼,

¾, he would not have won 1 per cent., because the keeper of the "hell" would only take back his stock at 155¼. Its price must therefore go up to 155¾, 156¼ before a profit of 1 per cent. accrues to the punter. On the other hand, if the stock should fall a ½, to 153¾, 154¼, the whole pound per cent. of "cover," in almost all instances demanded by the bucket shop keeper, will have disappeared, because he always sells to the speculator at the top price and buys back from him at the bottom one—"according to the custom of the Stock Exchange." These bucket shops do indeed advertise "dealings at net prices," but that merely means that they charge no commission over and above the price on the "tape." As they always have from 5s. to 10s. per cent. in their favour, and often more, they can easily afford to do this. Whenever, therefore, the public sees advertisements of this description in the papers, they ought to avoid the advertisers. "Dealings at net prices, with 1 per cent. cover," are a delusion and a snare; and it is one of the anomalies of our social life that places of the kind are allowed free scope, while the petty tobacconist or beer-shop keeper who permits turf betting to be transacted on his premises is "run in" and fined.

Bull.—The Stock Exchange term applied to those who buy and hold stocks for a rise in price; a buyer of securities for the rise. In its most common use the word designates the speculator who buys stock which has to be carried for him in the market from "settlement" to "settlement" (*q.v.*); and in this sense "bulls" are mere bettors on the rise. But a man may be equally a "bull" who buys more of a stock than he can afford to pay for with his own means, and pawns it with his banker. The American equivalent of our phrase "bull of stock" is "long of stock."

To be "long" in New York is to be a "bull," a holder for the rise.—*See* also Bear.

Business Done.—*See* Official Marks.

Buying - in. — Securities to bearer must be delivered on the "pay-day" (*see* Settlement), registered securities within ten days after. A buyer of a security not so delivered can instruct his broker to buy in the stock or shares against the seller. This is done by the official brokers of the Stock Exchange, who bid for the securities in the open market; any difference in price between what was originally contracted for and that now given has to be paid by the dealer, or, it may be, client, who has not fulfilled his engagement, plus the official broker's commission. Sometimes it is not possible to obtain the security wanted, there being none in the market; but the official broker can make public offer for the stock daily, and as he charges half his commission (the rate of which is fixed by the committee of the Stock Exchange) for every second attempt, the fine on a seller who does not deliver is sometimes very heavy.—*See* also Selling-out.

Caley.—Caledonian Railway.

Call.—*See* Options.

Call.—The term applied to payments of instalments on new issues of stocks and shares due at various dates.

Call Letter.—The paper which notifies when a call is due, where payable, and the amount to be paid.

Canpac.—Canadian Pacific Railroad.

Capital—In a Stock Exchange sense, is money invested in any security. If a man buys

Consols, the amount of money he thus invests is his capital. In like manner, the shares of a company should represent the money capital which has been subscribed for the purpose of carrying on the company's business. Money borrowed at interest by a company is also capital, but not in the same sense as the money put into shares. The latter is a liability of the company to its shareholders only in an indirect sense, since they accept the risk of the profitableness or otherwise of the venture. Money borrowed is capital for the repayment of which a company's shareholders are liable to the extent of the unpaid calls on their shares, if any, plus the value of whatever assets the undertaking may possess.

In ordinary language, however, the word capital is grossly abused, because it is made to do duty as the designation for all the book entries or bits of paper which promoters of companies and vendors choose to consider representative of money. A company has been started, say, with a nominal capital of £500,000, of which one-third goes to the vendors in "fully paid" shares, and the balance is underwritten at 20 per cent. discount. The actual cash paid in is, in this case, little more than half the nominal amount of the capital set down in the books. An American railroad promoter gives away the shares of his line for nothing to those who buy its bonds, and these bits of paper are also called part of the "capital" of the company. The "watered" stock of a Scotch railway company, which has been doubled and called "preferred" and "deferred," is also gravely treated as capital,—money invested in the business; and a purchaser of London & North-Western Railway Stock at 170 looks upon the 70 premium as capital just as much as the £100. It would look strange if the North-Western Company wrote-up its share capital in its books each half-year to the market price; but this would hardly be more misleading than the practice of including in balance-sheets issues of paper for which no cash was ever paid into the company's treasury. In all balance-sheets the discounts at which shares have been issued ought to be set out as clearly as the nominal amount of the capital, so that shareholders and the public might at once see what was substance, what shadow. All swellings-out of "capital" in a company's books, beyond the sum of money actually paid in, is a deception. Sometimes they are a fraud.

Carry Over.—To continue or "contango" (*q.v.*) a security.

Cashel.—Great Southern & Western Railway of Ireland.

Cash Sales.—*See* Bargains.

Centrals.—New York Central Railroad Shares.

Certificate.—The paper which testifies to the ownership of stock or shares in a joint-stock company. It is issued under the common seal of the company, and signed usually by one or more of the directors and the secretary. Except as a ready means of proving that the individual named in the paper is the owner of so many shares in this or that limited company, numbered, say, from 1000 to 1100, on which so much has been paid up (or fully paid), or holds stock to the value of so much, the certificate has no value. Possession of it does not entitle the holder to claim the shares or stock standing in the name upon it. That can only be done in the event of the holder signing a "transfer" (*q.v.*) upon which the name of the transferee is to be found. Therefore the mere loss of a certificate of ownership does not entail loss of the property held. The proof being given to the company that the loss has taken place, the owner can usually get a new certificate on signing a "Letter of Indemnity" (*q.v.*).—*See* also Registration.

Certificate of Past Profits.—A paper signed by professional accountants, generally embodied in the prospectuses of companies formed to buy businesses already in existence, in which is set forth the net earnings of the concern to be taken over. Sometimes these certificates are reliable, oftener they are misleading; but the deception is not necessarily the work of the accountant. Important facts about the business may have been concealed from him: it may be entering on a period of low profits or decay, or it may have been worked for the few years back, over which the accountant has been permitted to look, with a view to its transformation and sale. Complete reliance, therefore, is never to be placed in these certificates.

Chancery Stocks.—*See* Trustee Stocks.

Chartered Accountants. — Members of the Society of Chartered Accountants.—*See* also Audit, Auditors.

Chat—Chatham.—London, Chatham, & Dover Railway.

Childers.—Two-and-Three-quarters per Cent. Consolidated Debt of the British Government, redeemable in 1905. Originated by Mr. Childers in 1884 in his attempt to reduce the interest on the whole of the Three per Cent. Debt.

Chinas.—Eastern Extension Telegraph Company Shares.

Clara.—Caledonian Railway Deferred No 1.

Client.—The member of the outside public for whom a broker deals is so designated; also called "Principal."

Collateral Security — Collateral. — These are forms of expression more used in America than here. A man in the States obtains an advance of money against "collateral"; here he gets it against "security": the phrase "collateral security" being seldom used in the market speech of either country; people have not time. Strictly speaking, collateral security means a surplusage of security deposited with any one in pledge for the due fulfilment of a contract or for the repayment of money advanced. Suppose a man obtains an advance against a promissory note or a cash credit at a bank, under the guarantee of certain names, who become surety for him, and that in addition he deposits deeds of property, stocks, or shares with the lender. The promissory note or the guarantee would be the principal security, the deeds or stocks the "collaterals." That is the strict use of the term; but in common use it means the securities deposited against money advanced. In amount, measured by the market price, these securities must always exceed by 5, 10, 15, or 20 per cent. the amount of the advance, and the entire value of the deposit is called "collateral."

Commission.—The following are about the usual rates charged by brokers on the various British Stock Exchanges. In some cases higher rates are charged where the difficulty of dealing or amount of work involved is greater:—

	Per cent.	
British Funds . .	2/6	on nominal value.
Indian Government Securities . . .	2/6	,,
Bank of England Stock Bank of Ireland Stock .	5/	on actual money paid or received.
British Corporation Stocks	5/	on nominal value.

	Per cent.	
Colonial Govt. Stocks Foreign & Colonial Corporation Stocks .	5/	on nominal value.
Foreign Government Securities . . .	2/6 to 5/	,,
British Railway Stocks	10/	on actual money.
American Railroad Bonds	5/	on nominal value.
Foreign Railroad Bonds	5/	,,
Foreign Railroad Registered Securities .	10/	on actual money.
Miscellaneous Registered Securities . . .	10/	,,

SHARES

Under £1 in value				3d.	per share
£1 and under £2 in value				6d.	,,
£2	,,	£5	,,	9d. to 1/	,,
£5	,,	£10	,,	1/3	,,
£10	,,	£15	,,	1/6	,,
£15	,,	£20	,,	2/	,,
£20	,,	£25	,,	2/6	,,

£25 and over, 10/ per cent. on money value.

Minimum commission, 2/6 to 5/.

Commission on "contangoes" are usually half the full rates. No commission is then charged when the stock is finally sold or bought back. On reinvestments made for the same settlement, *one* commission is charged.

Commissions on transfers from executors to beneficiaries, and similar cases, are half the ordinary rate.

Commissions are also charged on valuations of securities for probate, etc., varying according to the number and nature of the securities; the usual minimum is two guineas. These valuations for probate must be accompanied by a broker's certificate.

To illustrate the difference between commissions on the nominal value of a stock and on the actual price, it may be pointed out that in the case of the former the price makes no difference in the commission. Consols at 95 or at 103 are charged equally 2s. 6d. per £100 nominal by way of broker's commission. The buyer of Bank of England Stock at 330 per £100 stock would, on the other hand, have to pay three times 5s., plus 2s. for the odd £30, or 17s. in all per £100 nominal of stock bought. In like manner, a purchaser of Great Eastern Railway Stock at 80 per £100 nominal would pay 8s. commission, and a buyer of Brighton "A" at 150 per £100 nominal would pay 15s. commission.

Committee for General Purposes of the Stock Exchange, London.—Thirty-two members of the Stock Exchange are selected by their fellow-members each year to act on this committee. Its duties are many; but the most important, so far as the public is concerned, are the powers of inquiry into any complaint lodged against a member by another, or by anyone of the outside public. Every member has to accept the decisions of this body as final. In serious cases, the committee can even go so far as to sentence a member to immediate expulsion. Sentences of suspension of membership for various periods are often passed. Among the duties of this committee are: the granting or refusing of quotations and settlements for the issues of new loans and companies, the admission of members and their clerks, etc., etc.—*See* also Stock Exchange.

Concession.—The delegation of a right or privilege to construct any public work and enjoy the revenues it may yield; to carry on any trade and enjoy the monopolies thereof; or to dig for specified minerals. This is a method much in favour with barbarous or semi-civilised Governments for exploiting the enterprising foreigner. A concession to build a railway, to dig a canal or a harbour, to carry on any undertaking, is negotiated for payment of money down. The happy concessionaire then proceeds to recoup himself for his trouble and for the moneys he has laid out, by selling the rights and privileges he has secured to a public company for a sum as much as he can get beyond what he has paid out. Sometimes money is made by the companies who buy concessions and put them in operation—often it is lost.

Consideration.—Consideration is the legal term for the sum named in a deed of transfer to indicate the value of the stock transferred. This consideration may not, and as a rule does not, agree with the actual amount to be received by the original seller, as the person he has sold to may have made a subsale to another party, and so on through various hands, at higher or lower prices. The price given by the last buyer is the one that fixes the duty or stamps to be paid by the purchaser on taking over the stock purchased. When stocks are transferred on other grounds than sale and purchase in the open market, a nominal consideration or price may be entered in the deed.

Consideration for Annuities.—A phrase meaning the money paid to an insurance company in consideration of its undertaking to provide an annuity for life, or for a stated period of time, to the individual or individuals handing it the money. The money thus passed over becomes the absolute property of the company or society agreeing to pay the said annuity. It takes the risk, in the case of life annuities, of finding so much per annum for the annuitant for an indefinite number of years, in exchange for so much money down. The same kind of business is done in a small way by the Post Office, the money it receives in payment for annuities being used to cancel Consols.

Consols.—A slang word which has become good English. It is short for Consolidated Stock, and means a stock which has been made up of several, or many different stocks "consolidated" into one. From a very early date in its history our own national debt, for instance, has consisted of one great stock, as it were, and various other more or less temporary securities, terminable annuities, Exchequer bonds, Exchequer bills, and, of late years, Treasury bills. There have also been in existence nearly always permanent stocks, bearing different rates of interest; and every now and then operations of credit have been effected whereby these floating or fragmentary and isolated stocks have been "consolidated" or absorbed into the one chief stock known as "Consols," or the "Funds," or the "Funded Debt." In this way we have at the present time, as the result mainly of the financial operations of Mr. Gladstone, Sir Stafford Northcote, Mr. Childers, and Mr. Goschen, the following debts of the British Government:—

525,260,363	Two-and-Three-quarters per Cent. until 1903, then Two-and-a-Half per Cent. Consolidated Stock, redeemable 1923, "Goschens."
4,647,799	Two-and-Three-quarters per Cent., redeemable 1905, "Childers."
32,753,305	Two-and-a-Half per Cent., redeemable 1905.
3,247,300	Exchequer Bills.
5,630,500	,, 2¾ per Cent. Bonds.
571,539,267	
40,953,768	Local Loans.
612,493,035	All of which are quoted.

Of these, the Exchequer bills are a floating debt; and there is also a floating debt in Treasury bills, of constantly varying amount, and another in the form of temporary advances made by the Bank of England.

Contango.—A Stock Exchange slang term which has become part of the common language of operators in public securities. It means the interest or charge for the continuation of a transaction from one "settlement" to the next. (*See* Settlement). A speculator for the rise pays this charge, which is practically interest on the money he borrows to complete his purchase; this is called "giving the rate" or "lending stock." A speculator for the fall receives this charge (except in the case where the market rate is a "Backwardation," *q.v.*). In his case it represents interest on the money which he lends against the security of the stock which he has sold. Genuine holders who have sold can also take this contango, if they elect not to deliver and can find a purchaser willing to pay for the accommodation; this is called "taking the rate" or "borrowing stock." In all active stocks the dealers are, as a rule, prepared to "make prices" in these rates or contangoes. In other words, they are prepared to give the lower rate quoted and "take" the higher. In securities to bearer, these contangoes are usually quoted at so much per cent. per annum; but in nearly all registered securities the quotations are in fractions of a pound per £100 stock, and in registered shares so many pence and shillings per share.

All purchases and sales on the Stock Exchange have to be settled on the account-day for which they are made; the contangoing of a purchase is a sale and repurchase or purchase and resale at a value fixed by the "House," called the "making-up" price. To the price of the repurchase or resale is added the contango, the broker's commission (half the usual rate), and the Government contract stamp of 2s. for each security.

Contango Day.—The first day of the settlement (*q.v.*), when arrangements are made for the continuation of transactions or "bargains."

Contingent Liability.—An indirect liability, which can only be enforced against who-ever undertakes it in the event of those directly liable failing to make good the contract. The best illustration of what the phrase means is afforded by the Baring Guarantee. Those who signed that document were liable to the Bank of England for whatever loss might arise on the liquidation of the estate, to an extent proportionate to the amount they had underwritten. Again, a person who "underwrites" a new issue of capital to the extent, say, of £10,000, is contingently liable to find the whole of that amount in the event of no subscribers coming forward from among the public to relieve him. His liability diminishes in proportion as the public does subscribe, and vanishes if the entire issue is taken up.—*See* also Liability, Underwriting.

Contract—Contract Note—As used in the Stock Exchange, means the note which the stockbroker sends to his client setting forth the business done for him. Generally it assumes this form:—

149 Throgmorton Street,
London, E.C., 15th Dec. 1894.

Bought by order and for the account of John Smith, Esq.

(Subject to the rules and regulations of the London [1] Stock Exchange.)

£1000 Midland Railway Three per Cent. Debenture Stock, at 109 per cent. .	£1090	0	0
Government and Stamp Duties and Registration Fee	5	13	6
Commission	5	9	0
	£1101	2	6

(Signed) Brown, Jones, & Co., [1/ Stamp.]
Brokers.

Sometimes, however, the note merely states the amount of stock, bonds, or number of shares bought or sold and the price, in which case a subsequent statement is drawn up, showing the charges as above, and including all the transactions done for the same settlement.

[1] Glasgow, or Dublin, or other, as the case may be.

This is sent to the client usually on the first or second day of the "settlement." All contracts must bear a shilling stamp for each security dealt in, the value of which is over £100. These stamps must be affixed by the broker, and are debited to the client. Where the value is under £100 a penny stamp only is required; below £5 no stamp is necessary.

Conversion.—The turning of one form of security into another, as when a foreign Government issues a new form of debt at a lower rate of interest and uses the money to pay off debt outstanding at a higher; or when a company turns a debenture, redeemable in a given number of years, into a debenture stock, either not redeemable at all or redeemable at a much more remote date. From one point of view, conversions are always to be regarded as a breach of faith with the lender; from another, they are often unavoidable necessities. Weak Governments often wrap up fresh advances of money, otherwise unobtainable, in a loan ostensibly to "convert" an outstanding debt; and it is almost invariably the case that a saving is arrived at, either by procuring new money at a lower rate of interest, or by extending the date of redemption so as to lessen the charge of the sinking fund, or both. Where sinking funds under the old form of debt are accumulated, opportunity is usually taken, on a conversion, to turn the bonds which represent these accumulations — and which are generally mere paper with nothing behind them—into hard cash.

Cora.—Caledonian Railway Deferred, converted Ordinary.

Corner.—To "corner" a security is to obtain such control of it that those who may have speculatively sold it, in the expectation of being able to buy it back cheaper later on, are unable to obtain it at any price. This also is an operation best carried on with securities of limited amount, and is often used on the Stock Exchange with new securities by disreputable knaves. Sham dealings are entered into on the market, by means of which the jobbers there are induced to sell the shares, say, of a new company, these shares being all the time in the hands of the knaves engineering the "corner," or their tools. When the time comes to settle up, the sellers are called on to deliver the shares they have sold, and, being unable to do so, have the price run up against them to any height the "ring" chooses. One of the worst transactions of this description known in recent years was the corner in Warner's Safe Cure Shares, by which some members of the Stock Exchange were ruined and a large number of people lost money.

But "corners" of a modified kind are often attempted in old securities which may be controlled by large capitalists. Market operators are tempted by a drop in the price to sell for the fall, and, when account-day comes round, cannot find stock to deliver. They have either to submit to pay heavy "backs" or to see the price run up against them, or have to face both contingencies. Investors should keep clear of securities subject to this kind of manipulation.

Cost Book.—The book in which the names of shareholders in a "cost book" mine are entered; it contains also the details of the company's liabilities and assets.—*See* Stannary Laws.

Coupons.—An interest-ticket attached to bonds of foreign Governments or railway corporations, for the most part, and representing the interest-payments. A loan, say, runs for 30 years, and interest is paid half-yearly, at the rate of 6 per cent. per annum, during that time. Attached to each bond, and forming part of it, will therefore be a series of 60 tickets, each dated in succession, beginning with the first six months and ending with the last, and each declaring that it is valuable for £3 upon the Government or Corporation issuing the loan. As each date comes round the "coupon" bearing it becomes a cheque upon the Treasury of the borrower, is cut off, and paid away through a banker for collection.

Cover.—The security which a lender receives to be held against advances made to the borrower. If the advance is made within the Stock Exchange, "cover" alone is usually given, *i.e.* the lender takes over the stock borrowed upon at the market price of the day. Bankers require both "cover" and a "margin" (*q.v.*) of cash to protect them against loss through a fall in the market price, or securities to the value of from 10 per cent. to 20 per cent. of the loan, according to the nature of the securities deposited.

Cumulative.—A term applied to any fixed rate of interest promised upon a stock which becomes a debt chargeable on a company's future earnings if at any time wholly or in part unpaid. To describe a preference stock as "cumulative" is to intimate that its interest has to be paid in full always before the common or "ordinary" stock below it gets any share of the profits. Suppose the fixed rate on such a preference stock is 6 per cent., and that in a certain year the company is only able to pay 3 per cent. Then the 3 per cent. left unpaid becomes a debt of the company, to be discharged out of the revenues of subsequent years; and the more, of course, such arrears accumulate, the further is the ordinary shareholder removed from a chance of benefit from the company's operations.

Cumulative Consols.—A method of investment first suggested by Mr. Nathaniel Cohen, which may be thus illustrated. A father, say, wishes to make some provision for a child, a babe, the money to accumulate for twenty years at compound interest. He invests £100 in Consols, and gives the Bank of England directions to buy more stock each quarter to the amount of the dividend received. At present, Consols nominally pay £2. 15s. per annum. If the original investment was made at par, then the first quarter's dividend would be 13s. 9d. This sum the Bank would reinvest in Consols instead of paying over to the owner, so that, if again bought at par, the amount bearing interest in the second quarter would be £100. 13s. 9d.; and so on, each quarter's interest being added to the principal and becoming itself interest-bearing. In this way, at the end of twenty years the total would be about £160, more or less, according as the stock was bought high or low, quarter by quarter.

Cum Div.—Cum dividend; a price quoted as *cum div.* signifies that the dividend either just declared or approximately due is included in the quotation. Often written c.d.

Cumulative Preference.—*See* Cumulative.

Damps.—Denver & Rio Grande Railroad Preference Shares.

Deal, To.—A broker who has bought or sold a security is said to have dealt or done a bargain therein.

Dealer.—As used in the Stock Exchange, this word designates the "middleman," or wholesale and retail merchant in stocks and shares. By the rules of the London Stock Exchange, no person from the general public can enter its doors. All business in public securities, therefore, has to be done through the intermediary of a broker. To facilitate business, there is a class of men inside the Stock Exchange who deal or "job" in stocks and shares for their own hand or on their own account. It is to one or other of this large class, commonly called "jobbers," that the broker generally goes when he has an order to execute, and, without declaring whether he is a buyer or a seller, asks the jobber to make him a price, say in Allsopp Ordinary. The dealer or jobber names both the price at which he is prepared to buy and that at which he is ready to sell, the latter being of course higher than the former. In markets where dealings are many, these prices are usually very close; in securities where transactions are few and far between, they are wider, owing to the increased risk accepted by the jobber. For instance, a broker receives an order to buy £5000 "Chatham" Ordinary (London, Chatham, & Dover Arbitration Ordinary Stock) at best price possible. He proceeds to the market where that stock is dealt in, seeks out a jobber, and asks for a price. He is made, say $15\frac{9}{16}$–$\frac{11}{16}$. If the broker is satisfied, from his knowledge of the market, that this is a correct price to deal at, he buys the stock at $15\frac{11}{16}$. The dealer may be able to make this price, because he has already bought stock, or because he knows where to buy it back at a small fraction under the price he offers to sell it at, and so make a profit. On the other hand, if he does not possess the stock and is unable to buy it, the market may move against him, and so he has to face a loss.

If the broker had been instructed to sell the stock, he would get $15\frac{9}{16}$ for it. The dealer in this case may either already have sold stock, or is willing to run the risk of purchasing and keeping the stock on the chance of selling it later at a profit, or he may have orders to supply the stock in another quarter at a price slightly above the one he bids. In all markets where dealings are numerous, these jobbers are very useful, as they enable business to be carried out expeditiously. In markets where the supply and demand are limited, dealers have also their uses, though their powers of making prices are more restricted. A dealer cannot make a price in stock, running the risk of having it bought from him, when he has none and knows of no seller. Brokers who have orders in out-of-the-way securities usually inquire of the various jobbers as to the condition of the market. Let us assume that a broker has an order to sell 2000 North London Railway Ordinary Stock, in which dealings are few and far between, and which is quoted, say, 200–205; he discovers that one jobber knows of a buyer of 500 stock at 203, but that he is willing to buy the whole lot at the price of, say, 201, perhaps 202. The dealer secures his 1 per cent. or 2 per cent. "turn" on the 500, and runs the risk on the balance. At first, this would appear too big a profit to seize; but it must not be forgotten that the dealer, if unable to find a purchaser before the settlement, has to pay for the balance, in which event his expenses for stamps alone would be over £15. At the same time he enables the seller to obtain his money on the following account pay-day, instead of perhaps waiting for it for weeks. No doubt in some cases the jobbers do obtain too large profits out of the public; but in these days of competition, and with proper care exercised by the broker, outrageous "turns" are not so frequent as they used to be.

The London Stock Exchange, which is the largest in the world, is the only one where these dealers exist. Occasionally, on the provincial Exchanges, some of the members may make prices on those current in London; but as a rule their members are brokers pure and simple, and buy and sell as at auctions. The stock is "bid" for, or a price is "asked" for by the seller.

Debenture.—A certificate or acknowledgment of indebtedness. As applied to the debts of public companies, the term has various meanings. One thing it does not mean—a "debenture" is not necessarily a mortgage; it may legally be little more than an I.O.U. of a joint-stock form. Buyers of debentures, therefore, should make careful inquiries into the nature of the security behind the bond. If the debentures are "secured by a general charge over the company's assets," and by that alone, then they may be said to be without security, because a definite mortgage can always be placed above them, as was the case with the New Zealand Loan & Mercantile Company's notorious issue of debenture stock in 1892. A "debenture" never, in itself, means or implies a mortgage; it is merely a paper which says this company owes the holder £100 or £10,000, whatever the sum may be. Should the bond be secured by a trust-deed upon the real estate or other fixed property of a company, making the money lent a first charge upon the company's assets, then it is a tangible security; otherwise not.

Debenture Stock differs in no way from debentures in quality. It is stock (*q.v.*) merely, and not a number of equal parts in a whole. There may be "debentures" of

£5, £10, £20, £50, £100, £500, or £1000, and they can only change hands in these amounts, but debenture stock is dividable, and therefore saleable in any amount, however small. The principal debenture stocks are those of British railways. These have no mortgage rights over the properties of the railway companies in the way that the mortgage bonds—when they are genuine—of most American railroads have. A holder of English railway debenture stock may, in the event of default of the interest on his holding, seize the rolling-stock of the line and put in a receiver, but has no mortgage right over the line itself.

Defaulter.—A member of a Stock Exchange who is unable to comply with his bargains is officially declared a defaulter. In London, immediately the announcement is made the assignees close the transactions open, at the current prices. The loss is borne by those members who are creditors, so that the defaulter does not require to go through the Bankruptcy Court, unless he has unsatisfied creditors outside the Exchange.—*See* also Hammered.

Deferred Stock.—A name applied to a class of ordinary stock the interest on which is not paid until the various classes of security in the same concern have received their interest in full. In other words, it is deferred to the stocks ranking before it.—*See* also Split Stocks.

Deficit.—The shortage of income as against expenditure. When a nation's revenue is less than its outgoings, the difference is the "deficit." If a public company is able to pay all its working expenses and the interest on its borrowed or preferential capital, but has nothing left, it cannot properly be said to have a deficit, because its ordinary capital is entitled only to the surplus income after all these fixed or preferential demands are met. The word "deficit," therefore, requires to be used with a qualifying phrase in these cases. A company which cannot meet its current business expenditure has a "deficit on working expenses." A company which meets this living outlay, but has not enough left to meet its interest on borrowed money, has "a deficit on its fixed charges"; and a company which meets this interest, but fails to cover its dividends on preference capital, has a "deficit on its preferential charges."

Deposit.—A banker's term. Banks will receive money from customers on deposit, for which they pay a rate of interest varying with the value of money. A depositor ranks as an ordinary creditor; he has no preferential claim; the only security is the general assets of the bank.

Deposit-receipt.—The piece of paper which the banker issues to the depositor, setting forth the amount of money received by him, lent to him at interest. Lately the deposit-receipts of most of the reconstructed Australian banks have been dealt in on the various Exchanges. They differ from an ordinary banker's deposit-receipt in being payable at fixed, and more or less remote dates. Our home banks usually contract to repay the money at seven or fourteen days' notice.

Differences.—The Stock Exchange term for balance-cheques. A purchaser of £10,000 Brighton " A " (ten " Berthas ") who does not take up, *i.e.* pay for, but continues his stock from account to account, if the price fixed for the purposes of contangoes is below his purchase price, has to find the balance between the two in cash each account " pay-day." This is called a " difference."

Director—Directors.—Persons popularly supposed to guide and direct the business of a joint-stock company. Each company has a greater or less number of them, called the "Board," with a chairman. Often one of their number is called the managing director; and the member so designated is, as a rule, the genuine conductor of the business. The other members of the Board of directors may be useful to the company in various ways, but very frequently they are the reverse, because ignorant of its business, or of any kind of business. Individually the pay of ordinary directors is generally small, but collectively their fees and perquisites often weigh heavily upon a company's revenue. British railway directors have the privilege of travelling free over all the lines in the kingdom.

Discount.—The amount deducted from the par value or price of any article at the time it is paid for. As applied to bills of exchange, discount means the rate per cent. per annum at which the bill-discounter is willing to turn a bill into money. This rate is deducted when the bill is bought and paid for. Were the discount rate 2 per cent. per annum, for example, the amount retained by the bill broker for turning a three months' bill for £100 into cash would be 10s. The seller of the bill, in other words, would receive £99. 10s. for it, but at the end of the three months for which it is current the broker would receive back £100 from the person by whom the bill is payable. This is the simplest illustration of the meaning of discount, but the word has a variety of uses; and on the Stock Exchange, when the price of a security is quoted at a discount, the meaning is usually one of two—

(1) It applies to a newly issued and not yet fully paid up security which has

been sold by "tender" (*q.v.*), a minimum price having been fixed. Assume that the fixed price has been 99; if the price falls to 98 it is called "1 discount," just as, if it rises to 100, it would be "1 premium." But these terms are only used while the security is still only partially paid up. The quotation is then so much "discount" or so much "premium" on the instalments. Take, for example, a colonial stock offered at 100 and sold at 101, upon which £51 has been paid, leaving £50 still to pay. If the £51 paid could be bought for 49, the stock would be quoted "1 discount," because the price at which the loan was offered was £100; if it remained at 51, it would be "1 premium"; and if it rose to 52, it would be "2 premium" for the same reason. But as soon as the whole 101 is paid up the quotation is given in figures—100, 101, 102, 103, as the case may be.

(2) Analogous to this is the quotation of shares in limited liability companies not fully paid up, as witness the long-prevalent quotation of the Trustees, Executors, etc., Corporation's shares. These were £10 shares, with, in the early days of the company's decline, only £3 paid up. A liability of £7 per share was therefore attached to them. This, many people were so anxious to escape, that they not only sacrificed the £3 already paid, but were ready to give the buyer one or more pounds in order to be quit of the liability to find seven. The quotation for the shares then became 4 discount or 5 discount, as the case might be, *i.e.* the shareholders were willing to pay one or two pounds with the shares in order to have them transferred to other names, so as to themselves escape further liability.

District.—Metropolitan District Railway.

Distringas.—" Any person claiming to be interested in any stock, shares, securities, or monies standing in the books of a company, whether the Bank of England or any company, and whether incorporated or not, may, on making and filing at the Central Office of the High Court of Justice, an affidavit in a given form, with a notice in a given form annexed thereto, serve an office copy and a duplicate notice on the company. To the affidavit must be appended a note stating the person on whose behalf it is filed, and to what address notices, if any, for that person are to be sent. The 'distringas' may be withdrawn by the person by whom or on whose behalf it was given, on a written request signed by him; or its operations may be made to cease by an order to be obtained by motion or notice, or by petition, or by summons at Chambers duly served by any other person claiming to be interested in the stock, etc., sought to be affected by the 'distringas.'"[1]

By means of this "distringas," fraudulent transfer by trustees or others can be effectively stopped. For instance, any investment made on behalf of a minor, registered in the name of a trustee, can be protected by the parents or guardians of the minor by this means.

Dividends.—The amount of profit which a company has available for division among its shareholders after paying all working expenses, bond or debenture interest, etc. Each member's share is called his "dividend."

Dividends, even on preference share-capital or preference stock, are thus always dependent on profits, and are not a fixed obligation of the company, like the interest on borrowed money. To fail to pay dividends does not throw any

[1] Williams on *Personal Property*.

direct power into the hands of shareholders to have a company declared bankrupt, although it may, and should, cause the proprietors to examine into its business and management. A dividend simply represents the profits divided among a copartnery according to their privileges, rank, and amount of holding.

The word is also applied on the Stock Exchange to the interest-payments on bonds, debentures, debenture stock, etc.; but the amount paid on this class of security is more correctly described as interest.

Dividends on American Railroad Shares.—*See* American Railroad Share Dividends.

Dover.—South-Eastern Railway.

Dover A — Doras.—South-Eastern Railway Deferred Ordinary.

Down.—Belfast & County Down Railway.

Drawing.—When a loan is issued, redeemable bit by bit over a series of years, either by means of a cumulative sinking fund (*q.v.*) or by fixed sums annually, the redemption is often effected by what are called "drawings," which drawings are a form of lottery. All bonds of such loans are issued in series, numbered consecutively, and, when the date of redemption comes round, the whole of the numbers are put in a box or wheel on separate tickets, stirred about, and then drawn out one by one at random, until the amount of the numbers collected by the drawers reaches the amount of money available for paying off bonds. The operation is then concluded by a publication of the numbers of the drawn bonds in the newspapers, along with a notification that on and after such a date interest on these will cease. They should, as a rule, be presented for repayment when the next-following coupon becomes due. People often overlook this, and sometimes agents for loans do so likewise, with the consequence that interest is paid for years on bonds which have been drawn and cancelled. When the holders of such at last discover their position, they find themselves obliged to submit to have the interest overpaid deducted from the principal due to them. To avoid such mistakes, all bonds redeemable in this way should be deposited with a banker, with instructions to him to collect interest and principal as and when due. Any banker will do this for a small fee.

Dundalks.—Dundalk Steam Company.

Eastern.—Great Eastern Railway.

Elswick.—Armstrong, Mitchell, & Company.

Endorsement.—Cheques payable to "order" require the signature of the payee to be written on the back of the cheque, —across the left-hand end is handiest. This is called an endorsement. Shares in all American railroad, and in some foreign companies, are transferable by endorsement in blank, *i.e.* the name of the buyer is *not* inserted. The registered holder signs his or her name below a printed form of transfer on the back of the certificate, in the presence of a witness; no date is necessary. Such certificates, endorsed in blank, are passed from hand to hand, like bearer securities.—*See* also American Railroad Dividends.

Enfaced Paper.—The issues of Rupee Paper (*q.v.*), which bear a stamp across the face of the certificates stating that the interest is payable in London by a bill on Calcutta, are called "enfaced paper."

Eries.—New York, Lake Erie, & Western Railroad.

Ex All.—The term used to show that the price of a share or stock no longer includes the right of the buyer to receive the dividend, and to acquire the *pro rata* allotment of new stock or shares issued with the dividend to shareholders of the company. For instance, the Aerated Bread Company has frequently declared its dividend and distributed an issue of new shares to its members at one and the same time. The price of the old shares includes both the dividend and the new shares up to the "pay-day" (*q.v.*) of the settlement nearest to the date of payment and distribution. On that pay-day the price is quoted "ex all."

Exchange, Rate of.—The price of bills or drafts drawn in the standard money of one country and payable in that of another, is called the "rate of exchange" between the two. It is impossible to give here the causes for the rise and fall in the various rates of exchange throughout the world, because they are almost innumerable. The principal ones, however, are the flow of commodities between two nations, the borrowings and lendings of nation with nation, the sales and purchases of interest-bearing or other securities, and, generally, the fluctuation in the indebtedness of one country to another, from any and every cause. Rises or falls in the value of a country's currency have also a great effect on rates of exchange, as witness the consequences of the low prices of silver on the rate of exchange between gold-standard and silver-standard countries.

This rate of exchange, though based upon the intrinsic value of the moneys to be substituted or exchanged the one for the other, fluctuates up and down between countries using the same metal as a standard,—within limits fixed by the points at which it would pay to ship the metal instead of drawing bills. At the centre between these two points stands the "par of exchange," which is the exact quantity of metal in the coin of the one country required to make a coin in the other country, with allowance for mintage charges, if any. Thus it takes gold equal to the quantity in 25 francs 20 centimes in French coin to make one English sovereign. Therefore the "par of exchange between France and England expressed in French money,—as it always is,—is 25.20 per £1 sterling. When the rate of exchange sinks below this, it is to be inferred that the demand for bills of exchange in Paris on London is in excess of that for bills in London on Paris; and when the exchange goes down, so as to make it cheaper for those who have to pay debts in Paris to buy gold in London and ship it to Paris than to buy bills of exchange, the metal is exported. In like manner, when the rate of exchange goes up, by reason of the indebtedness of Paris to London, so that it is cheaper to buy gold in Paris and send it here than to buy bills, gold comes to us. The current rate of interest in the two markets has a great influence in determining these exchange fluctuations and bullion movements. If the one market rate is high and the other low, money will go to seek employment in the dear market. This causes bills to be drawn, in the first instance, to obtain control of bankers' balances in the dear market; and when the supply of these becomes so large as to depress the rate of exchange to "gold point," the metal will be sent.

But, it will be asked, why should a high exchange in Paris on London have the same effect there as a low exchange in London on Paris has here? It is because the rate of exchange, invariably quoted as it is in the same money in both countries—always so many francs to the £1 between France and England—expresses the varying indebtedness of the two markets. When francs are dear in London, *i.e.* when the supply of bills on Paris in London is small compared with the supply of bills on London in Paris, it follows that the English debtor has to pay more sovereigns for a given number of francs. He has to pay a debt, say, of 10,000 francs in Paris, and the exchange is quoted 25.10 to the £ sterling. That would cost him £398 in sovereigns as against £396 were the exchange price of the sovereign 25.25; and it might be cheaper then for him to buy gold and ship it to Paris unless the rate of interest were very high here and low in Paris, because by sending the gold he would receive for it 25.20 in Paris, thus saving about a penny on the £1, less the charges of transit. Reverse the position, so that, through the paucity of bills in Paris on London, the price of the sovereign, as expressed in francs, is 25.40,—francs, *i.e.*, are cheap in sovereigns,—and it may then pay the French debtor better to send us gold, because he would get more sovereigns for it, after allowing for freight, insurance, interest, and wear and tear, than he could get by purchasing bills,—the coins being always exchangeable on the spot at their intrinsic values in the gold they contain. As bullion they may be worth more to the transmitter in London or Paris than the bill of exchange.

We have taken this illustration as the simplest of all the forms of exchange business. Where a nation uses a debased currency, such as Argentine paper money, the rate of exchange is often quoted by the premium on gold,—often, but not always. In Brazil and Chilé, for instance, where forced paper currencies are in circulation, the rate is quoted at so many pence to the milreis or sol in gold. But in Argentina the quotation is so much premium for the gold dollar. A merchant in Buenos Aires, say, has to remit $1000 in gold to London. He finds the premium on gold is 270, and has to pay that price in the depreciated money for his bill, *i.e.* $370 paper for each $100 gold.

It will be easily understood, even from these imperfect explanations, how very important the influence of the movements of rates of exchange is upon operations in stocks and shares between markets, and how special the training must be of those who carry on such operations. Often, too, the dealings in exchange are complicated by all manner of cross operations. It may, for instance, be unprofitable for a debtor to draw bills direct on Paris because the franc is dear there; but the exchange in Berlin on Paris may be adverse to France, so that francs are cheaper in Berlin; and at the same time the German mark may be purchasable at a favourable price to the English debtor in the London market. He could then liquidate his debt in Paris by purchasing bills on Berlin, disposing of them there, and, with the proceeds, buying bills in Berlin on Paris. This operation is called "arbitrage" (*q.v.*). From these brief explanations it will be understood that the business of a dealer in bills of exchange is one demanding great skill and special training.

Ex Div.—Ex dividend, *i.e.* without the dividend. A stock or share quoted ex div. means that the price does not include a dividend just paid. Often written x.d.

Ex New.—A quotation so marked shows that the buyer is not entitled to any interest in a new issue of stock or shares that has just been made by the company, and originally allotted *pro rata* among the old shareholders. Allottees, if there is a profit to be got, frequently sell their allotments; and after a certain time, generally the next pay-day after the allotment letters of the new issue have been distributed, the old stock is quoted "ex new."

Ex Rights.—When a company creates new stock or shares, and gives the right to its members to take up *pro rata* the issue at the issue-price,—par or at a premium, as the case may be,—the price of the original stock or shares includes this right of acceptance of allotment until the quotation is marked "ex rights." A holder of, say, Aerated Bread Shares who disposes of his shares immediately before an issue of "new" shares, and whose transfer is not, therefore, registered in time to remove his name from the register, must sign the renunciation form attached to his allotment letter and hand it to his broker to deliver to the buyer. There are various ways of making these new issues; almost every company employs its own method.

Face Value.—The value of a bond, stock, or share named on the face of the certificate or security—the nominal value. For instance, the nominal or "face" value of a £5 share, £3 paid, whether quoted at £1. 10s. or £6. 10s., is £3; of a £20 bond standing at £14, it is £20.

Fixed Charges.—The interest-charges and rentals which a company has to meet before it can have any profits to divide among its shareholders. A railway company's debenture-stock interest and rentals of leased lines are its fixed charges;

so is the interest on any company's debenture debt or other forms of borrowed money. But the dividends on preference stocks or shares are not fixed charges. As a rule they are payable out of current profits after these charges have been met.

Flat Price.—The term used to show that the quotation of a security does not include any interest that may have accrued thereon. A buyer at a "flat" price has to pay this interest in addition.—*See* also Accrued Interest.

Floating Debt.—Roughly speaking, such debt as a Corporation or State may be called upon to pay at short notice, either by the falling due of bills of exchange, or of bonds with but a short period of time to run before they can be presented for repayment, or because the company or State has borrowed money from its bankers which may be demanded at any time. All sorts of indebtedness, in short, which the debtor may be liable to be called on to pay or renew soon, constitute floating debt. In this sense, the three and five year "debentures" issued by land mortgage companies may be considered a floating debt. But the 25, 50, 60, or 100 year bonds issued by railroads in the United States do not come under this category, since these bonds cannot be sent in upon the company for payment until the date—be it twenty-five, be it one hundred years hence—when they become due.

Flora.—Caledonian Railway Preferred Converted Ordinary.

Foreclose—Foreclosure.—The act of entering into possession of a property mortgaged. To foreclose upon an estate or on a railway, is to take possession of it in virtue of the right conferred by a mortgage or pledge. Foreclosure rights rank in the order of the mortgages. The holder of the lowest genuine mortgage upon a property, say on an American railway, has the first right to foreclose and enter into possession; but should that right be exercised, the new possessors enter into all the obligations of the original mortgager towards the mortgages ranking before the one foreclosed upon. Should these obligations not be promptly met, then the holders of the next in rank of the mortgages, superior to the one whose right stood lowest, can take possession.

Often, in the case of American railways especially, priorities of foreclosure rights are very ill defined. A mortgage may rank first on one part of a line and second or third on another, and antagonistic interests thus arise which are exceedingly difficult to harmonise. With

English companies, too, the position of various classes of debenture stocks, even when these are secured by proper mortgage deeds, is often very ill defined as to priority of foreclosure rights, or priority of charge on income.

Forged Transfers Acts.—Laws were passed in 1891–92 for the protection of holders of stocks or shares registered in the books of a company or undertaking. A company which allows a forged transfer deed to pass has, under these Acts, power to make compensation, by a cash payment out of their funds, for any loss incurred by the owner of stock who has been deprived of his holding by forgery.

Most of the leading British companies have adopted the provisions of these Acts; and in some cases (as they are allowed to do) make a small charge to the buyer or acceptor of their stock or shares, by way of forming an insurance fund against risk of loss. The risk is infinitesimal.

Founders' Shares.—These are comparatively a recent innovation in this country. A certain number of shares, usually small in comparison to the number of Ordinary, are set aside and called Founders' Shares. These are taken by the promoters and their friends, who generally pay among them, in proportion to the number they take, the cost of bringing the company out. Sometimes subscribers for a certain number of Ordinary have the right to apply for a number of Founders' Shares, proportionate to their subscription for the others. These shares have a deferred interest in the profits of the company, usually receiving one-quarter or one-half of the net profits after 10 per cent. has been paid on the Ordinary and a certain amount placed to reserve. They are, on the whole, a pernicious and gambling form of invested capital, and are frequently offered as "bonuses" or bribes to induce people to "underwrite" the rest of the capital.

Fox.—Norfolk & Western Railroad.

Free of Income-tax.—The term used to show that the income-tax on a dividend or interest warrant has been paid to the Government by the company direct.—*See* also Income-tax.

Gilt-edged Securities.—A familiar term used to describe stocks on which the interest is as absolutely safe as it is humanly possible for any income-producing investment to be,—such as Consols, home municipal Corporation stocks, the leading British railway debenture guaranteed and preference stocks, etc., etc.

Give the Rate, To.—*See* Contango.

Globos.—Bank of New Zealand Estates Debentures.

Gold Point.—*See* Exchange, Rate of.

Gold Premium.—*See* Exchange, Rate of.

Good Delivery.—All securities must be delivered in a proper condition. Bonds to bearer must not have a portion torn off, or their distinctive number in any way removed or rendered illegible. All coupons not due must be intact. In the event of a coupon being removed and deposited with the agent, and the bonds being sold *cum* that coupon, the seller is liable to pay the coupon in full, without allowance for tax. Any coupon overdue, but not paid, must be attached. A coupon removed in error must be securely reattached.

Securities, whether stocks or shares, registered on the books of a company, are transferable by deed of transfer. This deed must be properly and carefully executed. Companies can, and usually do, refuse to register a deed unless the signatures of the transferrer and transferee and their witnesses are written in the proper space set apart for them. No alterations in the wording of a deed are allowed, unless properly initialled by the seller and the buyer.—*See* also Transfer—Witness.

Drawn bonds are not a good delivery. If such are delivered in error, the buyer can claim others on returning those drawn.

Stolen bonds are a good delivery, if the seller can prove he has received and paid for them in a *bonâ fide* manner; but French and Egyptian Government securities which have been officially notified as stopped cannot be delivered.

Goodwill.—The value of a business bought as a going concern, over and above the cash price of its marketable assets, such as houses, lands, leases, plant, tools, and stock-in-trade. In a general way, "goodwill" should represent so many years' purchase of the profits of a business—the fewer years the better. Three years is a good general average; so that the "goodwill" of a business returning £10,000 per annum net, would be about £30,000. Whatever price is paid when a limited company takes over a private business, is always included among the company's assets, sometimes as a separate item, oftenest merely in one sum with the rest of the money paid for what may be described as the tangible assets. The study of all companies ought to be to write this item off out of income as quickly as possible, because it is a burden upon the revenue, and a source of weakness. If anything goes wrong with the company, so that its revenue declines, or if the company fails and has to be wound up, the money paid for "goodwill" becomes money lost; and if it has not been written off the capital account, then it is so much of the shareholders' capital completely thrown away.—*See* Balance-sheet.

Goschens.—The Two-and-Three-quarters per Cent. until 1903, then Two-and-a-Half per Cent. Consolidated Debt of the British Government, redeemable 1923. So called because the old Three per Cent. Consols were converted by Mr. G. J. Goschen in 1886, when he was Chancellor of the Exchequer.

Guaranteed Stocks.—Stocks the interest of which is guaranteed by a Government or company are thus described. For instance, the Government of India has guaranteed a fixed percentage on the stocks of many of the Indian railroads.

Many of our own railroads have borrowed money in the form of guaranteed stocks; the interest on these form part of the fixed charges of the company. In some cases, where one company has guaranteed the interest on the stock of another company, this guarantee forms part of the working expenses of the guarantor, unless the deed securing the guarantee specially states otherwise.

In the United States of America the position of the guarantees of one railroad to another are not clearly defined. The guarantees of the wealthy companies there have never been in dispute. With some of the weaker roads, which have been unable to carry out their agreements, the result of their failure to do so has been to release the subsidiary road, the bondholders entering into possession of those miles of railroad on which their bonds are a mortgage. Some attention should be given, when buying a guaranteed American railroad bond, to the earning power of the actual security whose capital commitments are guaranteed, as well as to the position of the guarantor.

Guinea Pig.—An opprobrious epithet deservedly applied to that species of company director which may be termed professional. A man who lives by getting himself placed upon the Boards of a number of companies, whose business he can have neither the time nor the qualifications to assist in directing, is a "guinea pig."

Haddocks.—Great North of Scotland Railway.

Hammered.—A familiar term by which the failure of a member of the London Stock Exchange is announced. It arises from the circumstances of the announcement. When a member informs the Committee for General Purposes that he is unable to meet his engagements, a notice to that effect is written out and handed to one of the porters, who ascends a rostrum, and, after three strokes with a wooden hammer to call members to attention, reads the notice out. In times of excitement, when the air is thick with rumours, the scene is an impressive one. Members who have thus been declared bankrupt cannot do any business in the House. Their estate is wound up by the official assignees, and unless it shows 10s. in the £, the defaulter is not again admitted to membership; nor then, if his conduct has been doubtful or disgraceful.

Income Bonds.—A term invented by American railroad reorganisers to designate a bastard kind of security which has no mortgage rights, and is really only a sort of preference share. These securities are therefore not "bonds" in any accepted sense of the word, and ought never to have been so designated, as the term simply misleads the investing public.

Income-tax.—This tax is deducted from all dividends, coupons, etc., unless they are declared "free of tax." The agents and money-changers who cash or buy the coupons of American and foreign bonds are compelled to deduct the tax; they must, however, give a certificate for the amount they retain, if it is demanded. Persons whose incomes do not render them liable to the tax should always be careful to obtain these certificates, as by their means the tax deducted can be recovered, if a proper claim is lodged within three years. Companies which pay their interest or dividends by cheque, usually attach a memorandum certifying that so much tax has been deducted; these slips are the equivalent of the agents' certificates, and must be produced if relief from the tax is desired.

Some companies pay their interest or dividends "free of tax," which means that the company pays the tax direct to the collector. Stock and share holders in such concerns should take care not to pay the tax a second time; it has already been paid for them by the company. Small holders cannot reclaim anything in these cases, as the tax is paid on the company's earnings, without reference to the individual income of any stock or share holder.

Inscribed Stocks.—The term applied principally to the debts of Colonial Governments, the names of the holders of which are inscribed on the books of some London agent, like the Bank of England, or the London & Westminster Bank, or Messrs. Glyn's, just in the same way as Consols. Debts owed by British municipal Corporations are now generally dealt with in the same way. Now and then a minimum amount is fixed, less than which the Corporation's agents will not transfer. As a rule, however, the smallest amounts may be bought and inscribed, provided the buyer is merely adding to an investment already made in the stock. A holder of, say £50 of stock, can nearly always invest the dividends received upon his investment in the same stock, down to the odd pence.

Interest.—The usury paid on money lent. A company or a State pays interest on money it has borrowed. People lend banks money on deposit at interest. This form of income should always be distinguished from dividends (*q.v.*). Interest always implies debt.

Interim Dividend.—A dividend paid "between times" by a company which makes up its accounts only once in twelve months. In these cases, the balance-sheet for the shareholders is drawn up at the year's end only, and the profit of the year then set forth. But a well-managed company can always tell whether things are going profitably with it or not; and its directors, or the management, can easily know at the end of six months whether the profits will admit of giving an "interim dividend" to the shareholders. When this can be done, the general practice is to pay some rate of dividend well within the company's means, leaving the balance to be adjusted at the end of the company's financial year. As, for instance, a company earning 8 per cent. per annum on its share-capital may pay an "interim dividend" at the rate of 5 per cent. in the middle of its year, and then make the amount up to 8 per cent. for the whole year at the end, by paying a final dividend at the rate of 11 per cent. Five per cent. per annum is £2, 10s. in six months, and 11 per cent. per annum is £5, 10s. for six months. So that these two payments added together make 8 per cent. for the year.

Jersey Central.—Central of New Jersey Railroad.

Kaffirs.—The slang term for land, mining, and other companies located in South Africa.

Kaffir Circus.—The nickname for the market on the London Stock Exchange where dealings in South African land companies, mines, etc., are carried on.

Knackers.—Harrison, Barber, & Company.

Knight's.—Witwatersrand Mining Company.

Leased Lines.—A description applied, generally in this foreshortened way, to those railway securities whose interest or dividends are dependent not on the internal earning power of the properties, but upon the rent agreed to be paid by the lessee company in whose control they are. Leases are of various kinds, and for various terms. In our own country, the usual form is a lease in perpetuity, or for a long term of years, such as 999, and generally the rent paid is so much per cent., guaranteed on the securities of the property leased. Sometimes, however, the rent is merely a fixed proportion of the earnings—50 per cent., 60 per cent., as the case may be; and in this latter case the security may be of less value than if the guarantee of interest or dividend were fixed and absolute. The leased lines securities in Great Britain are among the best railway stocks we possess, with very few exceptions.

In the United States and Canada, small railways are leased by large in much the same way as with us, but there the security offered is much less perfect. Either the lessee company may be weak and unable to pay the rent, in which case the contract is frequently broken in bankruptcy,—as has more than once happened with the leases of the New Jersey Central, by the Philadelphia & Reading Railroad Company,—or the proportion of earnings set aside for the lessor may be insufficient for the purpose of paying the stipulated interest on the dependent company's securities. Some American leases, too, are for short periods of time. It is, therefore, always advisable to ascertain carefully what the position of an American leased line's security is before purchasing it.

Leeman's Act.—Under this Act, which was passed at the initiative of a member of Parliament of the name of Leeman, —a North of England solicitor, long

Chairman of the North-Eastern Railway,—every seller of bank shares must, at the time of making his sale, supply the numbers of the shares he is disposing of. This law was passed to prevent "bear" selling of bank shares, and it has, on the whole, effectually done so.

Lend Stock, To.—*See* Contango.

Letters of Allotment.—When a person applies for any new issue of capital, be it a bond of a foreign Government, an inscribed stock of a colony, or the shares of a limited liability company, one of three things happens to him. Either he receives none of the security at all, in which case his money—he generally has to send 5 per cent., sometimes more, of the amount applied for with the letter of application—is sent back to him in a "letter of regret"; or he receives the whole of the amount asked, or a portion only of that amount is assigned or allotted to him. In these two latter cases he receives a letter stating what amount of the new capital has become his property,—this is called an "allotment letter," and it is a valid proof of ownership,—accompanied by the receipts for subsequent payments on the security bought, until, when it is all paid up, the definite bonds or stock or share certificate can be given in exchange for the letter, and the subsequent receipts for instalments. These should therefore be all carefully kept. Share certificates are often issued when only part of the capital intended to be called up is paid up. In that case the subsequent payments are also represented by bankers' receipts, until such time as they can be endorsed on the certificate or a fully paid certificate issued. When the partly paid security is sold, the whole of the receipts go to the buyer.

Letters of Indemnity.—A form of letter which has to be signed by a shareholder who has lost or destroyed the certificate of his registered holding of shares or stock, his dividend warrants, or a transfer deed. In addition, a declaration made before a magistrate or commissioner is sometimes required. Some companies have their own form of declaration or indemnity letter, and many require that these forms shall be countersigned by a person or firm well known to them.

Letters of Regret are issued by the Board of a new company when the applications for stock or shares are so numerous that they are unable to allot to all applicants,—the unsuccessful ones receive these letters of regret. Sometimes the announcement that letters of regret have been issued is made by doubtful companies, as a blind to try and induce investors and speculators to buy shares in the open market, the bait being made more tempting by the creation of a fictitious premium on the market.

Liabilities.—Everything a company owes. Its paid-up capital and reserves form a liability of the company towards its shareholders; its bonded debt or the advances obtained from its bankers are liabilities to the holders of its bonds or debentures, or to its bankers; and the goods it has purchased and not yet paid for constitute a liability in favour of those to whom it owes the money. Dividends on share capital declared, and not yet paid, are a liability towards the shareholders, and accrued debenture interest is one to the debenture holders.—*See* also Balance-sheet, Assets.

Liability.—Companies registered under the Limited Liability Acts are unable to call up more than the nominal value of their shares. A holder of £10 shares, £5 paid, in a limited liability company, is liable for £5 per share, and, in the case of refusal to pay, he can be sued for the amount. Companies which become bankrupt or go into liquidation, and at the time of doing so have an amount of uncalled capital, can, in the event of a shareholder proving a man of straw or incapable of paying his liability, proceed against the previous holder of these shares, if the transfer has taken place during the previous twelve months, and provided that the money is not required for the payment of debts incurred after the date of sale. In other words, with the above proviso, there is a risk of the liability on partly paid shares existing for a space of one year after they have been sold.

Companies registered as unlimited.—The liability on shares in such concerns, in the case of liquidation, exists for three years after date of transfer; also provided that the money is not required to pay debts incurred after the shareholder has disposed of his interest.

Banks registered as limited are under the same rules as ordinary companies, unless they possess note-issues. In the event of liquidation, if the general assets of a note-issuing bank are insufficient to satisfy the claims both of the note-holders and the general creditors, the shareholders, after paying the notes (which are a first charge) in full, are liable to be called upon to find a sum equal to the note-issue in addition to their ordinary liability.

Many of our leading banks have divided their liability into two portions, one of which can be called up for the business of the bank, and the other, called "reserve liability," can only be claimed in the event of liquidation.

Banks incorporated by Royal Charter have, as a rule, a reserved liability equal to the face-value of their shares. In some cases this amount can also be claimed twelve months after transfer.

Subjoined is a list of banks, showing the nominal amount of their shares, the amount paid up, the amount which can be called up for business purposes, and the reserve liability payable only in the event of liquidation in bankruptcy. The column headed "B list" shows the period during which liability exists after the sale of a holding. N, in the last column, signifies that the Bank so marked has a note-issue.

[TABLE

Bank.	Nominal amount of Shares.	Paid up.	Callable Liability.	Reserve Liability.	B List.		
Adelphi	20	10	10	...	1 yr.	...	
Anglo-Californian	20	10	10	...	1 yr.	...	
Australasian	40	40	...	40	none	Chartered.	N
British N. America	50	50	...	50	none	,,	N
Liverpool	100	12½	27½	60	1 yr.	...	
New South Wales	20	20	...	20	none	...	N
New Zealand	10	5¼	...	20	none	...	N
,,	10	7½	...	10	none	...	
Scotland	Stk.	Liability equal one-half the nominal amount of holding					N
Belfast	125	25	25	75	1 yr.	...	
Birmingham District	20	4	6	10	1 yr.	...	N
Bradford	100	30	20	50	1 yr.	...	N
,, Commercial	100	25	25	50	1 yr.	...	N
British of S. America	50	20	30	...	1 yr.	...	N
British Linen	Stk.	Said to be no further liability, but has a note-issue of £740,000 odd					N
Capital and Counties	50	10	10	30	1 yr.	...	
Chartered of India, Australia, & China	20	20	...	20	none	...	N
City Bank	40	10	10	20	1 yr.	...	
Clydesdale	50	10	...	40	1 yr.	...	N
Colonial	100	30	70	...	none	...	N
Commercial of Scotland	100	20	40	40	1 yr.	...	N
Hong Kong & Shanghai	28⅛	28⅛	...	28⅛	1 yr.	...	N
Huddersfield	100	25	25	50	1 yr.	...	N
Lancashire & Yorkshire	20	10	10	...	1 yr.	...	
Lancaster	25	5¼	unlim.	...	1 yr.	...	
Leicestershire	25	10	5	10	1 yr.	...	N
Liverpool Union	100	20	...	80	1 yr.	...	
Lloyds	50	8	4½	37½	1 yr.	...	
London & County	80	20	20	40	1 yr.	...	
London & Midland	60	12½	12½	35	1 yr.	...	
London & Provincial	10	5	5	...	1 yr.	...	
London & S. Western	50	20	30	...	1 yr.	...	
London & Westminster	100	20	80	...	1 yr.	...	

Bank.	Nominal amount of Shares.	Paid up.	Callable Liability.	Reserve Liability.	B List.		.
London Joint-Stock	100	15	35	50	1 yr.	...	
Manchester & County	100	16	9	75	1 yr.	...	
Manchester & Liverpool	60	10	10	40	1 yr.	...	
National	50	10	$6\frac{2}{3}$	$33\frac{1}{3}$	1 yr.	...	N
National of Scotland	Stk.	...	100	300	for evy. £100 stock held		N
Nat. Prov. of England	75	$10\frac{1}{2}$	$14\frac{1}{2}$	50	1 yr.	...	
,, ,,	60	12	8	40	1 yr.	...	
North & South Wales	40	10	...	30	1 yr.	...	N
N. Eastern	20	6	14	...	1 yr.	...	
North of Scotland	20	4	4	12	1 yr.	...	N
Northern (Ireland)	50	10	10	30	1 yr.	...	N
Parrs & the Alliance	100	20	20	60	1 yr.	...	
Provincial of Ireland	100	$12\frac{1}{2}$	$37\frac{1}{2}$	50	1 yr.	...	
,, ,,	20	10	...	10	1 yr.	...	
Standard of South Africa	100	25	75	...	1 yr.	...	N
Ulster	15	$2\frac{1}{2}$	$2\frac{1}{2}$	10	1 yr.	...	N
Union of Australia	75	25	...	50	1 yr.	...	N
Union of London	100	$15\frac{1}{2}$	$34\frac{1}{2}$	50	1 yr.	...	
Union of Manchester	25	11	14	...	1 yr	...	
Union of Scotland	50	10	...	40	1 yr.	...	N
Williams Deacon and Manchester & Salford	50	8	12	30	1 yr.	...	
York City & County	10	3	3	4	1 yr.	...	N
Yorkshire	50	$12\frac{1}{2}$	$12\frac{1}{2}$	25	1 yr.	...	N

Liability, Contingent.—*See* Contingent Liability.

Limerick.—Waterford & Limerick Railway.

Liquidation.—The winding up of the affairs of a company in bankruptcy. This winding up may be done either voluntarily or under the supervision of the Court of Bankruptcy. Voluntary liquidations are always resorted to where the object sought is to reconstruct the company; and formerly companies which had become bankrupt were quietly made away with in this way, to the scandalous hiding of many an infamy. Since the passing of the Companies' Winding-up Act of 1890, it has become more difficult to wind up or liquidate a bankrupt company's affairs without the cognisance of the Court of Bankruptcy or other courts of law. The official liquidator attached to any court may apply to have a voluntary liquidation under the supervision of the courts transformed into a liquidation by the court. The voluntary liquidations preliminary to reconstruction are not interfered with.

Little Chats.—London, Chatham, & Dover Railway Arbitration Ordinary stock.

Lombards.—South Austrian Railway.

London.—London & North-Western Railway.

Loss on Redemption.—Bonds or stocks redeemable at par or a fixed price in a certain number of years, for which a premium is paid, involve a loss of capital to the amount of the premium given. This "loss on redemption" can be made up by deducting from each half-yearly coupon or interest-warrant, a sum which, when reinvested, will, at the expiry of the bond, produce an amount equal to the premium paid. The interest which accrues on these deductions must, of course, also be invested. The amount to be deducted will naturally vary with the life of the security and the price given for it. For instance, a 4½ per cent. bond redeemable in forty years, bought at 108, would yield, according to Nash's tables, £4. 3s. 3d. per cent. if redemption be not allowed for, but if this loss is taken into account, £4. 1s. 8d. per cent.,—that is, of the apparent income 9½d. for each hundred pounds of capital invested must be put aside each half-year and re-invested in some other stock. A purchaser of £100 nominal of such a stock as we have described above would invest £108 capital; his yearly interest would be £4. 10s., but his actual income is £4. 8s. 2d., *i.e.* £4. 1s. 8d. on the £100 and 6s. 6d. on the odd £8, leaving 1s. 10d. per annum, or 11d. out each half-yearly coupon, to be set aside as provision for the loss of the £8. In nearly, if not all, publications giving tables of yields on securities redeemable at par on fixed dates, the method of calculating these yields is on the principle that the sum to be set aside can be invested in securities giving the same return as the original investment. Theoretically this is right, but practically it is not possible to the small investor; very few securities can be purchased in sufficiently small amounts. The simplest plan is to make use of a Corporation stock or similar security and reinvest a little more than the tables give as the requisite amount—a very few pence will be found, as a rule, sufficient.

To arrive at the yield on a security redeemable at, say, 110 in twenty years, for which 114 is paid, the easiest method is to calculate what the yield is without allowing for redemption, and to deduct from this the amount that must be set aside to produce £4 in twenty years. For example, a 4½ per cent. stock redeemable at 110 in forty years, costing 118, would yield £3. 14s. 8d. per cent. At 118, without allowing for loss, a 4½ per cent. stock yields £3. 16s. 3d. per cent.; we have already seen, that to recoup a loss of £8 in forty years requires 1s. 7d. per annum; if this be deducted from £3. 16s. 3d., it leaves £3. 14s. 8d. as the return on each £100 of capital invested. This method may hardly be absolutely correct, but for practical purposes it is sufficient; and, after all, an investor who each year lays by a fair proportion of his income need not trouble much about refinements of this kind.

Macroom.—Cork & Macroom Railway.

Mails.—Mexican Railway Ordinary.

Make a Price, To.—A dealer is said to "make a price" when he states the price at which he is prepared to buy and the one at which he is ready to sell a particular security.—*See* Dealer.

Making up Prices.—The prices fixed on the first and second days of the settlement for the purposes of continuing or carrying over transactions. The prices at which transactions continued to the following account are settled.

Marbles.—Marbella Iron Ore Company Shares.

Margin—Margins.—The excess percentages, in cash or securities, over and above the market prices of securities lent upon which a banker requires to protect him from risk of loss. The more high-class the security, the smaller, as a rule, this "margin." On Consols the usual deposit is 5 per cent. That is the amount demanded by the Bank of England and by other banks. If Consols are at 100 in the market, and the holder of £100,000 of the stock requires to borrow money on them, bankers will lend £95,000. The holder of the stock must find the other

£5000 to make up the full price. On stocks which are liable to more violent changes in price than Consols, the "margin" of cash demanded may be 10, 15, or even 20 per cent.; but it is not unusual for banks to grant loans to substantial customers, like leading stockbrokers and jobbers, on miscellaneous groups of stocks, if they bargain to maintain an average margin of 10 per cent. A small amount of capital, relatively speaking, may, in this way, with the help of banking credit in some form, enable a dealer, speculator, or group of speculators, to control large amounts of securities. Many stocks are thus held, and often forced to high prices, especially if the rates for money happen to be cheap.

Memorandum of Association.—Under the Companies Acts of 1862 to 1883, all registered companies, whether limited or unlimited, are compelled to issue a short statement of its intentions, etc. This document is called the "Memorandum of Association." One copy must be deposited with the Registrar of Public Companies, bearing a stamp as if it were a deed; the value of this stamp varies according to the capital of the proposed company. Further, the Memorandum must be signed by the original subscribers, and their signatures properly attested. These individuals are called the "signatories."

In the case of a company limited by shares, the Memorandum must contain:—

(1) The name of the company, with the word "limited" as the last word of such name.

(2) The place where the registered office is to be situated.

(3) The objects for which the company is to be established.

(4) A declaration that the liability of the members is limited.

(5) The amount of capital with which the company proposes to be registered, divided into shares of a certain fixed amount, subject to the following regulations:—

(*a*) That no subscriber shall take less than one share.

(*b*) That each subscriber to the Memorandum of Association shall write opposite to his name the number of shares he takes.

Mets.—Metropolitan Railway.

Milks, Milwaukee, or **Pauls.**—Chicago, Milwaukee, & St. Paul Railroad Shares.

Mortgage.—An absolute assignment of property to a lender as security for the interest and principal of money lent; the property assigned to revert to its owner only when the money is repaid. This term strictly applies only to assignments of real estate or other immovable property, such as railways; but it has come to be, to some extent, synonymous with debenture and debenture stock (*q.v.*). This confusion of terms is mischievous. A mortgage always gives the holder, or mortgagee, the right to take possession of the property pledged, in the event of the borrower, or mortgagor, failing to pay the stipulated interest at the proper date. This is known as the right to foreclose on the mortgage. —*See* also " Foreclose," " Foreclosure."

Mortgages.—When a railway or trading company mortgages its property by public subscription, it should draw up a trust-deed securing to the holders of stock issued under that deed certain properties. These securities in this country usually take the form of mortgage debentures, or mortgage debenture stock. In America the custom is mortgage bonds. Very often, however, the securities described here as mortgage debentures are not based on any proper deed of trust or assignment, and the public cannot too carefully insist on knowing the true nature of the bonds they are asked to buy.—*See* also Debentures.

Mullingar.—Midland Great Western Railway of Ireland.

Name Day.—The second day of the Stock Exchange settlement (*q.v.*), the day on which the names of purchasers of registered securities are passed to the sellers. Brokers are entitled to have these not later than the morning of this day, otherwise sellers have the right of "selling out" (*q.v.*).

Nominal Value.—*See* Face Value.

Noras.—Great Northern Railway Deferred, Consolidated "A."

Obligations.—The term in use on the Continent to denote securities similar in nature to the mortgage bonds of an American railroad. There is, however, one great difference. Nearly all continental railway companies have only leases of their properties, which revert at the end of the term to the State granting the lease. Provision has therefore to be made for cancelling the bonds within the period for which the lease runs, so that capital and proprietary right may disappear together. Therefore the favourite mode of issuing obligations on the Continent—in France, Spain, Italy, Austria, and elsewhere—is really a lottery bond, since the bond is sold at a discount, and redeemable by drawings spread over a long term of years at par. The 3 per cent. obligations of the Spanish railways financed by Frenchmen, of the South Austrian and Upper Italian Railway—the old Lombardo-Venetian,—and of the French railways themselves, are the most conspicuous examples of this form of bond. No mortgage right, however, is conferred upon the holders, as in America. They are a lien upon the revenue pure and simple.

Official Assignees.—The Stock Exchange official liquidators of defaulters' estates. Under the rules of the Stock Exchange in London, debts due to a defaulter by members of the Exchange are collected by the assignees, who distribute them and the proceeds of any assets in *pro rata* payments to those members who are creditors.

Official Brokers.—The brokers appointed by the Committees of the various Exchanges to carry out the "buying-in" and "selling-out" transactions.

Official Lists.—The publications issued under the authority of the Committees of the various

Exchanges, containing the prices of the various securities which are officially quoted.

Official Marks.—The prices at which transactions in the various securities quoted in the Official Lists have been done during the official hours of the various Exchanges. These prices appear in the Official Lists every evening, and are quoted in the newspapers as "business done."

Official Quotations.—The prices of securities quoted in the Official Lists.

Ohio 1st.—New York, Pennsylvania, & Ohio Railroad First Mortgage Bonds.

Old Steam.—City of Dublin Steam Company.

Options.—A mode of speculating, chiefly in stocks and shares, which is intended to limit the speculator's risk. It consists in paying a sum down for the right to "put" or "call" a given amount of stock at a fixed future date, the price also being fixed at the time the contract is entered into. For example, suppose a speculator has the idea that Brazilian 1889 Bonds are dear at 75, the price they stand at when he enters on an operation in "options." With this idea he will get his broker to buy the option to "put," *i.e.* to deliver, say, £10,000 of these bonds at 75 a month from date, or on the last day of the month, or two months hence, just as may be desired. Where risks of fluctuations are great, the price of the "option" may be high, 1 per cent. on the nominal amount of the transaction, or 2 per cent., more or less as the case may be. Whatever the price, it is paid down at once, and the buyer is then in the position to play with the market. If Brazilian Bonds fall, he can buy his £10,000 worth, knowing that he can deliver them at 75 at the end of the term of his option; if they go up, so that he never gets a chance to do this, then he abandons his right to "put" or deliver the bonds on option day, and loses, of course, the money paid for that right.

The double operation of "put" and "call" may be contracted for in the same way, generally at double the price of a single operation; and on these bargains great speculations may be entered into. The seller of the option must buy or sell stock against his liability in order to protect himself, and the buyer of the option usually does the same. Indeed, during the currency of the option the stock may be bought and sold many times; and it sometimes happens that, at the settling hour, one or other of the parties to the original contract is unprepared to fulfil his part of the bargain. The seller of a "call" option, let us say, has omitted to cover his risk by buying the stock he had contracted to deliver, because he had hopes that it would go cheaper. It does not; the "option" day comes, and the stock is "called" from him. He is obliged then to buy. Sharp advances, or, as the case may be, falls in prices may be thus produced.

Ordinary Stock or **Shares.** — Except where deferred stock or shares or Founders' shares are issued, this is the last class of security ranking for dividend. It is entitled to the surplus profits after all classes before it are satisfied, and reserve fund allowed for. Its capital, in the event of liquidation, only receives the balance, if any, which remains after all the debenture, preference stocks or shares that may exist have been paid in full. It therefore carries the greatest risk.

Panic.—A state of terror about investments produced by some startling collapse in credit; a blind unreasoning fear which impels men to rush and sell what they possess, lest in another hour market values should disappear altogether. It may be laid down, as a rule without exception, that investors should never sell when speculators are possessed by such a demon of unreason. They had much better buy, because prices always recover after such outbursts, even the prices of many stocks which may be intrinsically worthless.

Par of Exchange.—*See* Exchange, Rate of.

Par Value.—The face value of a stock or share —more properly, the price at which either is offered for subscription. The par value of a £5 share, £2 paid, is £2, be its market price £1 or £4. A loan offered for public subscription at £95 for each £100 nominal value in stock; its par is £95. It has, however, become customary after a loan, which was originally issued at £95, has been fully paid up, to treat the nominal value, *i.e.* £100, as par; a fashion which is apt to be confusing.

Passage.—Cork, Blackrock, & Passage Railway.

Pauls.—Chicago, Milwaukee, & St. Paul Railroad Shares.

Pay-day.—The third and last day of the settlement (*q.v.*), when payments for stocks bought have to be made and differences settled.

Penns.—Pennsylvania Railroad Shares.

Point—Points.—In the common speech of the stock markets, a stock or share when it moves up or down in price is said to have risen or fallen a "point," or so many "points." The word is mere slang, and its meaning cannot be defined. A "point" may be a pound, a dollar, or a franc in one man's mind; to another it may mean the smallest movement of which a price is capable, say, an eighth of a dollar in the case of an American railroad share, or fifteen pence in the case of British Consols. For clearness' sake, it would be better if the use of the word were restricted to mean the smallest standard coin in every instance, and not applied to movements of a fractional kind at all.

Potts.—North Staffordshire Railway.

Power of Attorney.—*See* Attorney, Power of.

Preference Stock or **Share.**—A class of security in a company which has preferential rights as to a fixed rate of dividend, and usually as to capital, over the ordinary stock or shares.

Preferred Stock.—A name given to a class of ordinary stock the interest of which is preferred to the class ranking after it.—*See* also Deferred Stock, Split Stocks.

Principal.—*See* Client.

Profit and Loss Account.—The abstract of the income and outgoings of a company or firm in its current business over a definite period of time, generally six months or a year. As commonly presented, this account is extremely meagre; often gross profits are not shown at all, but only profits after working expenses have been deducted. A proper account should exhibit not merely the gross profit on one side, but all reasonable details of the outgoings on the other, such as directors' fees, salaries of staff, wages of workmen, amounts written off cost of furniture, or off stock in hand or plant, amounts written off for bad debts, added to reserve, etc. These subdivisions are essential to a good profit and loss account; and they may be profitably supplemented by such other details as circumstances demand—for example, the expenditure on postages and telegrams, on travelling, and on repairs and renewals.

Promoter.—A man who makes it his business to prepare and launch limited liability companies on the market. He is generally a "shark"—one, *i.e.*, who lays himself out to get as much for his own pocket as he can out of the money subscribed by the public. Often he buys up businesses at a low price and sells them at a high one; often, also, he concocts schemes *ab initio* for the sole purpose of swindling the investing classes; frequently he shelters himself behind other names, so that he may not be saddled with either liability or responsibility when things go wrong. Company-promoting as a profession is thus one of the most degraded a human being could adopt, although the promoter does not always, or often, pocket all the money laid upon the "capital" of a new company for "promotion" purposes. He has to subsidise the Press,—the more heavily the more his career or his company is shady,—to pay extensively for advertisements, to divide-up with his "pals," to find qualifications for "dummy," or "guinea-pig," directors; and as he nearly always carries his game to a point beyond the patience or receptive capacity of the public, he often ends by becoming bankrupt. With rare exceptions, the career of the professional company-promoter is a brief one.

Promotion Money.—The sum paid to a professional or other company-promoter for his services in preparing a company's prospectus for the public, for advertising it, for having the shares underwritten, and for his perquisite. This payment, which may vary from 5 per cent. of the capital to 50 per cent. or more, according to the rapacity of the promoters or the receptivity of the investing public, is nearly always wrapped up in the amount to be paid for the business or for the patents, etc., to be bought by the company. It would have been a great check to abuses if this wrapping-up had been from the first illegal,—a concealment of essential facts, sufficient to void the contract and entitle subscribers for shares to claim the return of their money.

Props.—Broken Hill Proprietary Shares.

Pro Rata.—*Pro rata* allotments, *pro rata* assessments, and such like, are phrases constantly found in financial writings. They mean that an allotment of new stock or shares in a company is made strictly in proportion to each existing holding. Imagine a company with a share-capital of £250,000 in £5 shares, which desires to increase its resources by an issue of new shares to the extent of half as much again. That would be £125,000 in £5 shares, or 25,000 shares. If these shares are offered or allotted to existing shareholders *pro rata*, then each shareholder would receive one new share for every old share he holds. Such a distribution would be a *pro rata* allotment.

Another example may be found in an issue of new stock by a British railway company. It wants a couple of millions in new share capital, say, and its existing share capital is £20,000,000. A *pro rata* allotment in this case would imply that each existing share or stock holder would receive an allotment of new shares or stock equal to one-tenth of his holding in the old. A holder of £100 nominal old would thus receive £10 in new, a holder of £1000 old, £100 new, and so on. The allottee has, of course, to pay the issue-price of the stock or share.

Still another example is found in the allotments of new securities offered to the public at a fixed price, and applied for to an extent which more than covers the amount to be issued. A loan of a million, let us suppose, is put upon the market at 97 per £100 nominal, and is applied for to the extent of £2,000,000. In this case a *pro rata* allotment would mean that each applicant would receive one-half of the amount he applied for. It is, however, very rarely that this rule is followed in these cases. If the new security is quoted at a genuine premium in the market, the house which has the issuing to do nearly always gives its friends and hangers-on larger allotments than the *pro rata* system would entitle them to, in order that they may snatch a profit by selling to the public at the premium. But when a stock is "underwritten," and is not subscribed for to the full extent by the public, the underwriters have always to take the balance unsold *pro rata*, *i.e.*, if half the issue remains on hand, they take half the amount they underwrote, if two-thirds, two-thirds, and so on.

A good system prevails on the Continent of allotting in full small applicants, and cutting down large ones on a scale proportioned to the amount of their application. Under that system, an applicant for £100 or less would get all he demanded, while an applicant for £100,000 might only receive £10,000.

Pro Rata Assessments are events with which holders of American railroad shares and bonds have had, of late years, too familiar experience. They are applied on precisely the same lines as described above. A 10 per cent. assessment means that each assessee pays 10 per cent. on what he holds.

Prospectus.—The published statement by means of which the public is made aware of the terms upon which subscriptions are asked for a loan issued by a State, or city, or company, or of the purposes and objects for which a joint-stock undertaking is being launched.

Proxy.—A form by which a share or stock holder in a company is enabled to delegate his voting power to another shareholder as his representative. Generally proxies are signed in favour of directors as a matter of course. It would be too much to say that they should never be so signed, but in nine cases out of ten it is much better to execute no proxy whatever than to give them to the Board. When shareholders have personal friends attending the meeting, their proxies ought to be handed to them, with instructions how to vote on particular questions. Proxies sent to Boards should be strictly limited in scope by the executant scoring out what is objectionable, and writing in what he wishes to support. But, on the whole, when a shareholder has grounds for dissatisfaction, and cannot attend meetings in person, it is better to withhold the proxy.

Punter.—A slang term for a speculator who is continually watching the fluctuations in speculative securities, and operates for small "turns" or profits.

Put.—*See* Options.

Put and **Call.**—*See* Options.

Rate of Exchange.—*See* Exchange, Rate of.

Rates.—Contango Rates (*q.v.*).

Readings.—Philadelphia & Reading Railroad Shares.

Reconstruction.—This word has come to have a bad odour, through the hasty, and largely dishonest, reconstruction of so many Australian banks; but the operation it designates is never a happy one. In order to reconstruct itself, to make itself over again, a joint-stock company has to go into liquidation, and a new company is formed to take over the business and assets of the old. The objects of reconstruction are mainly two—(1) To escape from inconvenient liabilities; (2) To impose upon shareholders new liabilities. It was to attain the first that Australian banks remade themselves. They cut down the liabilities of their shareholders or postponed them, or did both, and, in addition, forced their creditors to become to some extent shareholders. Where the liabilities of a company are not excessive, it is often both wise and expedient to reconstruct, so as to lessen the risks of shareholders on uncalled capital.

Mining companies afford the most frequent examples of reconstructions designed to augment the demands upon their shareholders. This is because that class of company is habitually plundered by their promoters, who carry off so much of the original capital that enough does not remain to develop the mine and equip it. As the shares are nearly always £1 fully paid, it is impossible for the new company to get more money to go on with, except by going into liquidation. A new company is then formed with shares only partly paid up; and the shareholders in the old have either to accept these and pay up the calls demanded on them, or forfeit all interest in the undertaking.

American railroads used to be more often reconstructed than they are now, by way of a bankruptcy and a sale under foreclosure of a mortgage. They now try to reconstruct by a sort of arrangement among shareholders, or the different classes of its bond and share holders—the object being to protect unduly some interest or interests which a foreclosure sale might severely mulct, if it did not wipe out.

Records.—African Gold Recovery Company.

Redemption allowed for.—*See* Loss on Redemption.

Registration.—The placing of the name of a holder of so much stock or so many shares upon the register of a public company.

Registration Fee.—The charge made by a company for registering a buyer's name on its books as a share or stock holder. The common fee is 2s. 6d. each deed,—sometimes less, sometimes more,—and is paid by the purchaser.

Regret, Letters of.—*See* Letters of Regret.

Rente.—A French term in use on the Continent to designate many National Debts, as, for example, Belgian rente, Italian rente, or Hungarian rente. It means the interest paid to the holders of the National Debt, and therefore indicates a difference between the continental, or French, mode of looking at such debt and ours. In England, Consols are always spoken of and viewed from the point of view of the capital involved. We buy or sell £1000 or £100,000 worth of "Consols," and reckon out the income they will yield at the price bought. In France, what the State sells and the public buys is literally "rent." The price of this "rente" goes up and down, and is expressed in percentage values just as with Consols; but, in point of fact, unless the State has contracted definitely to pay off so much principal,—as in the case of redeemable rente,—it does not owe any capital at all. It has merely contracted in perpetuity to pay so much "rente," be it a hundred millions or fifty, and the citizens can buy whatever portions of this rente they can afford, down to the lowest distributable sum. The names of holders of French rente are inscribed, in the "great book" of the Public Debt, as being entitled to so much income from the State.

Renunciation Form.—When a company makes a new issue of stock or shares by a *pro rata* allotment to the share or stock holders on their books, it is usual to print a renunciation form on the back of the allotment letter, to enable the allottee easily and immediately to dispose of his stock, if he so desire, to a second party. It is usual to sign them in blank when selling, the buyer filling in his own name.

Report.—In common speech, the document issued half-yearly or yearly by a joint-stock company to its shareholders, and supposed to give an account of the business of the period under review. As a general rule, these so-called reports are mere skeletons which tell the shareholders as little as possible. Often they tell nothing at all, except that so much money has been earned and that such and such a rate of dividend will be paid. When profits cease and losses have to be admitted, the directors sometimes become less reticent. Reports are usually accompanied by a balance-sheet (*q.v.*) of some kind, and of late years there has been a marked improvement in the fulness of these latter statements. It is for shareholders to insist on the same reform in the matter of reports.

Reserve Fund or **Rest.**—The reserve of a company is, or should be, the amount which it has put by out of its profits to provide for adverse contingencies or bad times, or for the return of capital. It figures as a liability, and ought to be so, by the company to its shareholders. A properly constituted reserve should be equalled, on the Assets side of the balance-sheet, by investments outside the business of the company. Reserves retained in the business are not such in the true meaning of the word. The Bank of England calls its reserve "Rest." The profits, week by week, are added to this Rest, and the dividends declared each half-year are taken from it; but by custom it is never reduced below three millions sterling. Most banks, and a good many other companies as well, have built up the greater part of their reserves by means of premiums received on new issues of shares. In these cases, the reserve is merely a form of capital contributed by the shareholders to the business, and it is a pity the law does not require such reserves to be stated in the balance-sheet separately from those accumulated from profits.

Rig—Rigging the Market.—A term applied to combined efforts to raise the price of a stock artificially and without regard to its merits. The motive for "rigs" is the expectation that, as the public sees prices going up and up, it will be lured into purchasing; and generally this is the case to an extent sufficient to enable the men who organise and conduct the "rig" to unload at a profit. Rigs are easiest to perpetrate with securities comparatively limited in amount, or with new issues not yet in the hands of investors.

Rupee Paper.—Certificates issued by the Indian Government, acknowledging indebtedness for silver rupee money borrowed, are so described. The interest is paid in rupees, and the principal is also repayable in the same coin. These loans were issued in India, but offered for sale here at the current rate of exchange. Holders of this "paper" receive their interest in bills drawn on the Treasury at Calcutta. The usual method of obtaining English money for these bills is to sell them to one of the Eastern banks at the current rate of exchange. Quotations of these stocks are "flat" prices (*q.v.*). Accrued interest is calculated in the following somewhat complicated manner:—Interest is paid by the buyer at the full rate of 3½ per cent. on the nominal value of the rupee, viz. 2s., from the date of the last interest-payment up to the date of the completion of the purchase. When the stock is quoted *ex div.*, a certain amount, representing as nearly as possible the difference between the nominal and actual values of the rupee, is added to the price, thus compensating the buyer for what would appear at first sight to be an extortion. For instance, a buyer of Rs. 1000 (equal to £100 nominal value) at 54, three months after payment of half-yearly coupon, would pay . . £54 0 0

	£	s.	d.
coupon, would pay . .	£54	0	0
plus Interest, three months at $3\frac{1}{2}$ per cent. on £100.	0	17	6
	£54	17	6

Interest at end of six months will be Rs. $17\frac{1}{2}$, at say 1s. 1d. per rupee = 18s. 11d.; but the stock, presuming no alteration takes place in the market value, would be worth 54 plus the difference between £1 15s. the nominal and 18s. 11d. the actual value of the interest, or about $\frac{13}{16}$ths per cent. For six months the return to the investor is therefore 16s. 1d. + 1s. 5d. (the difference between interest paid and received), or 17s. 6d., which at 54 represents a net return of 3¼ per cent.

Saras.—Manchester, Sheffield, & Lincolnshire Railway Deferred Ordinary.

Scare.—A term which has come into use of late years among money-article writers, to signify any flurry of distrust and alarm in the stock markets which falls short of absolute panic. It is thus a word of much indefiniteness, which can be hardly used sensibly without a qualifying adjective, unless when applied to passing spasms of fright in regard to particular securities. The mere rumour of a war of any importance, or the death of some political personage supposed to hold the destinies of a nation in his hand, will suffice to cause a scare and stampede among the "bulls" of securities affected by the supposed importance of the event. It is on these occasions that the speculators for the fall, the bears, rush in to make a harvest by selling stocks to intensify the fright, in the hope of being able to pick them up again at a profit. Scares, therefore, ought, generally speaking, to be as much disregarded by investors as "panics," unless to buy on the fall.

Scotlands.—Great North of Scotland Railway.

Scrip.—The name given to the paper representing a newly-issued security before it is fully paid up, or before the definite bond or certificate is issued. Thus the "scrip" of a colonial loan means the banker's receipt for the instalments as paid up, which change ownership at the premium or discount shown by the quotations of the day. A £100 stock with only £45 paid would, in this way, be quoted as scrip (£45 paid) at 1½ premium or ½ discount, as the case might be; the premium being the amount over and above the £45 which the buyer has to give, and the ½ discount the deduction of 10s. made by him from that amount. The buyer is, of course, liable for the other £55 due to make up the £100. When all is paid up, the security becomes a "bond," or "stock," or "share," as the nature of it may determine.

Security—Securities.—A term which is used with extreme looseness by financial writers. Dictionaries define the word as meaning, in a money-market sense, "something given or deposited to ensure the fulfilment of a pledge or the observance of a provision." From that point of view, every form of stock or share which a banker will take in pledge for advances of money may be considered a "security," and the stock market applies the word in this way to everything it deals in. But if we look at stocks and shares from the point of view of the person who buys them for investment, it will be seen at once that the substantive "a security" does not legitimately apply to vast numbers of so-called Stock Exchange "securities." Consols, Corporation stocks, any bond or preferential stock which guarantees its holders, or promises them, with a reasonable probability that the promise will be kept, a fixed return of interest on a fixed amount of money, is a security; ordinary shares or stocks which yield fluctuating dividends dependent on profits are not, in this sense, securities at all, although it may be permissible to call them so if they pay fairly steady dividends. Shares subject to calls or to a reserve liability are in no sense "securities," although they may be investments. Equally, the stock, bonds, or shares which pay no dividend are outside the category. No sensible man would include Paraguay bonds or Erie Railway shares among his "securities," but in common parlance all sorts are taken together under this designation. The market cannot stop to separate and define, but the public should.

Selling-out.—A broker representing the seller of stock or shares the buyer of which does not send in his name at the proper time, can sell out the stock through the official broker, in order to obtain another name immediately. The difference in price, plus the official broker's commission, has to be paid by the original buyer, who has not fulfilled his contract.—*See* also Buying-in.

Settlement—Settling or **Account Days.**—These are the dates fixed by the Committees of various British Stock Exchanges for the completion of transactions. In Consols and a few kindred securities, these account days are once a month, usually during the first three or four days; in all other stocks, twice a month, about the middle and end. Each settlement occupies three days—1st, "contango day," when arrangements are made for the continuation of transactions or "bargains"; 2nd, "name day," when the names of buyers of registered securities are passed to the sellers; and 3rd, "pay day," or account day proper, when securities are delivered, the money obtained, and "differences" settled. All transactions done during the account, unless specially arranged otherwise, are made for the settlement following. Generally speaking, the settlement on the Provincial Exchanges are fixed a day earlier than those on the London Exchange. This facilitates the payments of money due on transactions between these markets and London.

Share.—A definite portion of anything. As applied to the capital of a company, it means a fixed and indivisible section of that company's capital. A company, for instance, has a capital of £100,000, divided into £1 shares. Purchasers may buy any available number of these shares, but less than one cannot be bought. It is the same with shares of £5, £10, £50, or £100. The share, of whatever denomination, is the unit below which the capital cannot be subdivided. In common speech, this distinction between share and stock is frequently ignored; but it is of real importance always, and, when purchases or sales have to be effected, of practical importance as well. Many companies whose shares are of small denomination refuse to register transfers of less than five shares.

Sheffield, or **Sheffs.**—Manchester, Sheffield, & Lincolnshire Railway.

Sheffield "A," or **Saras.**—Manchester, Sheffield, & Lincolnshire Railway Deferred Ordinary.

Shores.—Lake Shore & Michigan Railroad Shares.

Shunt.—To shunt is to buy and sell securities between two home Exchanges, such as London and Manchester, or Glasgow, or Liverpool. It is a kind of arbitrage, but has no complications of exchange, etc. The chief requirement is to be first in one market with a change in price from the other, and buy or sell, as the case may be, before prices level themselves. For instance, Saras may be offered in Manchester at 29 while in London there are buyers at $29\frac{1}{8}$—the shunter sells stock in London and wires to buy back in Manchester. If the operation can be carried through, well and good; if, however, the Manchester price has again risen, the transaction is closed at a loss.

Signatories.—*See* Memorandum of Association.

Silvers.—India Rubber & Gutta Percha Company.

Sinking Fund.—When a Government or company issues a loan which it undertakes to repay at a certain date, it is usual for it to create a "sinking fund," a fund, *i.e.*, which shall extinguish the debt at a fixed date. A certain amount, varying according to the size of the debt and the length of the time before its repayment, is put aside each year, and allowed to accumulate at interest until the loan is due. Another and a better method, is to apply the annual amount set aside to the repayment each year of a corresponding amount of the bonds, the distinctive numbers of which are decided by annual drawings at par, or at a fixed price stated in the bond. Still another method, is either to buy the bonds in the open market, if they are selling below par, or draw them at par if above. The term "sinking fund" came into use first as applied to the efforts made in this country from time to time to pay off some part of our monstrous National Debt. That debt, being in the form of perpetual annuities, the ownership of which is registered in the names of individual possessors, could not be paid off by any drawings, or effectually dealt with by accumulations of surpluses, or by setting aside so much per annum, to accumulate for the redemption of the debt at some distant day. All attempts at accumulation have been disastrous. At present our National Debt is being redeemed by means of terminable annuities, and by the "old" and the "new" sinking funds. The "old" sinking fund is merely the surplus of revenue, if any, left at the end of a budget year, which is devoted to the purchase of stock in the open market for cancellation. The "new" sinking fund is a fixed proportion of the total annual sum charged upon the Consolidated Fund—on the expenditure, *i.e.*, with which Parliament cannot each year interfere—and applied, in the same way as the "old," to the redemption of stocks by purchase in the open market. It is principally to the influence of these various modes of paying off debt that the price of British Consols stands habitually so high in the market.

Slang, or **Corrupted Names for Stocks and Shares.**—Many securities are, for the convenience of brokers and dealers, distinguished by abbreviated, corrupted, or slang names on the various Exchanges. The following are those chiefly in use; some, however, are for telegraphic purposes only. A name given to a railway is used to describe its ordinary stock, unless the fragment "deb." (debenture) or "pref." (preference) is added. Thus, an order to buy five "Ayrshire" would mean five thousand pounds nominal of

Glasgow & South Western Ordinary; if "pref." were added, it would be preference stock which would be purchased. The ordinary investors should avoid using the actual slang names, such as Fox, Damps, etc., as much as possible. An error of a word might mean a serious loss:—

Goschens.—Two-and-Three-quarters per Cent. until 1903, then Two-and-a-Half per Cent. Consolidated Debt of the British Government, redeemable 1923. So called because the old Three per Cent. Consols were converted by Mr. G. J. Goschen in 1886, when he was Chancellor of the Exchequer.

Childers.—Two-and-Three-quarters per Cent. Consolidated Debt of the British Government, redeemable in 1905. Originated by Mr. Childers in 1884, in his attempt to reduce the interest on the whole of the Three per Cent. Debt.

British Railways.

Ailsa.—Glasgow & South-Western Deferred Ordinary.

Ayrshire.—Glasgow & South-Western.

Ballymena.—Belfast & Northern Counties.

Bandon.—Cork, Bandon, & South Coast.

Berwick.—North-Eastern.

Brighton.—London, Brighton, & South Coast.

Brighton "A,"
Berthas. } Brighton Deferred Ordinary.

British.—North British.

Brum.—London & North-Western.

Caley.—Caledonian.

Cashel.—Great Southern & Western of Ireland.

Chatham,
Chat. } London, Chatham, & Dover.

Clara.—Caledonian Deferred No. 1.

Cora.—Caledonian Deferred Converted Ordinary.

District.—Metropolitan District.

Dover.—South-Eastern.

Dover "A,"
Doras. } South-Eastern Deferred Ordinary.

Down.—Belfast & County Down.

Eastern.—Great Eastern.

Flora.—Caledonian Preferred Converted Ordinary.

Haddocks,
Scotlands. } Great North of Scotland.

Limerick.—Waterford & Limerick.

Little Chats.—London, Chatham, & Dover Arbitration Ordinary.

London.—London & North-Western.

Macroom.—Cork & Macroom.

Mets.—Metropolitan.

Mullingar.—Midland Great Western of Ireland.

Passage.—Cork, Blackrock, & Passage.

Potts.—North Staffordshire.

Sheffield,
Sheffs. } Manchester, Sheffield, & Lincolnshire.

Sheffield "A,"
Saras. } Manchester, Sheffield, & Lincolnshire Deferred Ordinary.

South.—London & South-Western.

Tilbury.—London, Tilbury, & Southend.

Western.—Great Western.

Wicklow.—Dublin, Wicklow, & Wexford.

York.—Great Northern.

York "A,"
Noras. } Great Northern Deferred Consolidated "A" Stock.

York Deferred.—Great Northern Deferred Converted Ordinary.

American Railways.

Atlantic.—New York, Pennsylvania, & Ohio.

Ohio 1st,
Apes. } New York, Pennsylvania, & Ohio First Mortgage Bonds.

Bosh.—Wabash Preferred Shares.

Canpac.—Canadian Pacific.

Centrals.—New York Central Shares.

Damps.—Denver & Rio Grande Preference Shares.

Eries.—New York, Lake Erie, & Western.

Fox.—Norfolk & Western.

Jersey Central.—Central of New Jersey.

Milks,
Milwaukees,
Pauls. } Chicago, Milwaukee, & St. Paul Shares.

Penns.—Pennsylvania Shares.

Readings.—Philadelphia & Reading Shares.

Shores.—Lake Shore & Michigan Shares.

Snipe.—New York, Lake Erie, & Western Second Mortgage Bonds.

Soo.—Minneapolis, St. Paul, & Sault Ste. Marie.

Trunks.—Grand Trunk Railway of Canada.

Unions.—Union Pacific Shares.

Miscellaneous Companies.

Ales, }
Slops. } Allsopp Ordinary.

Anglos.—Anglo-American Telegraph.

Bays.—Hudson Bay Shares.

Beefs.—Eastmans Ordinary.

Bones.—Wickens, Pease, & Co.

Breads.—Aerated Bread Shares.

Chinas.—Eastern Extension Telegraph Shares.

Dundalks.—Dundalk Steam.

Elswick.—Armstrong, Mitchell, & Co.

Globos.—Bank of New Zealand Estates Debentures.

Knackers.—Harrison, Barber, & Co.

Knights.—Witwatersrand Mining Company.

Lombards.—South Austrian Railway.

Mails.—Mexican Railway Ordinary.

Marbles.—Marbella Iron Ore Shares.

Old Steam.—City of Dublin Steam.

Props.—Broken Hill Proprietary Shares.

Records.—African Gold Recovery.

Silvers.—India Rubber & Gutta Percha.

Soap.—A. & F. Pears.

Steam Builders. — Dublin & Liverpool Steam Building.

Stout.—Guinness Ordinary.

Tars.—Tharsis Copper Mining Company Shares.

Vestas.—Railway Investment Trust Deferred.

Whiskies.—Dublin Distillers'.

"One" in Stock Exchange parlance, when applied to stock, means one thousand nominal; a "half" or "half-a-one" is, therefore, five hundred pounds. "Five" = five thousand pounds nominal.

Slops.—Allsopp Ordinary.

Snipe.—New York, Lake Erie, & Western Railroad Second Mortgage Bonds.

Soap.—A. & F. Pears.

Soo.—Minneapolis, St. Paul, & Sault Ste. Marie Railroad.

South.—London & South-Western Railway.

Split Stocks.—Until recent years there were only a few examples of these in existence, such as Anglo-American Telegraph Preferred and Deferred, Great Northern Railway "A" and "B," London & Brighton Railway "A" and "B," and South-Eastern Railway "A" and "B," but of late the practice has become quite common; and there is even a company in existence whose business it is to effect the division where companies cannot, or do not care to, do it themselves. The principle is a simple one; and the object is to give stability of value, and, if possible, in income, to one-half of a stock, which, undivided, may move up and down widely and give unstable returns. Let us take a railway common stock on which the dividend for the past ten years has been, on an average, 4 per cent., but which has varied so much that on some occasions it has been as low as $3\frac{1}{4}$ per cent., and on others as high as $5\frac{1}{2}$ per cent. If this stock be split into halves, one of which is called the "B" or preferred half, to be entitled to 6 per cent. before the other, the "A" or deferred half, receives anything, it is reasonable to conclude that the "B" portion will become a fairly safe 6 per cent. stock, because a 3 per cent. dividend on the whole stock would give the preferred half 6 per cent. This was the principle underlying the old and simple forms of stock-splitting; but it has been varied in a number of ways, and the dividend payable on the preferred half has of late years often been made 4 per cent.

In Scotland, the habit with railway companies is not to "split" the stocks, but to double them, giving the preferred stock a 3 per cent. preferential dividend and the deferred all that is over. This comes to the same thing so far as the company is concerned, but is misleading to the public familiar with the English method. It may, however, have the effect of rendering the prices of the Scotch deferred stocks less liable to extreme fluctuations than the English, because the dividends paid on the entire undivided stock are on the same percentage as on the duplicated portions. An English company, let us say, pays 4 per cent. on its whole stock. Upon the portion of it halved into preferred and deferred, this would mean a dividend of 6 per cent. to the former and of 2 per cent. to the latter, because each half of the stock receives twice what the whole would get. In other words, 4 per cent. on £100 is equal to 8 per cent. on £50, and if one-half of the £100 receives a preferential dividend of 6 per cent., there will be 2 per cent. left for the other half, or, together, 4 per cent. on the entire hundred. Owing to this doubling of the dividend paid on the deferred stocks of English railways, they are given to great fluctuations in price. With the Scotch stocks it is different. Both the preferred and deferred portions equal the amount of the original stock. Therefore a $3\frac{1}{4}$ per cent. dividend on the original stock means 3 per cent. to the preferred and $\frac{1}{4}$ per cent. to the deferred; and a 4 per cent. dividend, 3 per cent. and 1 per cent., not 6 per cent. and 2 per cent. as would be the case were the stock halved instead of doubled. This, however, is not quite correct as regards the preferred and deferred ordinary stocks of the North British Railway Company, because, when the duplicating operation was carried through by that company, certain odd stocks of absorbed lines were put in the deferred portion exclusively. Therefore the deferred stock of that company—usually called North British Ordinary Stock—amounts to £2,421,000 more than the 3 per cent. preferred ordinary stock.

Stag.—A slang name for a speculator who applies for shares or stock in new concerns or issues which are quoted at a premium, hoping to obtain an allotment and secure a profit without holding the stock; one who sells new securities quoted at a premium before allotment, hoping to obtain all or part of his application, or, if unsuccessful, to secure a "turn" on a fall in the market.

Stannary Laws.—The Acts passed in 1869 and 1887 for the regulation and management of mining companies in the districts of Devon and Cornwall, called the Stannaries. Companies registered under these laws keep their accounts on what is called the Cost-book System; their shares are of no fixed amount of capital; calls are made as and when necessary to supply working capital, wages, etc. In the event of a shareholder not paying any call, his shares can be forfeited; but all calls made up to the date of forfeiture must be paid, together with interest thereon and expenses. Shareholders have the right to relinquish their shares at any time, on giving notice in writing to the manager, or "purser," as he is called. All calls, etc., however, due at the date of relinquishment, must be paid; but in the event of the stoppage of the mine within six weeks after, the notice of such relinquishment is not valid, and such shareholder, in the event of the assets being insufficient to meet the liabilities, must pay his proportion of the deficit.

In the event of the winding up of a company registered under these Acts, a former shareholder is liable to contribute to the assets, unless he has ceased to be a holder for a period of two years before the mine has ceased to work, or before the date of the winding-up order.

Steam Builders.—Dublin & Liverpool Steam Building.

Stock.—A term applied to capital in a lump, to distinguish it from capital divided into shares. Consols, for instance, are a "stock" because, although dealt in at a percentage price, any odd amount can be purchased. A person may buy half-a-crown's worth or half-a-million's worth. The same holds good of all British railway stocks, which stand in the books of the companies as one sum, capable, however, of being split up into an indefinite number of portions to suit the means of the thrifty. Colonial "inscribed stocks" (*q.v.*) are also in the same conglomerate form, but not all the debts of foreign

Governments or the share and bond capital of foreign railways. A security in the form of stock is like a huge cheese, of which one man may buy his ounce or half-ounce, and another his hundred-weight. It is thus the handiest form for the small investor who saves, because odd amounts of a pound or two, or even of a few shillings, received as dividends or saved up, may be at once placed in a stock, whereas shares can only be bought in given amounts.

Stock Exchange, London.—The Stock Exchange, London, is in reality a private company, with a capital of £250,000 in shares with unlimited liability. These shares can only be held by members of the Exchange, or "House," as it is familiarly called, either active or retired; at the same time, it is not necessary for a member to be a shareholder. Its revenues are derived from the heavy entrance fees and annual subscriptions charged to members and for their clerks. The financial business of this Company is carried on by a Board of Managers, a body chosen by the shareholders, and quite distinct from the Committee for General Purposes, which is elected annually by the members. The latter body (so far as the outside public is concerned, the more important of the two) has the control over the members, their election and re-election, etc., etc., and generally superintends the business proper of the "House." The "managers" are little else than the board of directors of the joint-stock company. All applicants for membership of the Exchange must be recommended by three members of the Exchange, except as stated below, and each recommender is individually required to guarantee £500 for the first four years of the membership. This money has to be handed over to the Stock Exchange creditors if default occurs during that period. Clerks to members who have had four years' apprenticeship in the "House" immediately preceding their application, are admitted with two recommenders or "sureties," each guaranteeing £300. At present the entrance fees and annual subscriptions, which are fixed at pleasure and without appeal by the managers, are as follows:—

For Members with three Sureties . . .	Entrance Fee,	£525	0	0
	Subscription,	31	10	0
For Members with two Sureties . . .	Entrance Fee,	£157	10	0
	Subscription,	31	10	0
For clerks authorised to "deal" for the firms they serve. . .	Entrance Fee,	£52	10	0
	Subscription,	31	10	0
For clerks who are merely attendants on their employers .	Entrance Fee,	£10	10	0
	Subscription,	12	12	0

Every member is elected for the financial year closing the following 25th of March, and has to apply for re-election every successive March; no fresh entrance fee is charged, but the Committee have full power to refuse any member re-election if his conduct in any way justifies them in doing so.

The " House " in the present day covers a large area; the building is irregular in shape, through additions having been made from time to time. There are two floors. On the upper or ground floor are the various " markets." These are formed by the dealers or jobbers in particular stocks congregating together on the same part of the floor day after day. In the basement are the strong rooms and the rooms used for the passing of names and other business connected with the settlements. The official hours of business are from 11 to 3, Saturdays, 11 to 1. Bargains done outside these hours cannot be marked in the Official List (*q.v.*).

Stock Exchanges, Provincial.—The leading Stock Exchanges in England are—Liverpool, Manchester, Birmingham, Newcastle, Sheffield, and Leeds; in Scotland, Edinburgh and Glasgow; in Ireland, Dublin and Cork. Belfast does not possess a Stock Exchange proper, but there are several good firms in that city who act as stockbrokers. All these Exchanges have their local Committees, which control their members similarly to the London method; no advertising is allowed, but in some cases they can unite an accountancy business with the stockbroking one, whereas in London no member is allowed to carry on any other business, but must be exclusively either a broker or a dealer. Each Exchange has its own scale of entrance fees and subscriptions and regulations as to guarantors or recommenders.

Stout.—Guinness Ordinary.

Subsidy.—Governments, in order to assist undertakings such as railways, submarine cables, etc., sometimes promise to pay a certain sum of money annually, for a fixed period of years, to the company carrying on the business. These grants are called "subsidies."

Subvention.—Practically equivalent to Subsidy.

Take the Rate, To—*See* Contango.

Tars.—Tharsis Copper Mining Company Shares.

Tender.—A method of receiving applications for stock of a new loan usually adopted by Colonial Governments and by British municipal authorities. An issue of a 4 per cent. stock is announced at a minimum price of, say, 104, but tenders up to any price an applicant may think proper are received, with the result that often, by clever engineering, a very high price is obtained for the issue.

Tilbury.—London, Tilbury, & Southend Railway.

Transfer—As a verb means that the owner of a security has handed on the ownership thereof to someone else. When a holder of London & North-Western Railway stock sells his stock, it has to be "transferred" in the books of the company from the name of the seller to that of the buyer. The document in which this change is effected is called a "transfer," and has to bear a stamp proportioned to the amount or market value of the stock transferred. Both buyer and seller have to sign this document in the presence, in England, Ireland, and Wales, of one witness; in Scotland two are often necessary. The paper is then forwarded to the offices of the company, whose registrar effects the changes in the books which transfer the ownership. On doing this a "certificate" (*q.v.*) is issued to attest the fact that the purchaser is now the owner of so many shares or of so much "stock" in the company.

Transfer, Blank.—A deed of transfer in which no buyer's name is inserted, but which has been executed, *i.e.* signed and witnessed by the seller, is called a blank transfer. Such deeds, when accompanied by the certificate of the stock or shares described in the document, are used sometimes as "cover" or security against loans in the market. Bankers, however, do not accept them. In some cases, dealers who have purchased registered securities for one settlement, which they have sold for the following settlement, if unable to obtain the name of the buyer, will ask for the delivery of blank transfers; but there is no obligation to do so; such delivery is merely a matter of courtesy. Unstamped transfers, whether signed in blank or not, must be impressed with the Government *ad valorem* duty within thirty days of the date of their execution, otherwise they are not valid. Unstamped deeds signed abroad must be presented at the stamping office within thirty days of their arrival in this country. Proof of the date of their arrival must be produced; but the officials are not exacting as to its nature. Often the post-marks on the envelope containing the deed are sufficient.

Transfer Duty.—A Government tax upon the conveyance of the ownership of stock or shares from one person to another. It is an *ad valorem* tax, beginning at 6d. for a value of £5 and under, and rising by sixpence for every additional £5 of value. Thus, upon £1000 nominal of London & North-Western Railway stock bought at £170 per £100, or for £1700, the Government duty which the buyer has to pay on taking over the stock is £8, 10s. A buyer can always ascertain the amount of stamp duty he will have to pay on taking over stock or shares bought by him, by reckoning it at 10s. on every £100 of his purchase. Thus, for stock which has cost the buyer £35,000, the stamp duty will be £175; for stock costing £1250, the stamp will be £6, 5s., and so on. This tax is levied upon every description of joint-stock company's stocks or shares, and on registered bonds and debentures. On Consols the duty is *nil*, and on Bank of England stock it is 7s. 9d. for every transfer, no matter what the amount may be. On securities transferable by stamped deeds the following are the duties payable by the purchaser :—

Value or Consideration up to— £	s.	d.	Value or Consideration up to— £	s.	d.
5	0	6	150	15	0
10	1	0	175	17	6
15	1	6	200	20	0
20	2	0	225	22	6
25	2	6	250	25	0
50	5	0	275	27	6
75	7	6	300	30	0
100	10	0	350	35	0
125	12	6	400	40	0

and so on, 5s. for every £50 or part of £50.

Transfers of stock on a nominal consideration of 5s. where no actual sale takes place or money passes, are liable to a duty of 10s. each deed, irrespective of the amount.

Transfers of shares where the seller pays the buyer so much to relieve him of further liability, must be transferred with a nominal consideration of 5s., the duty being 10s.

Transferee.—The person to whom a security is transferred—the buyer.

Transferor.—The person from whom a security is transferred—the seller.

Trunks.—Grand Trunk Railway of Canada.

Trustee Stocks—England, Wales, and Ireland.—Securities in which trustees of property may place the moneys confided to their keeping, without liability on their part to make good any loss of capital which may arise through depreciation in the investment. The Trustee Act of 1893 gives the latest list of these securities. It embraces British Government stocks and Home municipal stocks of boroughs or cities with more than 50,000 inhabitants; mortgages on real estate—freehold and leasehold houses and lands in Great Britain and Ireland, provided the lease has not less than 200 years to run; the stocks of the Banks of England and Ireland; India Three and Three-and-a-Half per Cent. stocks, which, however, have no British Government guarantee; Indian railway guaranteed stocks, or Indian Railway "B" and "C" annuities, or any other form of Indian debt sanctioned by Parliament; London County Council (Metropolitan) stocks; the debenture, rent-charge, guaranteed or preferred stock of any railway in the United Kingdom which, for ten consecutive years past, has paid at least 3 per cent. on its Ordinary stock. Railway or Canal stocks of undertakings leased for not less than 200 years to leading companies, subject to the 3 per cent. dividend restriction as above; the debenture guaranteed or preference stocks of water companies in the United Kingdom whose Ordinary stock has, for ten years past, received 5 per cent. per annum; or the stocks issued by town commissioners of water supply endowed with compulsory rating powers, provided the population served exceeds 50,000, and the rates levied in which for the past ten years—such ten years always counting from the date of investment—have never exceeded 80 per cent. of the maximum authorised by law; stocks, funds, or securities authorised from time to time by the Court of Chancery. These Chancery lists of stocks are less rigid than that of the Trustee Act, and may be varied from time to time, as the Lord Chancellor sees fit. But it is only moneys in the control, or subject to the order of the Court, which can be placed in them, and therefore particulars need not be given here.

Over the comparatively wide range above given, trustees can invest at their discretion, with one or two limitations which should be carefully noted. For instance, a trustee must not buy a stock redeemable at an early date—within fifteen years—at a price exceeding its redemption value. Great care must also be exercised to see that no railway debenture, rent-charge, or preference stock is selected which might be disqualified as a trustee investment by the company it belongs to having failed to pay, for the ten years immediately preceding the investment, 3 per cent. per annum on its Ordinary stock. A striking example of this kind of danger is furnished by the Manchester, Sheffield, & Lincolnshire

Railway, whose debenture and guaranteed stocks were Trustee securities down to its default on a number of its preference dividends in 1893. They are so no longer.

Trustee Stocks (Scotland).—In some ways the powers of Scotch trustees are more extensive than those described above. The securities suitable for trusts in Scotland are as follows:—Any of the Government stocks, public funds, or securities of the United Kingdom; Bank of England stock; securities the interest on which is guaranteed by Parliament; debentures, debenture stocks, and mortgages of any railway in Great Britain incorporated by Act of Parliament; annuity, lien, guaranteed or preference stock of any such company which has paid a dividend, no matter however small, on its Ordinary stock for ten years preceding date of investment, and provided that the interest on the investment is ***not contingent*** on the profits of each year; East Indian stock; inscribed or registered stock of any British colony which has been approved by the Court of Session; bonds, debentures, or mortgages of any Muncipal Corporation in Great Britain secured on rates or taxes authorised by Act of Parliament; Indian Railway stocks, debentures, or mortgages the interest of which is payable in sterling and guaranteed in perpetuity by the Indian Government.

Turn—Jobber's Turn.—The difference between the price at which a dealer or jobber on the Stock Exchange will buy and that at which he will sell a security. As explained under "Dealer," this difference does not necessarily or always mean a profit to the dealer. It is only his protection, as far as it goes, against loss, and varies from half-a-crown per cent. in the case of Consols and other securities, or a few pence per share in the case of one-pound company shares, to £5 and £10 in the case of high-priced securities which seldom change hands. In these latter instances the actual price at which the stock is bought or sold is always a matter of special negotiation. —*See* also Dealer.

Underwriting.—For many years past, when a new company has been formed or loan issued, it has frequently been customary for the capital to be underwritten. That is to say, a certain number of persons or firms, for a consideration, agree to take the whole of the capital to be issued to the public at a price 2 per cent., 5 per cent., 10 per cent., or more, below that asked in the prospectus, according to the class of security. These people are called "underwriters." If the amount wanted is fully subscribed by the public, these underwriters are entirely relieved, and simply pocket the commission or discount. When there is only a partial application, the underwriters take the balance *pro rata*, in the hope of working it off on the public in time. When the whole amount is thrown on their hands, they have to get rid of it as best they can, usually by means of a rig in the market, or by offering it at a discount which would apparently land them in a loss, but which may not really amount to the commission they are entitled to.

Unions.—Union Pacific Railroad Shares.

Vendor—Vendors.—The person or persons who sell a property or business to a company. The contract under which this transaction is made must be mentioned in the prospectus.

Vestas.—Railway Investment Trust Deferred.

"Waiver" Clause.—Under the Companies Acts, all contracts affecting the business or promotion of a company must be set forth in any prospectus inviting the public to subscribe for its stock or shares. This clause has been found irksome, and, in some cases, if fully complied with, would not add to the tempting appearance of the prospectus. The lawyers have managed to dodge this by inserting a sentence to the effect that "applicants will be deemed to have waived all rights to the full compliance with this clause." It is exceedingly doubtful whether, in a court of law, this slipshod expedient would be found sufficient to protect directors and promoters, if it were proved that an important contract had been concealed.

Wasting Investments.—Stocks redeemable on a certain date at a fixed price, for which a premium above the redemption price is paid, are wasting investments to the extent of that premium.

Shares in mining companies are essentially wasting investments; every ton of ore sold, whether it produce a profit to them or not, represents so much less value in the mine. Dividends on mining shares should, therefore, be treated, to a large extent, as return of capital.

Watered Stocks.—A term applied to securities whose nominal amount has been increased without any corresponding payment in cash. When a Scotch railway company doubles any portion of its Ordinary stock, and calls the one "preferred" and the other "deferred," at least the "deferred" duplicate is pure water—represents, *i.e.*, nothing whatever in the way of money put into the property, but only a chance or expectation of dividends. In like manner, when an American railroad is built by selling bonds and giving away shares as a "bonus" to the purchasers of the bonds, the shares given away are, in market estimation, mere "water." Bogus capitalisation all this kind of multiplication and duplication out of nothing may be considered; but the mistake is constantly made of treating stocks and shares of this sort as if they really stood for honest money spendings.

Western.—Great Western Railway.

Whiskies.—Dublin Distillers' Company.

Wicklow.—Dublin, Wicklow, & Wexford Railway.

Witness.—Signatures of parties to deeds of transfer, powers of attorney, etc., require to be written in the presence of one or two persons, who are called "witnesses." These witnesses must also sign the deed, declaring that they have seen the signatures they are witnessing affixed. Care should be taken that this declaration is signed in the proper place; usually there is a space ruled off for this purpose immediately to the left of the signature of the person executing the deed. It should also be remembered that in very few cases can a wife act as a witness to the signature of her husband; it is better to avoid doing so, although a few companies will accept such attestation.—*See* Transfer, Good Delivery.

Yield.—A statement that a stock or share will yield so much per cent., means that the return to the investor is at that rate on every £100, or part of £100, of capital sunk. For instance, a 4½ per cent. stock at 108 will yield £4. 1s. 8d. per cent.—*See* also Interest, Dividend, Loss on Redemption.

York.—Great Northern Railway.

York "A," or Noras.—Great Northern Railway Deferred Consolidated "A."

York Deferred.—Great Northern Railway Deferred Converted Ordinary.

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